IMPORTANT NOTICE

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The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of ESR-MTN Pte. Ltd. ("**EMPL**"), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "**ESR-REIT Trustee**"), ESR Funds Management (S) Limited (the "**ESR-REIT Manager**"), The Hongkong and Shanghai Banking Corporation Limited (the "**Arranger**"), the Dealers (as defined in the attached information memorandum) nor any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. **We will provide a hard copy version to you upon request.**

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Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of EMPL, the ESR-REIT Trustee, the ESR-REIT Manager, the Arranger and the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of EMPL, the ESR-REIT Trustee and the ESR-REIT Manager in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession this information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.**

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Information Memorandum dated 12 September 2019

ESR-MTN PTE. LTD.

(formerly known as Cambridge-MTN Pte. Ltd.)
(Incorporated in the Republic of Singapore on 2 February 2012)
(UEN/Company Registration No. 201202505K)

RBC INVESTOR SERVICES TRUST SINGAPORE LIMITED

(formerly known as RBC Dexia Trust Services Singapore Limited)
(in its capacity as trustee of ESR-REIT)

S$750,000,000
Multicurrency Debt Issuance Programme
(the "Programme")

(in the case of Notes issued by ESR-MTN Pte. Ltd.)
unconditionally and irrevocably guaranteed by

RBC INVESTOR SERVICES TRUST SINGAPORE LIMITED

(formerly known as RBC Dexia Trust Services Singapore Limited)
(in its capacity as trustee of ESR-REIT)

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of: (i) notes (the "**Notes**") to be issued from time to time by ESR-MTN Pte. Ltd. ("**EMPL**") and RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT) (the "**ESR-REIT Issuer**" and together with EMPL, the "**Issuers**" and each, an "**Issuer**"); and (ii) perpetual securities (the "**Perpetual Securities**" and together with the Notes, the "**Securities**") to be issued from time to time by the ESR-REIT Issuer, in each case, pursuant to the Programme may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

All sums payable in respect of the Notes issued from time to time by EMPL are unconditionally and irrevocably guaranteed by RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT) (in such capacity, the "**Guarantor**").

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in connection with the Programme and application will be made for the listing and quotation of any Securities which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Securities have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of any Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuers, the Guarantor, ESR-REIT, their respective subsidiaries and/or associated companies (if any), the Programme or such Securities.

THE SECURITIES AND THE GUARANTEE (AS DEFINED HEREIN) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT (AS DEFINED HEREIN) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER).

Arranger

HSBC

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NOTICE

The Hongkong and Shanghai Banking Corporation Limited (the "**Arranger**") has been authorised by ESR-MTN Pte. Ltd. ("**EMPL**") and RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT (formerly known as Cambridge Industrial Trust)) (the "**ESR-REIT Issuer**" and together with EMPL, the "**Issuers**" and each, an "**Issuer**") to arrange the S$750,000,000 Multicurrency Debt Issuance Programme (the "**Programme**") described herein following the retirement of Australia and New Zealand Banking Group Limited as arranger of the Programme under the Programme Agreement (as defined herein), with effect from 30 March 2016. Under the Programme, the ESR-REIT Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "**Notes**") and perpetual securities (the "**Perpetual Securities**" and together with the Notes, the "**Securities**") denominated in Singapore dollars and/or any other currencies. Under the Programme, EMPL may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Notes denominated in Singapore dollars and/or any other currencies. The payment of all amounts payable in respect of the Notes issued by EMPL will be unconditionally and irrevocably guaranteed by RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT) (in such capacity, the "**Guarantor**").

This Information Memorandum contains information with regard to the Issuers, the Guarantor, ESR-REIT, the ESR-REIT Manager (as defined herein), the Property Manager (as defined herein), the Group (as defined herein), the Programme, the Securities and the Guarantee (as defined herein). Each of the Issuers and the Guarantor, having made all reasonable enquiries, confirms that this Information Memorandum contains all information (including information with regard to ESR-REIT, the Guarantor, the ESR-REIT Manager and the assets of ESR-REIT) which is material in the context of the Programme, the issue and offering of the Securities and the giving of the Guarantee, that the information in this Information Memorandum is true and accurate in all material respects, that the opinions, expectations and intentions expressed in this Information Memorandum have been carefully considered and are based on relevant considerations and facts existing at the date of this Information Memorandum, and that there are no other facts the omission of which in the context of the Programme, the issue and offering of the Securities and the giving of the Guarantee would or might make any such information or expressions of opinion, expectation or intention misleading in any material respect.

Notes may be issued in series having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than variable rate notes (as described under the section on "Summary of the Programme" herein)) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of variable rate notes) for the issue prices and rates of interest. Each series may be issued in one or more tranches on the same issue date or different issue dates. The Notes will be issued in bearer form and may be listed on a stock exchange. The Notes will initially be represented by either a Temporary Global Security (as defined herein) or a Permanent Global Security (as defined herein) which will be deposited on the issue date with either CDP (as defined herein) or a common depositary for Euroclear Bank SA/NV ("**Euroclear**"), and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or otherwise delivered as agreed between the Relevant Issuer (as defined herein) and the relevant Dealer(s) (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities of such tenor as may be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s) and may be subject to redemption or purchase in whole or in part. The Notes may bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s). The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing

Supplement (as defined herein) issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

Perpetual Securities may be issued in series having one or more issue dates, and on identical terms (including as to listing) except for the issue dates, issue prices and/or the dates of the first payment of distribution. Each series may be issued in one or more tranches on the same issue date or different issue dates. The Perpetual Securities, which may only be issued by the ESR-REIT Issuer, will be issued in bearer form only and may be listed on a stock exchange. The Perpetual Securities will initially be represented by either a Temporary Global Security or a Permanent Global Security which will be deposited on the issue date with either CDP or a common depositary for Euroclear and Clearstream, Luxembourg or otherwise delivered as agreed between the ESR-REIT Issuer and the relevant Dealer(s). Subject to compliance with all relevant laws, regulations and directives, the Perpetual Securities may be subject to redemption or purchase in whole or in part. The Perpetual Securities may confer a right to receive distributions at a fixed or floating rate. Details applicable to each series or tranche of Perpetual Securities will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Securities to be issued, when added to the aggregate principal amount of all Securities outstanding (as defined in the Trust Deed referred to herein) shall be S$750,000,000 (or its equivalent in any other currencies) or such higher amount as may be increased in accordance with the Programme Agreement. On 30 March 2016, the maximum aggregate principal amount of the Securities to be issued, when added to the aggregate principal amount of all Securities outstanding, has been increased from S$500,000,000 to S$750,000,000.

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuers, the Guarantor, the Arranger or any of the Dealers. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of any of the Issuers, the Guarantor, ESR-REIT or any of their respective subsidiaries and/or associated companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme may be used for the purpose of, or constitutes an offer of, or solicitation or invitation by or on behalf of any of the Issuers, the Guarantor, the Arranger or any of the Dealers to subscribe for or purchase, the Securities in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum or any such other document or information (or any part thereof) and the offer of the Securities in certain jurisdictions may be prohibited or restricted by law. Persons who distribute or publish this Information Memorandum or any such other document or information (or any part thereof) or into whose possession this Information Memorandum or any such other document or information (or any part thereof) comes are required to inform themselves about and to observe any such prohibitions and restrictions and all applicable laws, orders, rules and regulations.

To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Information Memorandum or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with any of the Issuers, the Guarantor, or the issue and offering of the Securities. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

The Securities and the Guarantee have not been, and will not be, registered under the Securities Act (as defined herein) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of any of the Issuers, the Guarantor, the Arranger or any of the Dealers to subscribe for or purchase, any of the Securities.

This Information Memorandum and any other document or material in relation to the issue, offering or sale of the Securities have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Securities from time to time to be issued pursuant to the Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA (as defined herein) and may not be relied upon by any person other than persons to whom the Securities are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Securities shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of any of the Issuers, the Guarantor, ESR-REIT or any of their respective subsidiaries and/or associated companies (if any) or any statement of fact or the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arranger and the Dealers have not separately verified the information contained in this Information Memorandum. None of the Arranger, the Dealers or any of their respective officers or employees is making any representation, warranty or undertaking expressed or implied as to the merits of the Securities or the subscription for, purchase or acquisition thereof or the creditworthiness or financial condition or otherwise of any of the Issuers, the Guarantor, ESR-REIT or their respective subsidiaries and/or associated companies (if any). Further, neither the Arranger nor any of the Dealers makes any representation or warranty and no responsibility or liability is accepted by the Arranger or any of the Dealers as to any of the Issuers, the Guarantor, ESR-REIT, their respective subsidiaries and/or associated companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Securities is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Guarantor, the Arranger or any of the Dealers that any recipient of this Information Memorandum or such other document or information (or any part thereof) should subscribe for or purchase any of the Securities. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Relevant Issuer, the Guarantor, ESR-REIT and their respective subsidiaries and/or associated companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its

own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Relevant Issuer, the Guarantor, ESR-REIT and their respective subsidiaries and/or associated companies (if any). Accordingly, notwithstanding anything herein, none of the Arranger, the Dealers or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Securities by a recipient of this Information Memorandum or such other document or information (or such part thereof).

Any purchase or acquisition of the Securities is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement and the issue of the Securities by the Relevant Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Securities or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuers, (where applicable) the Guarantor, the Arranger or any of the Dealers) lapse and cease to have any effect if (for any other reason whatsoever) the Securities are not issued by the Relevant Issuer pursuant to the Programme Agreement.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Securities set out under the section on "Subscription, Purchase and Distribution" on pages 199 and 201 of this Information Memorandum.

Any person(s) who is invited to purchase or subscribe for the Securities or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Securities or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to subscribe for or purchase any of the Securities consult their own legal, financial, tax and other advisers before purchasing or acquiring the Securities.

Prospective purchasers of the Securities are advised to consult their own tax advisers concerning the tax consequences of the acquisition, ownership or disposal of the Securities.

MIFID II product governance/target market – The Pricing Supplement in respect of any Securities may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Securities and which channels for distribution of the Securities are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the such target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **"MiFID II**") is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Securities is a manufacturer in respect of such Securities, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

Notification under Section 309B of the SFA – Unless otherwise stated in the Pricing Supplement in respect of any Securities, all Securities issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of each Issuer, the Guarantor, ESR-REIT and/or the Group (including statements as to each Issuer's, the Guarantor's, ESR-REIT's and/or the Group's revenue and profitability, prospects, future plans and other matters discussed in this Information Memorandum regarding matters that are not historical fact and including the financial forecasts, profit projections, statements as to the expansion plans of each Issuer, the Guarantor, ESR-REIT and/or the Group, expected growth in each Issuer, the Guarantor, ESR-REIT and/or the Group and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of each Issuer, the Guarantor, ESR-REIT and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors are discussed in greater detail under, in particular, but not limited to, the section on "Risk Factors".

Given the risks and uncertainties that may cause the actual future results, performance or achievements of each Issuer, the Guarantor, ESR-REIT or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuers, the Guarantor, the Arranger and the Dealers do not represent or warrant that the actual future results, performance or achievements of the Issuers, the Guarantor, ESR-REIT or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum (or any part thereof) nor any issue, offering, purchase or sale of any Securities by any of the Issuers shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the prospects, results of operations or general affairs of the Issuers, the Guarantor, ESR-REIT or their respective subsidiaries and/or associated companies (if any) or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum or the date on which this Information Memorandum has been most recently amended or supplemented.

Further, the Issuers, the Guarantor, the Arranger and the Dealers disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports or audited accounts (consolidated, if any) of each Issuer, the Guarantor, ESR-REIT and its subsidiaries (if any), (2) the unaudited financial statements of each Issuer, the Guarantor, ESR-REIT and its subsidiaries (if any) which is made available on SGXNET (as defined herein) and (3) any supplement or amendment to this Information Memorandum issued by the Issuers. This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Securities, any Pricing Supplement in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

Copies of all documents deemed incorporated by reference herein are available for inspection at the specified office of the Issuing and Paying Agent (as defined herein).

DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

"**AEI**"	:	Asset enhancement initiatives.
"**Agency Agreement**"	:	The agency agreement dated 2 February 2012 between (1) EMPL, as issuer, (2) RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT), as guarantor, (3) the Issuing and Paying Agent, as issuing and paying agent, (4) the Agent Bank, as agent bank, and (5) the Trustee, as trustee, as amended and restated by an amendment and restatement agency agreement dated 30 March 2016 between (1) the Issuers, as issuers, (2) the Guarantor, as guarantor for Notes issued by EMPL, (3) the Issuing and Paying Agent, as issuing and paying agent, (4) the Agent Bank, as agent bank, and (5) the Trustee, as trustee, and as further amended, varied or supplemented from time to time.
"**Agent Bank**"	:	British and Malayan Trustees Limited.
"**Arranger**"	:	The Hongkong and Shanghai Banking Corporation Limited.
"**Board**"	:	The Board of Directors.
"**BTS**"	:	Built-to-suit.
"**Business Day**"	:	In respect of each Security, (a) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and CDP, as applicable, are operating, (b) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the Issuing and Paying Agent's specified office and (c) (if a payment is to be made on that day) (i) (in the case of Securities denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (ii) (in the case of Securities denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (iii) (in the case of Securities denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and in the principal financial centre for that currency.
"**Capital Markets Services Licence**"	:	The capital markets services licence issued by MAS to carry out REIT management activities.

"**CBRE**"	:	CBRE Singapore.
"**CDP**"	:	The Central Depository (Pte) Limited.
"**CEO**"	:	Chief executive officer.
"**CFO**"	:	Chief financial officer.
"**CIS Code**"	:	The Code on Collective Investment Schemes issued by the MAS, as amended or modified from time to time.
"**Clearstream, Luxembourg**"	:	Clearstream Banking S.A., and includes a reference to its successors and permitted assigns.
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time.
"**Conditions**"	:	(a) In relation to the Notes of any Series, the terms and conditions applicable thereto, which shall be substantially in the form set out in Part II of Schedule 1 to the Trust Deed, as modified, with respect to any Notes represented by a Global Security, by the provisions of such Global Security, shall incorporate any additional provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Notes of such Series and shall be endorsed on the Definitive Securities subject to amendment and completion as referred to in the first paragraph appearing after the heading "Terms and Conditions of the Notes" as set out in Part II of Schedule 1 to the Trust Deed, and any reference to a particular numbered Condition shall be construed accordingly; and (b) in relation to the Perpetual Securities of any Series, the terms and conditions applicable thereto, which shall be substantially in the form set out in Part II of Schedule 4 to the Trust Deed, as modified, with respect to any Perpetual Securities represented by a Global Security, by the provisions of such Global Security, shall incorporate any additional provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Perpetual Securities of such Series and shall be endorsed on the Definitive Securities subject to amendment and completion as referred to in the first paragraph appearing after the heading "Terms and Conditions of the Perpetual Securities" as set out in Part II of Schedule 4 to the Trust Deed, and any reference to a particular numbered Condition shall be construed accordingly.
"**COO**"	:	Chief operating officer.

"**Couponholders**"	:	The holders of the Coupons.
"**Coupons**"	:	The interest coupons appertaining to an interest-bearing Definitive Security.
"**Dealers**"	:	Persons appointed as dealers under the Programme.
"**Definitive Securities**"	:	A definitive Security in bearer form, being substantially in the form set out in Part I of Schedule 1 or, as the case may be, Part I of Schedule 4 to the Trust Deed and having, where appropriate, Coupons attached on issue.
"**Deposited Property**"	:	The gross assets of ESR-REIT, including all the authorised investments of ESR-REIT for the time being held or deemed to be held upon the trust constituted under the ESR-REIT Trust Deed.
"**EMPL**"	:	ESR-MTN Pte. Ltd. (formerly known as Cambridge-MTN Pte. Ltd.).
"**ESR**" or "**Sponsor**"	:	ESR Cayman Limited.
"**ESR-REIT**"	:	ESR-REIT (formerly known as Cambridge Industrial Trust) established in Singapore as a collective investment scheme and constituted by the ESR-REIT Trust Deed.
"**ESR-REIT Issuer**"	:	ESR-REIT Trustee, in its capacity as issuer.
"**ESR-REIT Manager**"	:	ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited), as manager of ESR-REIT.
"**ESR-REIT Trust Deed**"	:	The trust deed dated 31 March 2006 made between (1) the ESR-REIT Manager, as manager, and (2) the ESR-REIT Trustee (as amended, supplemented and/or restated by the Supplemental Deed of Amendment dated 15 August 2007, the Second Supplemental Deed dated 28 January 2009, the Third Supplemental Deed dated 13 November 2009, the Fourth Supplemental Deed dated 27 January 2010, the Fifth Supplemental Deed dated 22 April 2010, the Sixth Supplemental Deed dated 2 February 2012, the Seventh Supplemental Deed dated 18 November 2014, the Eighth Supplemental Deed dated 27 May 2015, the Ninth Supplemental Deed dated 15 March 2016, the Tenth Supplemental Deed dated 15 March 2017, the Eleventh Supplemental Deed dated 20 June 2017 and the Twelfth Supplemental Deed dated 30 November 2018, and as further amended, supplemented and/or restated from time to time).
"**ESR-REIT Trustee**"	:	RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT).

"**ESR-REIT Units**"	:	Units of ESR-REIT.
"**ESR Group**"	:	ESR and its subsidiaries.
"**ETC**"	:	Edmund Tie & Company (SEA) Pte Ltd.
"**Euro**"	:	The lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.
"**Euroclear**"	:	Euroclear Bank SA/NV, and includes a reference to its successors and permitted assigns.
"**Extraordinary Resolution**"	:	A resolution passed at a meeting of Securityholders duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast.
"**Fitch**"	:	Fitch, Inc or its successors.
"**FY**"	:	Financial year ended 31 December.
"**GFA**"	:	Gross floor area.
"**Global Security**"	:	A global Security representing Securities of one or more Tranches of the same Series, being a Temporary Global Security and/or, as the context may require, a Permanent Global Security, in each case without Coupons.
"**Gross Rental Income**"	:	Comprises net rental income (after rent rebates and provisions for rent-free periods), service charge where applicable (which is a contribution paid by tenant(s) towards the operating and maintenance expenses of the Properties and licence fees (where applicable)).
"**Gross Revenue**"	:	Gross Rental Income and other income earned from the Properties.
"**Group**"	:	ESR-REIT and its subsidiaries.
"**Guarantee**"	:	The guarantee and indemnity of the Guarantor contained in the Trust Deed.
"**Guarantor**"	:	RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT).
"**HDB**"	:	Housing and Development Board.
"**IRAS**"	:	Inland Revenue Authority of Singapore.

"**Issuers**"	:	ESR-MTN Pte. Ltd. and RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT).
"**Issuing and Paying Agent**"	:	British and Malayan Trustees Limited.
"**ITA**"	:	Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time.
"**JTC**"	:	Jurong Town Corporation.
"**Latest Practicable Date**"	:	6 September 2019.
"**Listing Manual**"	:	The Listing Manual of the SGX-ST.
"**MAS**"	:	The Monetary Authority of Singapore.
"**Moody's**"	:	Moody's Investors Service, Inc. or its successors.
"**Net Property Income**"	:	Consists of Gross Revenue less Property Expenses.
"**Noteholders**"	:	The holders of the Notes.
"**Notes**"	:	The notes to be issued by the Issuers under the Programme.
"**Permanent Global Security**"	:	A Global Security representing Securities of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Security being substantially in the form set out in Schedule 3 or, as the case may be, Schedule 6 to the Trust Deed.
"**Perpetual Securities**"	:	The perpetual securities to be issued by the ESR-REIT Issuer under the Programme.
"**Perpetual Securityholders**"	:	The holders of the Perpetual Securities.
"**Pricing Supplement**"	:	In relation to a Series or Tranche, a pricing supplement, to be read in conjunction with this Information Memorandum, specifying the relevant issue details in relation to such Series or, as the case may be, Tranche, being substantially in the form set out in Appendix 2 or, as the case may be, Appendix 3 to the Programme Agreement.
"**Programme**"	:	The S$750,000,000 Multicurrency Debt Issuance Programme of the Issuers.

"**Programme Agreement**"	:	The programme agreement dated 2 February 2012 made between (1) EMPL, as issuer, (2) RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT), as guarantor, (3) Australia and New Zealand Banking Group Limited, as arranger, and (4) Australia and New Zealand Banking Group Limited, as dealer, as amended and restated by an amendment and restatement programme agreement dated 30 March 2016 made between (1) the Issuers, as issuers, (2) the Guarantor, as guarantor for Notes issued by EMPL, (3) the ESR-REIT Manager, as manager of ESR-REIT, (4) The Hongkong and Shanghai Banking Corporation Limited, as arranger, and (5) Australia and New Zealand Banking Group Limited, CIMB Bank Berhad, The Hongkong and Shanghai Banking Corporation Limited and United Overseas Bank Limited, as dealers, and as further amended, varied or supplemented from time to time.
"**Properties**"	:	Refers collectively to the 56 properties as set out under the section on "ESR-REIT – Property Statistics and Details – Properties and Property Types" in this Information Memorandum as at 31 December 2018 or certain of these properties (as the context requires) and "Property" shall mean any of them.
"**Property Expenses**"	:	Comprises (a) the Property Manager's fees, (b) property tax, (c) payments of land rents to JTC and HDB and (d) other property expenses, including property maintenance expenses and property insurance charges, to the extent borne by ESR-REIT.
"**Property Funds Appendix**"	:	Appendix 6 to the CIS Code issued by MAS in relation to real estate investment trusts, as amended or modified from time to time.
"**Property Management Agreements**"	:	The property management agreement entered into between the ESR-REIT Manager, the ESR-REIT Trustee and the Property Manager on 31 December 2018 for a period of three and a half years commencing from 1 January 2019 for all the properties located in Singapore which are directly owned by ESR-REIT and the property management agreement entered into between the VT Manager, the VT Trustee and the Property Manager on 31 December 2018 for a period of three and a half years commencing from 1 January 2019 in respect of all the properties which are directly owned by VT.
"**Property Manager**"	:	ESR Property Management (S) Pte Ltd (formerly known as Cambridge Industrial Property Management Pte. Ltd.), as property manager of ESR-REIT.

"**Relevant Issuer**"	:	In relation to any Tranche or Series, the Issuer which has concluded an agreement with the relevant Dealer(s) to issue, or which has issued, the Securities of that Tranche or Series.
"**REIT**"	:	Real estate investment trust.
"**Savills**"	:	Savills Valuation and Professional Services (S) Pte. Ltd.
"**Securities**"	:	The Notes and the Perpetual Securities.
"**Securities Act**"	:	Securities Act of 1933 of the United States, as amended.
"**Securityholders**"	:	The Noteholders and the Perpetual Securityholders.
"**Senior Perpetual Securities**"	:	Perpetual Securities which are expressed to rank as senior obligations of the ESR-REIT Issuer pursuant to Condition 2(a) of the Perpetual Securities.
"**Series**"	:	(1) (in relation to Securities other than variable rate notes) a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of (in the case of Notes other than variable rate notes) interest or (in the case of Perpetual Securities) distribution and (2) (in relation to variable rate notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest.
"**SFA**"	:	Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time.
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited.
"**SGXNET**"	:	The online announcement portal of SGX-ST.
"**Shares**"	:	Ordinary shares in the capital of EMPL.
"**sq ft**"	:	Square feet.
"**Standard & Poor's**"	:	Standard & Poor's Ratings Services or its successors.
"**STB**"	:	Single-tenanted buildings.
"**Subordinated Perpetual Securities**"	:	Perpetual Securities which are expressed to rank as subordinated obligations of the ESR-REIT Issuer pursuant to Condition 2(b) of the Perpetual Securities.

"**Subsidiary**" or "**subsidiary**"	:	Any company which is, for the time being, a subsidiary (within the meaning of Section 5 of the Companies Act) and, in relation to ESR-REIT, means any company, corporation, trust, fund or other entity (whether or not a body corporate): (a) which is controlled, directly or indirectly, by ESR-REIT (acting through the ESR-REIT Trustee in its capacity as the trustee of ESR-REIT); or (b) more than half the interests of which is beneficially owned, directly or indirectly, by ESR-REIT (acting through the ESR-REIT Trustee in its capacity as the trustee of ESR-REIT); or (c) which is a subsidiary of any company, corporation, trust, fund or other entity (whether or not a body corporate) to which paragraph (a) or (b) above applies, and for these purposes, any company, corporation, trust, fund or other entity (whether or not a body corporate) shall be treated as being controlled by ESR-REIT if ESR-REIT (whether through its trustee or otherwise) is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.
"**TARGET System**"	:	The Trans-European Automated Real-time Gross Settlement Express Transfer payment system.
"**Temporary Global Security**"	:	A Global Security representing Securities of one or more Tranches of the same Series on issue, being substantially in the form set out in Schedule 2 or, as the case may be, Schedule 5 to the Trust Deed.
"**Tranche**"	:	Securities which are identical in all respects (including as to listing).
"**Trust Deed**"	:	The trust deed dated 2 February 2012 made between (1) EMPL, as issuer, (2) RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT), as guarantor, and (3) the Trustee, as trustee, as supplemented by the supplemental trust deed dated 1 March 2012 made between the same parties, and as amended and restated by an amendment and restatement trust deed dated 30 March 2016 and by an amendment and restatement trust deed dated 12 September 2019 made between (1) the Issuers, as issuers, (2) the Guarantor, as guarantor for Notes issued by EMPL, and (3) the Trustee, as trustee, and as further amended, varied or supplemented from time to time.

"**Trustee**"	:	British and Malayan Trustees Limited.
"**Unit**"	:	An undivided interest in ESR-REIT as provided for in the ESR-REIT Trust Deed.
"**Unitholders**"	:	The holders of the Units.
"**VI-REIT**"	:	Previously Viva Industrial Real Estate Investment Trust, comprising part of VIT, and now known as "Viva Trust".
"**VIT**"	:	Viva Industrial Trust, a stapled group comprising VI-REIT and Viva Industrial Business Trust.
"**VT**"	:	Viva Trust (formerly known as VI-REIT).
"**VT Manager**"	:	ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited), as manager of VT.
"**VT Trustee**"	:	Perpetual (Asia) Limited (formerly known as The Trust Company (Asia) Limited) (in its capacity as trustee of VT).
"**S$**" or "**$**" and "**cents**"	:	Singapore dollars and cents respectively.
"**United States**" or "**U.S.**"	:	United States of America.
"**Unitholders**"	:	Holders of ESR-REIT Units.
"**US$**" or "**US dollars**"	:	United States dollars.
"**%**"	:	Per cent.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

CORPORATE INFORMATION

ESR-MTN Pte. Ltd.

Board of Directors	:	Mr Adrian Chui Wai Yin Mr Ooi Eng Peng
Company Secretary	:	Ms Angeline Chiang Wai Ming
Registered Office	:	138 Market Street #26-03/04 CapitaGreen Singapore 048946
Auditors	:	Ernst & Young LLP One Raffles Quay Level 18 North Tower Singapore 048583

RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT)

Registered Office	:	8 Marina View #26-01 Asia Square Tower 1 Singapore 018960
Auditors for ESR-REIT	:	Ernst & Young LLP One Raffles Quay Level 18 North Tower Singapore 048583

ESR Funds Management (S) Limited (in its capacity as manager of ESR-REIT)

Board of Directors	:	Mr Ooi Eng Peng Mr Bruce Kendle Berry Dr Leong Horn Kee Mr Ronald Lim Cheng Aun Ms Stefanie Yuen Thio Mr Philip John Pearce Mr Jeffrey David Perlman Mr Tong Jinquan Mr Wilson Ang Poh Seong Mr Adrian Chui Wai Yin
Company Secretary	:	Ms Angeline Chiang Wai Ming
Registered Office	:	138 Market Street #26-03/04 CapitaGreen Singapore 048946

ESR Property Management (S) Pte Ltd (in its capacity as property manager of ESR-REIT)

Board of Directors	:	Mr Jeffrey David Perlman Mr Jeffrey Shen Jinchu Mr Cho Wee Peng Mr Leow Chye Teck Steven
Company Secretary	:	Ms Angeline Chiang Wai Ming
Registered Office	:	138 Market Street #26-03/04 CapitaGreen Singapore 048946

Arranger of the Programme

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay #10-01
HSBC Building
Singapore 049320

Legal Adviser to the Arranger and the Trustee

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321

Legal Adviser to EMPL and the ESR-REIT Manager

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

Legal Adviser to the ESR-REIT Trustee

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

Issuing and Paying Agent and Agent Bank

British and Malayan Trustees Limited
1 Coleman Street
#08-01 The Adelphi
Singapore 179803

Trustee for the Noteholders

British and Malayan Trustees Limited
1 Coleman Street
#08-01 The Adelphi
Singapore 179803

SUMMARY OF THE PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Programme Agreement, the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

Issuers	:	ESR-MTN Pte. Ltd. and RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT).
Guarantor (in the case of Notes issued by EMPL)	:	RBC Investor Services Trust Singapore Limited (formerly known as RBC Dexia Trust Services Singapore Limited) (in its capacity as trustee of ESR-REIT).
Arranger	:	The Hongkong and Shanghai Banking Corporation Limited.
Dealers	:	Australia and New Zealand Banking Group Limited, CIMB Bank Berhad, The Hongkong and Shanghai Banking Corporation Limited, United Overseas Bank Limited and/or such other Dealers as may be appointed by the Issuers in accordance with the Programme Agreement.
Trustee	:	British and Malayan Trustees Limited.
Issuing and Paying Agent and Agent Bank	:	British and Malayan Trustees Limited.
Description	:	S$750,000,000 Multicurrency Debt Issuance Programme.
Programme Size	:	The maximum aggregate principal amount of the Securities outstanding at any time shall be S$750,000,000 (or its equivalent in other currencies) or such higher amount as may be increased in accordance with the Programme Agreement.
Guarantee	:	In the case of Notes issued by EMPL, the payment of all sums payable by EMPL under the Trust Deed, the Notes and the Coupons relating to them will be unconditionally and irrevocably guaranteed by the Guarantor.
Currency	:	Subject to compliance with all relevant laws, regulations and directives, Securities may be issued in Singapore dollars or any other currency agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s).
Method of Issue	:	Securities may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.

Issue Price	:	Securities may be issued at par or at a discount, or premium, to par.
Form and Denomination of Securities	:	The Securities will be issued in bearer form only and in such denominations as may be agreed between the Relevant Issuer and the relevant Dealer(s). Each Tranche or Series of Securities may initially be represented by a Temporary Global Security or a Permanent Global Security. Each Temporary Global Security may be deposited on the relevant issue date with CDP, a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Security or Definitive Securities (as indicated in the applicable Pricing Supplement). Each Permanent Global Security may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for Definitive Securities upon the terms therein.
Custody of the Securities	:	Securities which are to be listed on the SGX-ST may be cleared through CDP. Securities which are to be cleared through CDP are required to be kept with CDP as authorised depository. Securities which are cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a common depositary for Euroclear and Clearstream, Luxembourg.
Listing	:	Each Series of the Securities may, if so agreed between the Relevant Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Relevant Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained. For so long as any Securities are listed on the SGX-ST and the rules of the SGX-ST so require, such Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) or such other amount as may be allowed or required from time to time.
Rating	:	Each Tranche of Securities issued under the Programme may be rated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, downgrade or withdrawal at any time by the assigning rating agency.
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of Securities and the distribution of offering material relating to the Securities, see the section on "Subscription, Purchase and Distribution" herein. Further restrictions may apply in connection with any particular Series or Tranche of Securities.

Governing Law	:	The Programme, the Guarantee and any Securities issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore.

NOTES

Tenor	:	Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities of such tenor as may be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s).
Redemption upon Maturity	:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face.
Interest Basis	:	Notes may bear interest at fixed, floating, variable or hybrid rates or may not bear interest.
Fixed Rate Notes	:	Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity.
Floating Rate Notes	:	Floating Rate Notes which are denominated in Singapore dollars will bear interest to be determined separately for each Series by reference to S$ SIBOR or S$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Relevant Issuer and the relevant Dealer(s) prior to their issue. Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s).
Variable Rate Notes	:	Variable Rate Notes will bear interest at a variable rate determined in accordance with the Conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s) prior to their issue.

Hybrid Notes	:	Hybrid Notes will bear interest, during the fixed rate period to be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrear on specified dates and, during the floating rate period to be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s), at the rate of interest to be determined by reference to S$ SIBOR or S$ SWAP RATE (or such other benchmark as may be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s)), as adjusted for any applicable margin (provided that if the Hybrid Notes are denominated in a currency other than Singapore dollars, such Hybrid Notes will bear interest to be determined separately by reference to such benchmark as may be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the Relevant Issuer, (where the Relevant Issuer is the ESR-REIT Issuer) the ESR-REIT Manager and the relevant Dealer(s).
Zero Coupon Notes	:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment.
Status of the Notes and the Guarantee	:	The Notes and Coupons of all Series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Relevant Issuer. The payment obligations of the Guarantor under the Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.
Redemption and Purchase	:	If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Relevant Issuer and/or the Noteholders. Further, if so provided on the face of the Note and the relevant Pricing Supplement, Notes may be purchased by the Relevant Issuer (either in whole or in part) prior to their stated maturity at the option of the Relevant Issuer and/or the Noteholders.

Redemption for Taxation Reasons	:	If so provided on the face of the Note and the relevant Pricing Supplement, the Notes may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Interest Payment Date (as defined in the Conditions of the Notes) or, if so specified on the face of the Note and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount (as defined in the Conditions of the Notes) or (in the case of Zero Coupon Notes) Early Redemption Amount (as defined in the Conditions of the Notes) (together with interest accrued to (but excluding) the date fixed for redemption), if: (a) the Relevant Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Notes, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement; and (b) such obligations cannot be avoided by the Relevant Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Relevant Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.
Mandatory Redemption upon Termination of ESR-REIT	:	In the event that ESR-REIT is terminated in accordance with the provisions of the ESR-REIT Trust Deed, the Relevant Issuer shall redeem all (and not some only) of the Notes at their Redemption Amount together with interest accrued to the date fixed for redemption on any date on which interest is due to be paid on such Notes or, if earlier, the date of termination of ESR-REIT.
Mandatory Redemption upon Cessation of Trading of Units	:	In the event that the Units cease to be listed and/or traded on the SGX-ST, the Relevant Issuer shall redeem all (and not some only) of the Notes at their Redemption Amount, together with interest accrued to the date fixed for redemption, not later than the date falling 30 days after the date of cessation of listing or trading.

Negative Pledge of EMPL : EMPL has covenanted with the Trustee that so long as any of the Notes or Coupons remains outstanding, it will not, and will procure that none of its subsidiaries falling within the Group will, create or have outstanding any security on or over their respective present or future assets, save for:

(a) liens or rights of set-off arising in the ordinary course of its business or by operation of law; and

(b) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

Negative Pledge of the ESR-REIT Trustee : The ESR-REIT Trustee (whether as issuer or guarantor) has covenanted with the Trustee that so long as any of the Notes or Coupons remains outstanding, it will not, and will procure that the Principal Subsidiaries will not, create or permit to be created any security over any of their respective assets and properties, present or future save for:

(a) (1) any security over any asset existing on or prior to 2 February 2012 securing credit facilities extended by banks and other financial institutions to the Group and as disclosed in writing to the Trustee on or prior to 2 February 2012, and any security to be created over any asset which is the subject of such existing security in connection with the extension, refinancing or increase in the facility limit of such credit facilities secured by such asset, or (2) any security over any asset referred to in (1) created in connection with the taking out of new credit facilities extended by banks and other financial institutions to the Group which ranks, in point of priority, completely after such existing security referred to in (1), provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings (as defined below) outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property (as defined below) of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit (as defined below);

(b) any security existing at the time of the acquisition of any asset directly or indirectly (by way of share purchase, purchase of asset-backed securities or otherwise) acquired after 2 February 2012 securing credit facilities extended by banks and other financial institutions to the Group and any security created on that asset in connection with the extension, refinancing or increase in the facility limit of such credit facilities secured by the security over such asset at any time, provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit;

(c) liens or rights of set off arising in the ordinary course of its business or by operation of law (or by an agreement evidencing the same), in either case, in respect of indebtedness which either (i) has been due for less than 14 business days or (ii) is being contested in good faith and by appropriate means;

(d) pledges of goods and/or related documents of title, arising in the ordinary course of its business, as security for bank borrowings directly relating to the purchase of such goods;

(e) any security created on any asset after 2 February 2012 for the sole purpose of securing moneys raised pursuant to the issuance (whether by it or a special purpose vehicle) of any commercial mortgage backed securities ("**CMBS**") or any security to be created over any asset to be substituted for any asset which is the subject matter of such CMBS, provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit;

(f) any security over any assets created in connection with credit facilities extended by banks and other financial institutions to the Group at any time and from time to time provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit; and

(g) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

Financial Covenants : In the Trust Deed, the ESR-REIT Trustee (whether as issuer or guarantor) has covenanted with the Trustee that so long as any of the Notes or Coupons remains outstanding, it will, at all times, ensure that:

(a) the ratio of Consolidated Total Borrowings to Consolidated Deposited Property is not in breach of the Aggregate Leverage Limit; and

(b) the ratio of Consolidated EBITDA to Consolidated Interest Expense shall be at least 1.5 times.

For the purposes herein:

(1) "**Aggregate Leverage Limit**" means the limit set out in paragraph 9.2 of the Property Funds Appendix (or such other equivalent or substitute provision as may be set out in the Property Funds Appendix from time to time);

(2) "**Consolidated Deposited Property**" means the total assets of the Group based on the audited and unaudited consolidated financial statements of the Group calculated and interpreted in accordance with the general accepted accounting principles in Singapore, having regard to the Property Funds Appendix;

(3) "**Consolidated EBITDA**" means, in relation to any period, the total operating profit of the Group for that period:

(A) before taking into account for that period:

(I) Consolidated Interest Expense;

(II) tax; and

(III) extraordinary and exceptional items; and

(B) after adding back all amounts provided for depreciation and amortisation for that period,

as determined from the financial statements of the Group. For the avoidance of doubt, Consolidated EBITDA does not include fair value changes in investment properties and fair value changes in financial derivatives, other assets and liabilities;

(4) "**Consolidated Interest Expense**" means, in relation to any period, the aggregate amount of interest (whether or not paid, payable or capitalised) accrued in respect of borrowings of the Group, calculated on a consolidated basis and adjusted (but without double counting) by including the net amount payable (or excluding the net amount receivable) in respect of that period under any interest or (so far as they relate to interest) currency hedging arrangements relating to such borrowings of Group (and excluding, for the avoidance of doubt, the amortisation of debt-related transaction costs and any interest expense in respect of lease liabilities arising from the adoption of Singapore Financial Reporting Standards (International) 16 Leases); and

(5) "**Consolidated Total Borrowings**" means the aggregate of total borrowings and deferred payments of the Group required by the Property Funds Appendix to be taken into account for the purpose of computing its Aggregate Leverage Limit.

Further Covenants	:	In the Trust Deed, the Issuers and the Guarantor have jointly and severally covenanted with the Trustee that so long as any of the Notes remains outstanding, inter alia: (a) each of them will ensure that the ESR-REIT Trustee will at all times own (directly or indirectly) the whole of the issued share capital for the time being of EMPL; and (b) the ESR-REIT Trustee will comply with the Property Funds Appendix.
Events of Default	:	See Condition 9 of the Notes.
Taxation	:	All payments in respect of the Notes and the Coupons by the Relevant Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Relevant Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, please see the section on "Singapore Taxation" herein.

PERPETUAL SECURITIES

No Fixed Maturity	:	The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the ESR-REIT Issuer shall only have the right (but not the obligation) to redeem or purchase them in accordance with the provisions of the Conditions of the Perpetual Securities.
Distribution Basis	:	Perpetual Securities may confer a right to receive distribution at fixed or floating rates.
Fixed Rate Perpetual Securities	:	Fixed Rate Perpetual Securities will confer a right to receive distribution at a fixed rate which will be payable in arrear on specified dates. If so provided on the face of the Fixed Rate Perpetual Securities, the distribution rate may be reset on such dates and bases as may be set out in the applicable Pricing Supplement.

Floating Rate Perpetual Securities	:	Floating Rate Perpetual Securities which are denominated in Singapore dollars will confer a right to receive distribution at a rate to be determined separately for each Series by reference to S$ SIBOR or S$ SWAP RATE (or in any other case such other benchmark as may be agreed between the ESR-REIT Issuer, the ESR-REIT Manager and the relevant Dealer(s)), as adjusted for any applicable margin. Distribution periods in relation to the Floating Rate Perpetual Securities will be agreed between the ESR-REIT Issuer, the ESR-REIT Manager and the relevant Dealer(s) prior to their issue. Floating Rate Perpetual Securities which are denominated in other currencies will confer a right to receive distribution at a rate to be determined separately for each Series by reference to such other benchmark as may be agreed between the ESR-REIT Issuer, the ESR-REIT Manager and the relevant Dealer(s).
Distribution Discretion	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the ESR-REIT Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date (as defined in the Conditions of the Perpetual Securities) by giving notice to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 13 of the Perpetual Securities) not more than 15 nor less than three business days (or such other notice period as may be specified on the face of the Perpetual Security and the relevant Pricing Supplement) prior to a scheduled Distribution Payment Date (as defined in the Conditions of the Perpetual Securities).
Non-Cumulative Deferral and Cumulative Deferral	:	If Non-Cumulative Deferral is set out on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 3(IV) of the Perpetual Securities is non-cumulative and will not accrue interest. The ESR-REIT Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The ESR-REIT Issuer may, at its sole discretion (and is not obliged to), and at any time, elect to pay an amount up to the amount of distribution which is unpaid (an "**Optional Distribution**") in whole or in part by complying with the notice requirements in Condition 3(IV)(e) of the Perpetual Securities. There is no limit on the number of times or the extent of the amount with respect to which the ESR-REIT Issuer can elect not to pay distributions pursuant to Condition 3(IV) of the Perpetual Securities.

If Cumulative Deferral is set out on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 3(IV) of the Perpetual Securities shall constitute "**Arrears of Distribution**". The ESR-REIT Issuer may, at its sole discretion (and is not obliged to), elect to (in the circumstances set out in Condition 3(IV)(a) of the Perpetual Securities) further defer any Arrears of Distribution by complying with the notice requirement in Condition 3(IV)(e) of the Perpetual Securities applicable to any deferral of an accrued distribution. The ESR-REIT Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to Condition 3(IV) of the Perpetual Securities except that Condition 3(IV)(c) of the Perpetual Securities shall be complied with until all outstanding Arrears of Distribution have been paid in full.

If Additional Distribution is set out on the face of the Perpetual Security and the relevant Pricing Supplement, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to Condition 3 of the Perpetual Securities and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of Condition 3 of the Perpetual Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Restrictions in the case of Non-Payment : If Dividend Stopper is set out on the face of the Perpetual Security and the relevant Pricing Supplement and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of Condition 3(IV) of the Perpetual Securities, the ESR-REIT Issuer shall not and shall procure that none of the subsidiaries of ESR-REIT shall:

(a) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the ESR-REIT Issuer's Junior Obligations (as defined below) or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the ESR-REIT Issuer's Parity Obligations (as defined below); or

(b) redeem, reduce, cancel, buy-back or acquire for any consideration and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of any of the ESR-REIT Issuer's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the ESR-REIT Issuer's Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, consultants or directors of the Group (as defined in the Trust Deed) or (2) as a result of the exchange or conversion of Parity Obligations of the ESR-REIT Issuer for Junior Obligations of the ESR-REIT Issuer unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the ESR-REIT Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the ESR-REIT Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.

Status of the Senior Perpetual Securities : The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the ESR-REIT Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the ESR-REIT Issuer.

Status of the Subordinated Perpetual Securities : The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the ESR-REIT Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves and *pari passu* with any Parity Obligations of the ESR-REIT Issuer.

In the Conditions of the Perpetual Securities, "**Parity Obligation**" means any instrument or security (including without limitation any preference units in ESR-REIT) issued, entered into or guaranteed by the ESR-REIT Issuer (1) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with a ESR-REIT Notional Preferred Unit (as defined below) and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the ESR-REIT Issuer and/or, in the case of an instrument or security guaranteed by the ESR-REIT Issuer, the issuer thereof.

Subordination of Subordinated Perpetual Securities	:	Subject to the insolvency laws of Singapore and other applicable laws, in the event of the bankruptcy, termination, winding-up, liquidation or similar proceedings in respect of ESR-REIT (the "**Winding-Up**"), there shall be payable by the ESR-REIT Issuer in respect of each Subordinated Perpetual Security (in lieu of any other payment by the ESR-REIT Issuer), such amount, if any, as would have been payable to such Perpetual Securityholder if, on the day prior to the commencement of the Winding-Up of ESR-REIT, and thereafter, such Perpetual Securityholder were the holder of one of a class of preferred units in the capital of ESR-REIT (and if more than one class of preferred units is outstanding, the most junior ranking class of such preferred units) (the "**ESR-REIT Notional Preferred Units**") having an equal right to return of assets in the Winding-Up of ESR-REIT and so ranking *pari passu* with the holders of that class or classes of preferred units (if any) which have a preferential right to return of assets in the Winding-Up of ESR-REIT, and so rank ahead of, the holders of Junior Obligations of the ESR-REIT Issuer, but junior to the claims of all other present and future creditors of the ESR-REIT Issuer (other than Parity Obligations of the ESR-REIT Issuer), on the assumption that the amount that such Perpetual Securityholder was entitled to receive in respect of each ESR-REIT Notional Preferred Unit on a return of assets in such Winding-Up of ESR-REIT were an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Subordinated Perpetual Security together with distributions including any Arrears of Distribution and any Additional Distribution Amount accrued and unpaid since the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) and any unpaid Optional Distributions in respect of which the ESR-REIT Issuer has given notice to the Perpetual Securityholders in accordance with the Conditions of the Perpetual Securities.

		In the Conditions of the Perpetual Securities, "**Junior Obligation**" means any class of equity capital in ESR-REIT and any instrument or security issued, entered into or guaranteed by the ESR-REIT Issuer, other than any instrument or security (including without limitation any preferred units) ranking in priority in payment and in all other respects to the ordinary units of ESR-REIT.
Set-off in relation to the Perpetual Securities	:	Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding, counterclaim, compensation or retention in respect of any amount owed to it by the ESR-REIT Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding, counterclaim, compensation or retention against the ESR-REIT Issuer. Notwithstanding the preceding sentence, if at any time any Perpetual Securityholder receives payment or benefit of any sum in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them (including any benefit received pursuant to any set-off, deduction, withholding, counterclaim, compensation or retention) other than in accordance with the Condition of the Perpetual Securities, the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes and such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the ESR-REIT Issuer (or, in the event of ESR-REIT's Winding-Up, the liquidator of ESR-REIT) and, until such time as payment is made, shall hold such amount in trust for the ESR-REIT Issuer (or the liquidator of ESR-REIT) and accordingly any such discharge shall be deemed not to have taken place.
Redemption at the Option of the ESR-REIT Issuer	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the ESR-REIT Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer's Redemption Option Period shown on the face of the Perpetual Security and the relevant Pricing Supplement, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount (as defined in the Conditions of the Perpetual Securities) or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) to (but excluding) the date fixed for redemption.

Redemption for Taxation Reasons	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the ESR-REIT Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if: (a) the ESR-REIT Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 of the Perpetual Securities, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement or as a result of a position adopted by any political subdivision or any authority of or in Singapore having power to tax, which causes the Perpetual Securities to not qualify as "qualifying debt securities" for the purposes of the ITA, which position is made public on or after the Issue Date or any other date specified in the Pricing Supplement; and (b) such obligations cannot be avoided by the ESR-REIT Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than days prior to the earliest date on which the ESR-REIT Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.
Redemption for Accounting Reasons	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the ESR-REIT Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or

immediately before giving such notice, as a result of any changes or amendments to the Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council (as amended from time to time, the "**SFRS**") or any other accounting standards that may replace SFRS for the purposes of the consolidated financial statements of ESR-REIT (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of ESR-REIT pursuant to the Relevant Accounting Standard.

Redemption for Tax Deductibility : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the ESR-REIT Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if the ESR-REIT Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

(a) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued otherwise on or after the Issue Date;

(b) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued otherwise on or after the Issue Date; or

(c) any applicable official interpretation or pronouncement (which, for the avoidance of doubt, includes any ruling) which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is announced on or after the Issue Date,

payments of distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the ESR-REIT Issuer which would otherwise have been regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA, are no longer, or would in the Distribution Period (as defined in the Conditions of the Perpetual Securities) immediately following that Distribution Payment Date no longer be so regarded.

Redemption in the case of Minimal Outstanding Amount	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the ESR-REIT Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.
Redemption upon a Regulatory Event	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the ESR-REIT Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, at any time at their principal amount, together with distributions (including any Arrears of Distribution and any Additional Distribution Amount) accrued from the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on the ESR-REIT Issuer giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), if the ESR-REIT Issuer satisfies the Trustee immediately prior to the giving of such notice that as a result of any change in, or amendment to, the Property Funds Appendix, or any change in the application or official interpretation of the Property Funds Appendix, the Perpetual Securities count or will count towards the Aggregate Leverage (as defined in the Conditions of the Perpetual Securities) under the Property Funds Appendix (a "**Regulatory Event**"), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Perpetual Securities will count towards the Aggregate Leverage.
Redemption upon a Ratings Event	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the ESR-REIT Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or immediately before giving such notice, an amendment, clarification or change has occurred, or will occur, in the equity credit criteria, guidelines or methodology of any Rating Agency (as defined in the Trust Deed) or any other

		rating agency of equivalent recognised standard requested from time to time by the ESR-REIT Issuer to grant an equity classification to the Perpetual Securities and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Perpetual Securities than the equity credit assigned on the Issue Date or, if equity credit is not assigned on the Issue Date, at the date when equity credit is assigned for the first time (a "**Ratings Event**").
Limited right to institute proceedings in relation to Perpetual Securities	:	The right to institute proceedings for the Winding-Up of ESR-REIT is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the ESR-REIT Issuer has elected not to pay that distribution in accordance with Condition 3(IV) of the Perpetual Securities.
Proceedings for winding-up	:	If (i) a final and effective order is made or an effective resolution is passed for the Winding-Up of ESR-REIT or (ii) the ESR-REIT Issuer fails to make payment in respect of the Perpetual Securities when due and such default continues for a period of three business days after the due date, the ESR-REIT Issuer shall be deemed to be in default under the Trust Deed and the Perpetual Securities and the Trustee may, subject to the provisions of Condition 8(d) of the Perpetual Securities, institute proceedings for the Winding-Up of ESR-REIT and/or prove in the Winding-Up of ESR-REIT and/or claim in the liquidation of ESR-REIT for such payment.
Taxation	:	Where the Perpetual Securities are recognised as debt securities for Singapore income tax purposes, all payments in respect of the Perpetual Securities and the Coupons by the ESR-REIT Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the ESR-REIT Issuer shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. Where the Perpetual Securities are not recognised as debt securities for Singapore income tax purposes, all payments in respect of the Perpetual Securities and the Coupons by or on behalf of the ESR-REIT Issuer may be subject to any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by within Singapore or any authority thereof or therein having power to tax in the same

manner as distributions on ordinary units of ESR-REIT, and ESR-REIT may be obliged (in certain circumstances) to withhold or deduct tax at the prevailing rate (currently 10% or 17%) under Section 45G of the ITA. In that event, the ESR-REIT Issuer will not pay any additional amounts in respect of any such withholding or deduction from payments in respect of the Perpetual Securities and the Coupons for or on account of any such taxes or duties. For further details, please see the section on "Singapore Taxation" herein.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form issued in exchange for the Global Security(ies) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Notes. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. Details of the relevant Series will be shown on the face of the relevant Notes and in the relevant Pricing Supplement.*

The Notes are constituted by a trust deed dated 2 February 2012 made between (1) Cambridge-MTN Pte. Ltd. ("**CMPL**"), as issuer, (2) RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of Cambridge Industrial Trust ("**CIT**")), as guarantor, and (3) British and Malayan Trustees Limited (the "**Trustee**", which expression shall, wherever the context so admits, include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee (as supplemented by a supplemental deed dated 1 March 2012 made between (1) CMPL, as issuer, (2) RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of CIT), as guarantor, and (3) the Trustee, as trustee, as amended and restated by an amendment and restatement trust deed dated 30 March 2016 made between (1) CMPL and RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as issuers, (2) RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as guarantor for Notes issued by CMPL, and (3) the Trustee, as trustee, and as further amended and restated by an amendment and restatement trust deed dated 12 September 2019 made between (1) ESR-MTN Pte. Ltd (formerly known as Cambridge-MTN Pte. Ltd.) ("**EMPL**") and RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT (formerly known as Cambridge Industrial Trust)) (the "**ESR-REIT Issuer**" and together with EMPL, the "**Issuers**" and each an "**Issuer**"), as issuers, (2) RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT), as guarantor for Notes issued by EMPL (in such capacity, the "**Guarantor**") and (3) the Trustee, as trustee, and as further amended and supplemented from time to time, the "**Trust Deed**") and (where applicable) the Notes are issued with the benefit of [a deed of covenant (as supplemented by a supplemental deed of covenant dated 30 March 2016 executed by EMPL and as further amended and supplemented from time to time, the "**Deed of Covenant**") dated [2 February 2012, relating to the Notes executed by the EMPL][1]/[a deed of covenant (as amended and supplemented) dated 30 March 2016 relating to the Notes executed by the ESR-REIT Issuer][2].]

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which include the form of the Notes and Coupons referred to below. The Issuers and the Guarantor have entered into an agency agreement dated 2 February 2012 made between (1) CMPL, as issuer, (2) RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of CIT), as guarantor, (3) British and Malayan Trustees Limited, as issuing and paying agent (in such capacity, the "**Issuing and Paying Agent**"), (4) British and Malayan Trustees Limited, as agent bank (in such capacity, the "**Agent Bank**") and (5) the Trustee, as trustee (as amended and restated by an amendment and restatement agreement dated 30 March 2016 made between (1) the CMPL and RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as issuers, (2) RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as guarantor for Notes issued by CMPL, (3) the Issuing and Paying Agent, as issuing and paying agent, (4) the Agent Bank, as agent bank, and (5) the Trustee, as trustee, and as further amended and supplemented from time to time, the "**Agency Agreement**").

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1 Insert for Notes issued by EMPL.

2 Insert for Notes issued by the ESR-REIT Issuer.

The Noteholders and the holders of the coupons (the "**Coupons**") appertaining to the interest-bearing Notes (the "**Couponholders**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

The issue of Notes by EMPL will be guaranteed by the Guarantor. References in these Conditions to the Guarantor and the Guarantee (as defined in the Trust Deed) shall only apply to Notes issued by EMPL.

Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

1. Form, Denomination and Title

(a) Form and Denomination

(i) The Notes of the Series of which this Note forms part (in these Conditions, the "**Notes**") are issued in bearer form in each case in the Denomination Amount shown hereon.

(ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note or a Zero Coupon Note (depending upon the Interest Basis shown on its face).

(iii) Notes are serially numbered and issued with Coupons attached, save in the case of Notes that do not bear interest in which case references to interest (other than in relation to default interest referred to in Condition 6(f)) in these Conditions are not applicable.

(b) Title

(i) Title to the Notes and the Coupons appertaining thereto shall pass by delivery.

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note or Coupon shall be deemed to be and may be treated as the absolute owner of such Note or of such Coupon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

(iii) For so long as any of the Notes is represented by a Global Security and such Global Security is held by a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or The Central Depository (Pte) Limited (the "**Depository**"), each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or the Depository as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or the Depository as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the Agent Bank, all other agents of the relevant Issuer and the Trustee as the holder of such principal amount of Notes other than with respect to the payment of principal, premium, interest, redemption, purchase and/or any other amounts in respect of the Notes, for which purpose the bearer of the Global Security shall be treated by the relevant Issuer, (where the relevant Issuer is EMPL) the Guarantor, the Issuing and Paying Agent, the Agent Bank, all other agents of the relevant Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly). Notes which are represented by the Global Security will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or the Depository.

(iv) In these Conditions, "**Global Security**" means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, "**Noteholder**" means the bearer of any Definitive Security and "**holder**" (in relation to a Definitive Security or Coupon) means the bearer of any Definitive Security or Coupon, "**Series**" means (a) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (i) expressed to be consolidated and forming a single series and (ii) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (b) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and "**Tranche**" means Notes which are identical in all respects (including as to listing).

(v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. Status and Guarantee

(a) Status

The Notes and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the relevant Issuer.

(b) Guarantee

The payment of all sums expressed to be payable by EMPL under the Trust Deed, the Notes and the Coupons are unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee are contained in the Trust Deed. The payment obligations of the Guarantor under the Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

3. Negative Pledge and Financial Covenants

(a) EMPL has covenanted with the Trustee in the Trust Deed that so long as any of the Notes or Coupons remains outstanding, it will not, and will procure that none of its subsidiaries falling within the Group (as defined in the Trust Deed) will, create or have outstanding any security on or over their respective present or future assets, save for:

(i) liens or rights of set-off arising in the ordinary course of its business or by operation of law; and

(ii) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

(b) The ESR-REIT Trustee (whether as issuer or guarantor) has covenanted with the Trustee in the Trust Deed that so long as any of the Notes or Coupons remains outstanding, it will not, and will procure that the Principal Subsidiaries will not, create or permit to be created any security over any of their respective assets and properties, present or future save for:

(i) (1) any security over any asset existing on or prior to 2 February 2012 securing credit facilities extended by banks and other financial institutions to the Group and as disclosed in writing to the Trustee on or prior to 2 February 2012, and any security to be created over any asset which is the subject of such existing security in connection with the extension, refinancing or increase in the facility limit of such credit facilities secured by such asset, or (2) any security over any asset referred to in (1) created in connection with the taking out of new credit facilities extended by banks and other financial institutions to the Group which ranks, in point of priority, completely after such existing security referred to in (1), provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings (as defined below) outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property (as defined below) of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit (as defined below);

(ii) any security existing at the time of the acquisition of any asset directly or indirectly (by way of share purchase, purchase of asset-backed securities or otherwise) acquired after 2 February 2012 securing credit facilities extended by banks and other financial institutions to the Group and any security created on that asset in connection with the extension, refinancing or increase in the facility limit of such credit facilities secured by the security over such asset at any time, provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit;

(iii) liens or rights of set-off arising in the ordinary course of its business or by operation of law (or by an agreement evidencing the same), in either case, in respect of indebtedness which either (1) has been due for less than 14 business days or (2) is being contested in good faith and by appropriate means;

(iv) pledges of goods and/or related documents of title, arising in the ordinary course of its business, as security for bank borrowings directly relating to the purchase of such goods;

(v) any security created on any asset after 2 February 2012 for the sole purpose of securing moneys raised pursuant to the issuance (whether by it or a special purpose vehicle) of any commercial mortgage backed securities ("**CMBS**") or any security to be created over any asset to be substituted for any asset which is the subject matter of such CMBS, provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit;

(vi) any security over any assets created in connection with credit facilities extended by banks and other financial institutions to the Group at any time and from time to time provided that the proportion of the aggregate principal amount of Consolidated Total Borrowings outstanding of the Group which are secured by the real estate assets of the Group to the Consolidated Deposited Property of the Group (or its equivalent in any other currency or currencies) at that time shall not exceed the Aggregate Leverage Limit; and

(vii) any other security which has been approved by the Noteholders by way of an Extraordinary Resolution.

(c) The ESR-REIT Trustee (whether as issuer or guarantor) has further covenanted with the Trustee in the Trust Deed that so long as any of the Notes or Coupons remains outstanding, it will, at all times, ensure that:

(i) the ratio of Consolidated Total Borrowings to Consolidated Deposited Property is not in breach of the Aggregate Leverage Limit; and

(ii) the ratio of Consolidated EBITDA to Consolidated Interest Expense shall be at least 1.5 times.

For the purposes of this Condition 3:

(1) "**Aggregate Leverage Limit**" means the limit set out in paragraph 9.2 of the Property Funds Appendix (or such other equivalent or substitute provision as may be set out in the Property Funds Appendix (as defined under the Trust Deed) from time to time);

(2) "**Consolidated Deposited Property**" means the total assets of the Group based on the audited and unaudited consolidated financial statements of the Group calculated and interpreted in accordance with the general accepted accounting principles in Singapore, having regard to the Property Funds Appendix;

(3) "**Consolidated EBITDA**" means, in relation to any period, the total operating profit of the Group for that period:

(A) before taking into account for that period:

(I) Consolidated Interest Expense;

(II) tax; and

(III) extraordinary and exceptional items; and

(B) after adding back all amounts provided for depreciation and amortisation for that period,

as determined from the financial statements of the Group. For the avoidance of doubt, Consolidated EBITDA does not include fair value changes in investment properties and fair value changes in financial derivatives, other assets and liabilities;

(4) "**Consolidated Interest Expense**" means, in relation to any period, the aggregate amount of interest (whether or not paid, payable or capitalised) accrued in respect of borrowings of the Group, calculated on a consolidated basis and adjusted (but without double counting) by including the net amount payable (or excluding the net amount receivable) in respect of that period under any interest or (so far as they relate to interest) currency hedging arrangements relating to such borrowings of Group (and excluding, for the avoidance of doubt, the amortisation of debt-related transaction costs and any interest expense in respect of lease liabilities arising from the adoption of Singapore Financial Reporting Standards (International) 16 Leases); and

(5) "**Consolidated Total Borrowings**" means the aggregate of total borrowings and deferred payments of the Group required by the Property Funds Appendix to be taken into account for the purpose of computing its Aggregate Leverage Limit.

4. (I) Interest on Fixed Rate Notes

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 4(II)(e)) from the Interest Commencement Date in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(I) to the Relevant Date (as defined in Condition 7).

(b) Calculations

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon. The amount of interest payable per Calculation Amount in respect of a Fixed Rate Interest Period, for any Fixed Rate Note shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency.

For the purposes of these Conditions, "**Fixed Rate Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) a Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(II) Interest on Floating Rate Notes or Variable Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 4(II)(c)) in respect of any Variable Rate Note for any Interest Period (as defined below) relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(II) to the Relevant Date.

(b) Rate of Interest – Floating Rate Notes

(i) Each Floating Rate Note bears interest at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore dollars) SIBOR (in which case such Note will be a "**SIBOR Note**") or Swap Rate (in which case such Note will be a "**Swap Rate Note**") or in any other case (or in the case of Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The "**Spread**" is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 4(V)(a) below.

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Agent Bank on the basis of the following provisions:

(1) in the case of Floating Rate Notes which are SIBOR Notes:

(I) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on Page ABSI on the monitor of the Bloomberg agency under the caption "ASSOCIATION OF BANKS IN SG – SWAP OFFER AND SIBOR FIXING RATES – RATES AT 11:00 A.M. SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page (as defined below) as may be provided hereon) and as adjusted by the Spread (if any);

(II) if on any Interest Determination Date, no such rate appears on Page ABSI on the monitor of the Bloomberg agency (or such other replacement page thereof), the Agent Bank will determine the Rate of Interest for such Interest Period which shall be the rate which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof) at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);

(III) if no such rate appears on the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations and as adjusted by the Spread (if any), as determined by the Agent Bank;

(IV) if on any Interest Determination Date, two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with sub-paragraph III above on the basis of the quotations of those Reference Banks providing such quotations; and

(V) if on any Interest Determination Date, one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Notes which are Swap Rate Notes:

(I) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Agent Bank as being the rate which appears on Page ABSI on the monitor of the Bloomberg agency under the caption "ASSOCIATION OF BANKS IN SG – SWAP OFFER AND SIBOR FIXING RATES – RATES AT 11:00 A.M. London Time" and under the column headed "SGD SWAP OFFER" (or such other page as may replace Page ABSI for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Spread (if any);

(II) if on any Interest Determination Date, no such rate appears on Page ABSI on the monitor of the Bloomberg agency (or such other replacement page thereof), the Agent Bank will determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Agent Bank as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" and under the column headed "SGD SOR" (or such other page as may replace the Reuters Screen ABSFIX01 Page for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Spread (if any); and

(III) if on any Interest Determination Date the Agent Bank is otherwise unable to determine the Rate of Interest under paragraph (b)(ii)(2)(B) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any); and

(3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:

(I) if the Primary Source (as defined below) for the Floating Rate is a Screen Page, subject as provided below, the Rate of Interest in respect of such Interest Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date,

and as adjusted by the Spread (if any);

(II) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(I)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(I)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date and as adjusted by the Spread (if any); and

(III) if paragraph (b)(ii)(3)(II) applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

(iii) On the last day of each Interest Period, the relevant Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(iv) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

(c) Rate of Interest – Variable Rate Notes

(i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Agreed Yield**" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:

(1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the relevant Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:

(I) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;

(II) if interest in respect of such Variable Rate Note is agreed between the relevant Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the relevant Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Interest Amount (as defined below) for such Variable Rate Note for such Interest Period shall be zero); and

(III) if interest in respect of such Variable Rate Note is agreed between the relevant Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an "**Agreed Rate**") and, in the event of the relevant Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(2) if the relevant Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period (the "**Fall Back Rate Determination Date**"), or if there shall be no Relevant Dealer during the period for agreement referred to in sub-paragraph (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

(iii) The relevant Issuer has undertaken to the Issuing and Paying Agent and the Agent Bank that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:

(1) notify (in the case Notes issued by EMPL) the Guarantor, the Issuing and Paying Agent and the Agent Bank of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and

(2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Issuing and Paying Agent to the relevant Noteholder at its request.

(iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the "**Fall Back Rate**") determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The "**Spread**" is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note. The rate of interest so calculated shall be subject to Condition 4(V)(a) below.

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Agent Bank in accordance with the provisions of Condition 4(II)(b)(ii) above (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean "**Fall Back Rate**".

(v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the relevant Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the relevant Issuer will pay the Interest Amount for such Variable Rate Note for such Interest Period on the last day of such Interest Period.

(d) Minimum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with Condition 4(II)(b) or Condition 4(II)(c) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

(e) Definitions

As used in these Conditions:

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means in respect of each Note, (a) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and the Depository, as applicable, are operating, (b) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the Issuing and Paying Agent's specified office and (c) (if a payment is to be made on that day) (i) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (ii) (in the case of Notes denominated in Euro) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euro and (iii) (in the case of Notes denominated in a currency other than Singapore dollars and Euro) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and in the principal financial centre for that currency;

"**Calculation Amount**" means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

"**Day Count Fraction**" means, in respect of the calculation of an amount of Interest in accordance with Condition 4:

(i) if "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period divided by 365 (or, if any portion of that Fixed Rate Interest Period or, as the case may be, Interest Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 360; and

(iii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 365;

"**Euro**" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

"**Interest Determination Date**" means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

"**Primary Source**" means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Bloomberg agency or the Reuters Monitor Money Rates Service ("**Reuters**")) agreed to by the Agent Bank;

"**Reference Banks**" means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Agent Bank (in consultation with the relevant Issuer) in the interbank market that is most closely connected with the Benchmark;

"**Relevant Currency**" means the currency in which the Notes are denominated;

"**Relevant Dealer**" means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement referred to in the Agency Agreement with whom the relevant Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

"**Relevant Financial Centre**" means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

(III) Interest on Hybrid Notes

(a) Interest Rate and Accrual

Each Hybrid Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

(b) Fixed Rate Period

(i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.

(ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.

(iii) Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal (or Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(III) to the Relevant Date.

(iv) In the case of a Hybrid Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon during the Fixed Rate Period.

(c) Floating Rate Period

(i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (A) such date shall be brought forward to the immediately preceding business day and (B) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

(ii) The period beginning on (and including) the first day of the Floating Rate Period and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

(iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal (or Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(III) and the Agency Agreement to the Relevant Date.

(iv) The provisions of Condition 4(II)(b) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

(IV) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (determined in accordance with Condition 5(h)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 5(h)).

(V) Calculations

(a) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Interest Determination Date determine the Rate of Interest and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period. The amount of interest payable in respect of any Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Agent Bank will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuing and Paying Agent, the Trustee and the relevant Issuer as soon as possible after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Notes, the Agent Bank will also cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Noteholders in accordance with Condition 15 as soon as possible after their determination. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 9, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Agent Bank does not at any material time determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Trustee shall do so. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(d) Agent Bank and Reference Banks

The relevant Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero Coupon Note remains outstanding, there shall at all times be an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the relevant Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Agent Bank may not resign from its duties without a successor having been appointed as aforesaid.

(VI) Benchmark Discontinuation

In addition, notwithstanding the provisions above in the Conditions 4(II) and 4(III), if a Benchmark Event occurs in relation to a Benchmark when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Benchmark, then the following provisions shall apply:

(i) the relevant Issuer shall use commercially reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner and in consultation with the relevant Issuer), (in the case of Floating Rate Notes) no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period and (in the case of Variable Rate Notes) no later than the Fall Back Rate Determination Date (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if the relevant Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the relevant Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Benchmark for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 4(VI); *provided*, however, that if sub-paragraph (ii) applies and the relevant Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, or as the case may be, Fall Back Rate Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest (if any)) (subject, where applicable, to substituting the Spread that applied to such preceding Interest Period for the Spread that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4(VI);

(iv) if the Independent Adviser or the relevant Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the relevant Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Screen Page, Business Day Convention, business days, Interest Determination Date, or as the case may be, Fall Back Rate Determination Date and/or the definition of Benchmark applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (as applicable) determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the relevant Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Trustee and Issuing and Paying Agent shall, at the direction and expense of the relevant Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 4(VI). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee or Issuing and Paying Agent (if required); and

(v) the relevant Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread, give notice thereof to the Trustee, the Issuing and Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread and any consequential changes made to these Conditions.

For the purposes of this Condition 4(VI):

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Benchmark with the Successor Rate by any Relevant Nominating Body;

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Benchmark, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the relevant Issuer (as applicable) determines has replaced the relevant Benchmark in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Relevant Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the relevant Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the relevant Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Benchmark.

"**Benchmark Event**" means:

(i) the relevant Benchmark ceasing to be published for a period of at least five business days or ceasing to exist;

(ii) a public statement by the administrator of the relevant Benchmark that it will, by a specified date within the following six months, cease publishing the relevant Benchmark permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Benchmark);

(iii) a public statement by the supervisor of the administrator of the relevant Benchmark, that the relevant Benchmark has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of the relevant Benchmark as a consequence of which the relevant Benchmark will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or

(v) it has become unlawful for any Paying Agent the relevant Issuer or other party to calculate any payments due to be made to any Noteholder using the relevant Benchmark.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the relevant Issuer at its own expense.

"**Relevant Nominating Body**" means, in respect of a Benchmark:

(i) the central bank for the currency to which the Benchmark relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Benchmark; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Benchmark relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Benchmark, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof.

"**Successor Rate**" means the rate that the Independent Adviser or the relevant Issuer (as applicable) determines is a successor to or replacement of the Benchmark which is formally recommended by any Relevant Nominating Body.

5. Redemption and Purchase

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

(b) Purchase at the Option of the Relevant Issuer

If so provided hereon, the relevant Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes, Variable Rate Notes or Hybrid Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the relevant Issuer accordingly. To exercise such option, the relevant Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the relevant Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 10 and 11.

In the case of a purchase of some only of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Notes to be purchased, which shall have been drawn by or on behalf of the relevant Issuer in such place and in such manner as may be agreed between the relevant Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the relevant Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any purchase of such Notes.

(c) Purchase at the Option of Noteholders

(i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the relevant Issuer at their Redemption Amount on any Interest Payment Date and the relevant Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit any Variable Rate Notes to be purchased with the Issuing and Paying Agent at its specified office together with all Coupons relating to such Variable Rate Notes which mature after the date fixed for purchase, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the relevant Issuer. Such Variable Rate Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Variable Rate Notes so purchased, while held by or on behalf of the relevant Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 10 and 11.

(ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes, Floating Rate Notes or Hybrid Notes purchased by the relevant Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the relevant Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit any Notes to be purchased with the Issuing and Paying Agent at its specified office together with all Coupons relating to such Notes which mature after the date fixed for purchase, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the relevant Issuer. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the relevant Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 10 and 11.

(d) Redemption at the Option of the Relevant Issuer

If so provided hereon, the relevant Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn by or on behalf of the relevant Issuer in such place and in such manner as may be agreed between the relevant Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on the Singapore Exchange Securities Trading Limited, the relevant Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Notes.

(e) Redemption at the Option of Noteholders

If so provided hereon, the relevant Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to the date fixed for redemption. To exercise such option, the holder must deposit such Note (together with all unmatured Coupons) with the Issuing and Paying Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the relevant Issuer (as applicable) within the Noteholders' Redemption Option Period shown on the face hereof. Any Note so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the relevant Issuer.

(f) Redemption for Taxation Reasons

If so provided hereon, the Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero Coupon Notes) Early Redemption Amount (as defined in Condition 5(h) below) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the relevant Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the relevant Issuer shall deliver to the Trustee and the Issuing and Paying Agent a certificate signed by a duly authorised officer(s) of the relevant Issuer or, as the case may be, the Guarantor stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal, tax or other professional advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, the Guarantor has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

(g) Purchases

The relevant Issuer, (in the case of Notes issued by EMPL) the Guarantor or any of the respective related corporations of the relevant Issuer, (in the case of Notes issued by EMPL) the Guarantor and ESR-REIT may at any time purchase Notes at any price (provided that they are purchased together with all unmatured Coupons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Notes purchased by the relevant Issuer, (in the case of Notes issued by EMPL) the Guarantor or any of the respective related corporations of the relevant Issuer, (in the case of Notes issued by EMPL) the Guarantor and ESR-REIT may be surrendered by the purchaser through the relevant Issuer to the Issuing and Paying Agent for cancellation or may at the option of the relevant Issuer, (in the case of Notes issued by EMPL) the Guarantor or relevant related corporation be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(h) Early Redemption of Zero Coupon Notes

(i) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 5(f) or upon it becoming due and payable as provided in Condition 9, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(ii) Subject to the provisions of sub-paragraph (iii) below, the "**Amortised Face Amount**" of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(f) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 4(IV).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(i) Mandatory Redemption upon Termination of ESR-REIT

In the event that ESR-REIT is terminated in accordance with the provisions of the ESR-REIT Trust Deed (as defined in the Trust Deed), the relevant Issuer shall redeem all (and not some only) of the Notes at their Redemption Amount together with interest accrued to the date fixed for redemption on any date on which interest is due to be paid on such Notes or, if earlier, the date of termination of ESR-REIT.

The relevant Issuer shall forthwith notify the Trustee, the Agents and the Noteholders of the termination of ESR-REIT and the proposed date of redemption of the Notes. The relevant Issuer shall be bound to redeem the Notes on the date specified in such notice.

(j) Mandatory Redemption upon Cessation of Trading of Units

In the event that the units of ESR-REIT cease to be listed and/or traded on the SGX-ST (as defined in the Trust Deed), the relevant Issuer shall redeem all (and not some only) of the Notes at their Redemption Amount, together with interest accrued to the date fixed for redemption, not later than the date falling 30 days after the date of cessation of listing or trading.

The relevant Issuer shall forthwith notify the Trustee, the Agents and the Noteholders of the occurrence of the event specified above and the proposed date of redemption of the Notes. The relevant Issuer shall be bound to redeem the Notes on the date specified in the notice.

(k) Cancellation

All Notes purchased by or on behalf of the relevant Issuer, (in the case of Notes issued by EMPL) the Guarantor or any of the respective related corporations of the relevant Issuer, (in the case of Notes issued by EMPL) the Guarantor and ESR-REIT may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons to the Issuing and Paying Agent at its specified office and, if so surrendered, shall, together with all Notes redeemed by the relevant Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold.

6. Payments

(a) Principal and Interest

Payments of principal (or, as the case may be, Redemption Amounts) and interest in respect of the Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of the Issuing and Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(b) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) Appointment of Agents

The Issuing and Paying Agent initially appointed by the Issuers and its specified office are listed below. The Issuers and the Guarantor reserve the right at any time to vary or terminate the appointment of the Issuing and Paying Agent and to appoint additional or other Issuing and Paying Agents, provided that they will at all times maintain an Issuing and Paying Agent having a specified office in Singapore.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 15.

The Agency Agreement may be amended by the Issuers, the Guarantor, the Issuing and Paying Agent and the Trustee, without the consent of any holder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or where such amendment is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in which the Securities may be held, or in any manner which the Issuers, the Guarantor, the Issuing and Paying Agent and the Trustee may mutually deem necessary or desirable and which does not, in the reasonable opinion of the Issuers, the Guarantor, the Issuing and Paying Agent and the Trustee, materially prejudice the interests of the holders.

(d) Unmatured Coupons

(i) Fixed Rate Notes and Hybrid Notes should be surrendered for payment together with all unmatured Coupons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of three years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Floating Rate Note, Variable Rate Note or Hybrid Note, unmatured Coupons relating to such Note (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Where any Floating Rate Note, Variable Rate Note or Hybrid Note is presented for redemption without all unmatured Coupons relating to it (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the relevant Issuer may require.

(iv) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note.

(e) Non-business days

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) Default Interest

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes or, as the case may be, the Coupons, the relevant Issuer shall pay interest on the amount so unpaid from such due date up to the day of actual receipt by the relevant Noteholders or, as the case may be, Couponholders (as well after as before judgment) at a rate per annum determined by the Issuing and Paying Agent to be equal to two per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note, (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of a Zero Coupon Note, as provided for in the relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Issuing and Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the relevant Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the Day Count Fraction specified hereon and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the relevant Issuer.

7. Taxation

All payments in respect of the Notes and the Coupons by the relevant Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Singapore otherwise than by reason only of the holding of such Note or Coupon or the receipt of any sums due in respect of such Note or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, Singapore);

(b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or

(c) by or on behalf of a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring compliance with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note or Coupon is presented for payment.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders in accordance with Condition 15 that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 5, "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**interest**" and/or "**Early Redemption Amounts**" shall be deemed to include any additional amounts which may be payable under these Conditions.

8. Prescription

The Notes and Coupons shall become void unless presented for payment within three years from the appropriate Relevant Date for payment.

9. Events of Default

If any of the following events ("**Events of Default**") occurs the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice in writing to the relevant Issuer that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to the date of payment shall become immediately due and payable:

(a) the relevant Issuer or the Guarantor does not pay (i) the principal, the Redemption Amount or (in the case of Zero Coupon Notes) the Early Redemption Amount of any of the Notes when due and such default continues for three business days after the due date or (ii) the interest on any of the Notes when due and such default continues for five business days after the due date;

(b) the relevant Issuer or the Guarantor does not perform or comply with any one or more of its obligations (other than the payment obligation of the relevant Issuer or the Guarantor referred to in paragraph (a)) under any of the Issue Documents or any of the Notes and, if in the opinion of the Trustee that default is capable of remedy, it is not in the reasonable opinion of the Trustee remedied within 21 days after notice of such default shall have been given by the Trustee to the relevant Issuer or, as the case may be, the Guarantor;

(c) any representation, warranty or statement by the relevant Issuer or the Guarantor in any of the Issue Documents or any of the Notes or in any document delivered under any of the Issue Documents or any of the Notes is not complied with in any respect or is or proves to have been incorrect in any respect when made or deemed repeated and if the event resulting in such non-compliance or incorrectness is, in the opinion of the Trustee, capable of remedy, it is not in the reasonable opinion of the Trustee remedied within 21 days after notice of such non-compliance or incorrectness shall have been given by the Trustee to the Issuer or, as the case may be, the Guarantor;

(d) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect;

(e) (i) any other indebtedness of the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries in respect of borrowed money is or is declared to be or is capable of being rendered due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (however described) or is not paid when due or, as the case may be, within any originally applicable grace period in any agreement relating to that indebtedness; or

(ii) the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries fails to pay when due (taking into account any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided however that no Event of Default will occur under this paragraph (e) unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned above in this paragraph (e) has/have occurred equals or exceeds S$60,000,000 or its equivalent in other currency or currencies;

(f) the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or any material part of (or of a particular type of) its indebtedness (other than those contested in good faith and by appropriate proceedings), begins negotiations or takes any other step with a view to the deferral, rescheduling or other readjustment of all or any material part of (or of a particular type of) its indebtedness (or of any material part which it will otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the indebtedness of the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries;

(g) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the assets of the relevant Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 21 days;

(h) any security on or over the whole or any material part of the assets of the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries becomes enforceable;

(i) (i) a petition or an originating summons is presented or an order is made or a resolution is passed with a view to the winding-up or termination or for the appointment of a liquidator (including a provisional liquidator) or a judicial manager of the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries (except (only in the case of a voluntary liquidation or winding-up of a Principal Subsidiary not involving insolvency) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) to another member of the Group and such event is not likely to have a material adverse effect on the relevant Issuer or the Guarantor or (2) on terms approved by the Trustee or the Noteholders by way of an Extraordinary Resolution before such petition or originating summons is presented or such order is made or such resolution is passed or actual appointment made (as the case may be)); or

(ii) a receiver, trustee, administrator, agent or similar officer of the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries or over all or any part of the assets of the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries is appointed;

(j) the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business or (save as permitted by Clause 17(aa) of the Trust Deed) disposes or threatens to dispose of the whole or any part of its property or assets;

(k) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the relevant Issuer, ESR-REIT or any of the Principal Subsidiaries and such seizure, compulsory acquisition, expropriation or nationalisation is likely to have a material adverse effect on the relevant Issuer or the Guarantor;

(l) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done for any of the purposes stated in Clause 16(g) of the Trust Deed is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable) and, if in the opinion of the Trustee such default is capable of remedy, it is not in the reasonable opinion of the Trustee remedied within seven days after notice of such default shall have been given by the Trustee to the relevant Issuer or, as the case may be, the Guarantor;

(m) it is or will become unlawful for the relevant Issuer or the Guarantor to perform or comply with any one or more of their obligations under any of the Issue Documents or any of the Notes;

(n) any of the Issue Documents to which it is a party or any of the Notes ceases for any reason (or is claimed by the relevant Issuer or the Guarantor not) to be the legal and valid obligations of the relevant Issuer or the Guarantor, binding upon it in accordance with its terms;

(o) any litigation, arbitration or administrative proceeding (other than those of a frivolous or vexatious nature or those contested in good faith and in each case, which are discharged within 21 days of its commencement) is current or pending against the relevant Issuer, the Guarantor, ESR-REIT or any of the Principal Subsidiaries (i) to restrain the exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of the relevant Issuer or the Guarantor under any of the Issue Documents or any of the Notes or (ii) which has or is likely to have a material adverse effect on the relevant Issuer, the Guarantor or ESR-REIT;

(p) if (i)(1) the ESR-REIT Trustee (as defined in the Trust Deed) resigns or is removed; (2) an order is made for the winding-up of the ESR-REIT Trustee, a receiver, judicial manager, administrator, agent or similar officer of the ESR-REIT Trustee is appointed; and/or (3) there is a declaration, imposition or promulgation in Singapore or in any relevant jurisdiction of a moratorium, any form of exchange control or any law, directive or regulation of any agency or the amalgamation, reconstruction or reorganisation of the ESR-REIT Trustee which prevents or restricts the ability of the ESR-REIT Trustee to perform its obligations under any of the Issue Documents to which it is a party or any of the Notes and (ii) the replacement or substitute trustee of ESR-REIT is not appointed in accordance with the terms of the ESR-REIT Trust Deed (as defined in the Trust Deed);

(q) ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited) (in its capacity as manager of ESR-REIT) is removed pursuant to the terms of the ESR-REIT Trust Deed, and the replacement or substitute manager is not appointed in accordance with the terms of the ESR-REIT Trust Deed;

(r) any event occurs which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events mentioned in paragraph (f), (g), (h), (i), (j) or (k);

(s) the relevant Issuer, the Guarantor or any of the Principal Subsidiaries is declared by the Minister of Finance to be a declared company under the provisions of Part IX of the Companies Act, Chapter 50 of Singapore;

(t) for any reason the ESR-REIT Trustee ceases to own (directly or indirectly) the whole of the issued share capital for the time being of EMPL; or

(u) the ESR-REIT Trustee loses its right to be indemnified out of the assets of ESR-REIT in respect of all liabilities, claims, demands and actions under or in connection with any of the Issue Documents or the Notes.

In these Conditions:

(1) "**Principal Subsidiaries**" means any Subsidiary of ESR-REIT whose total assets, as shown by the accounts of such Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, is at least 20 per cent. of the total assets of the Group as shown by such audited consolidated accounts, provided that if any such Subsidiary (the "**transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary or ESR-REIT (the "**transferee**") then:

(aa) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is ESR-REIT) shall thereupon become a Principal Subsidiary; and

(bb) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is ESR-REIT) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (aa) above or which remains or becomes a Principal Subsidiary by virtue of (bb) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) or the date of issue of a report by the Auditors described below (whichever is earlier), based upon which such audited consolidated accounts or, as the case may be, Auditor's report have been prepared, to be less than 20 per cent. of the total assets of the Group, as shown by such audited consolidated accounts or, as the case may be, Auditor's report. A report by the Auditors, who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive; and

(2) "**Subsidiary**" or "**subsidiary**" has the meaning ascribed to it in the Trust Deed.

10. Enforcement of Rights

At any time after the Notes shall have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the relevant Issuer or the Guarantor as it may think fit to enforce repayment of the Notes, together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding not less than 25 per cent. in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or the Guarantor unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing.

11. Meeting of Noteholders and Modifications

The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

The Trustee, the relevant Issuer or the Guarantor at any time may, and the Trustee upon the request in writing by Noteholders holding not less than one-tenth of the principal amount of the Notes of any Series for the time being outstanding and after being indemnified and/or secured to its satisfaction against all costs and expenses shall, convene a meeting of the Noteholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (c) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any Interest Amount in respect of the Notes, (d) to vary any method of, or basis for, calculating the Redemption Amount or the Early Redemption Amount including the method of calculating the Amortised Face Amount, (e) to vary the currency or currencies of payment or denomination of the Notes, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (g) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or (h) to modify or cancel the Guarantee, will only be binding if passed at a meeting of the Noteholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed or any of the other Issue Documents which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear Bank and/or Clearstream, Luxembourg and/or the Depository and/or any other clearing system in which the Notes may be held and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any of the other Issue Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

12. Replacement of Notes and Coupons

If a Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent, or at the specified office of such other Issuing and Paying Agent as may from time to time be designated by the relevant Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 15, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note or Coupon is subsequently presented for payment, there will be paid to the relevant Issuer on demand the amount payable by the relevant Issuer in respect of such Note or Coupon) and otherwise as the relevant Issuer may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. Further Issues

The relevant Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes of any Series and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Trust Deed also contains a provision entitling the Trustee to enter into business transactions with the relevant Issuer, the Guarantor or any of the related corporations of the relevant Issuer and ESR-REIT without accounting to the Noteholders or Couponholders for any profit resulting from such transactions.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the relevant Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

15. Notices

Notices to the holders will be valid if published in a daily newspaper of general circulation in Singapore (or, if the holders of any Series of Notes can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in The Business Times. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders in accordance with this Condition 15.

Until such time as any Definitive Securities (as defined in the Trust Deed) are issued, there may, so long as the Global Security(ies) is or are held in its or their entirety on behalf of Euroclear, Clearstream, Luxembourg and/or the Depository, be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of the Depository) the Depository for communication by it to the Noteholders, except that if the Notes are listed on the SGX-ST and the rules of such exchange so require, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or the Depository.

Notices to be given by any Noteholder pursuant hereto (including to the relevant Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Issuing and Paying Agent. Whilst the Notes are represented by a Global Security, such notice may be given by any Noteholder to the Issuing and Paying Agent through Euroclear, Clearstream, Luxembourg and/or the Depository in such manner as the Issuing and Paying Agent and Euroclear, Clearstream, Luxembourg and/or the Depository may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identity and addresses of all the Noteholders are known to the relevant Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

16. Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

17. Acknowledgement

(a) Notwithstanding any provision to the contrary in the Trust Deed, the Notes and the Coupons, the Trustee, each of the Noteholders and the Couponholders acknowledges and agrees that RBC Investor Services Trust Singapore Limited ("**RBC**") has entered into the Trust Deed only in its capacity as trustee of ESR-REIT and not in its personal capacity and all references to the ESR-REIT Trustee (whether as issuer or guarantor) in the Trust Deed, the Notes and the Coupons shall be construed accordingly. As such, notwithstanding any provision to the contrary in the Trust Deed, the Notes and the Coupons, RBC has assumed all obligations under the Trust Deed, the Notes and the Coupons only in its capacity as trustee of ESR-REIT and not in its personal capacity. Any liability of or indemnity, covenant, undertaking, representation and/or warranty given by the ESR-REIT Trustee under the Trust Deed, the Notes and the Coupons is given by RBC only in its capacity as trustee of ESR-REIT and not in its personal capacity and any power and right conferred on any receiver, attorney, agent and/or delegate under the Trust Deed, the Notes and the Coupons is limited to the assets of ESR-REIT over which the ESR-REIT Trustee has recourse and shall not extend to any assets of RBC (other than the assets of ESR-REIT), any personal assets of RBC or any assets held by RBC in its capacity as trustee of any trust (other than ESR-REIT). Any obligation, matter, act, action or thing required to be done, performed or undertaken by the ESR-REIT Trustee under the Trust Deed, the Notes and the Coupons shall only be in connection with matters relating to ESR-REIT (and shall not extend to RBC's obligations in respect of any other trust or real estate investment trust of which it is a trustee). The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, each of the Noteholders and the Couponholders under law or equity in connection with any negligence, fraud or breach of trust of RBC.

(b) Notwithstanding any provision to the contrary in the Trust Deed, the Notes and the Coupons, it is hereby agreed that the ESR-REIT Trustee's obligations under the Trust Deed, the Notes and the Coupons will be solely the corporate obligations of the ESR-REIT Trustee and that the parties to the Trust Deed, the Notes and the Coupons shall not have any recourse against the shareholders, directors, officers or employees of RBC for any claims, losses, damages, liabilities or other obligations whatsoever in connection with any of the transactions contemplated by the provisions of the Trust Deed, the Notes and the Coupons. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, each of the Noteholders and each of the Couponholders under law or equity in connection with any negligence, fraud or breach of trust of RBC.

(c) For the avoidance of doubt, any legal action or proceedings commenced against the ESR-REIT Trustee (whether as issuer or guarantor) whether in Singapore or elsewhere pursuant to the Trust Deed, the Notes and the Coupons shall be brought against RBC only in its capacity as trustee of ESR-REIT and not in its personal capacity. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, each of the Noteholders and each of the Couponholders under law or equity in connection with any negligence, fraud or breach of trust of RBC.

18. Governing Law and Jurisdiction

(a) Governing Law

The Notes and the Coupons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction

The courts of Singapore are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes or Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes or Coupons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

Issuing and Paying Agent
British and Malayan Trustees Limited
1 Coleman Street
#08-01 The Adelphi
Singapore 179803

TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES

*The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Perpetual Securities in definitive form issued in exchange for the Global Security(ies) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Perpetual Securities. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Perpetual Securities. References in the Conditions to "**Perpetual Securities**" are to the Perpetual Securities of one Series only, not to all Perpetual Securities that may be issued under the Programme. Details of the relevant Series will be shown on the face of the relevant Perpetual Securities and in the relevant Pricing Supplement.*

The Perpetual Securities are constituted by a trust deed dated 2 February 2012 made between (1) Cambridge-MTN Pte. Ltd. ("**CMPL**"), as issuer, (2) RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of Cambridge Industrial Trust ("**CIT**")), as guarantor, and (3) British and Malayan Trustees Limited (the "**Trustee**", which expression shall, wherever the context so admits, include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee (as supplemented by a supplemental deed dated 1 March 2012 made between (1) CMPL, as issuer, (2) RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of CIT), as guarantor, and (3) the Trustee, as trustee, as amended and restated by an amendment and restatement trust deed dated 30 March 2016 made between (1) CMPL and RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as issuers, (2) RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as guarantor for Notes issued by CMPL, and (3) the Trustee, as trustee, and as further amended and restated by an amendment and restatement trust deed dated 12 September 2019 made between (1) ESR-MTN Pte. Ltd (formerly known as Cambridge-MTN Pte. Ltd.) ("**EMPL**") and RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT (formerly known as Cambridge Industrial Trust)) (the "**ESR-REIT Trustee**" and, in its capacity as issuer of the Perpetual Securities, the "**Issuer**"), as issuers, (2) the ESR-REIT Trustee, as guarantor for Notes issued by EMPL and (3) the Trustee, as trustee, and as further amended and supplemented from time to time, the "**Trust Deed**") and (where applicable) the Perpetual Securities are issued with the benefit of a deed of covenant (as amended and supplemented from time to time, the "**Deed of Covenant**") dated 30 March 2016, relating to the Perpetual Securities executed by the Issuer.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Perpetual Securities and Coupons referred to below. The Issuer has entered into an agency agreement dated 2 February 2012 made between (1) CMPL, as issuer, (2) RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of CIT), as guarantor, (3) British and Malayan Trustees Limited, as issuing and paying agent (in such capacity, the "**Issuing and Paying Agent**" and, together with any other paying agents that may be appointed, the "**Paying Agents**"), (4) British and Malayan Trustees Limited, as agent bank (in such capacity, the "**Agent Bank**") and (5) the Trustee, as trustee (as amended and restated by an amendment and restatement agreement dated 30 March 2016 made between (1) CMPL and RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as issuers, (2) RBC Investor Services Trust Singapore Limited (in its capacity as trustee of CIT), as guarantor, (3) the Issuing and Paying Agent, as issuing and paying agent, (4) the Agent Bank, as agent bank, and (5) the Trustee, as trustee, and as further amended and supplemented from time to time, the "**Agency Agreement**").

The Perpetual Securityholders (as defined below) and the holders of the distribution coupons (the "**Coupons**") appertaining to the Perpetual Securities (the "**Couponholders**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

Perpetual Securities shall only be issued by the ESR REIT Trustee. References in these Conditions to the Issuer shall only refer to the ESR REIT Trustee in its capacity as issuer of the Perpetual Securities.

Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

1. Form, Denomination and Title

(a) Form and Denomination

(i) The Perpetual Securities of the Series (as defined below) of which this Perpetual Security forms part (in these Conditions, the "**Perpetual Securities**") are issued in bearer form in each case in the Denomination Amount shown hereon.

(ii) This Perpetual Security is a Fixed Rate Perpetual Security or a Floating Rate Perpetual.

(iii) Security (depending upon the Distribution Basis shown on its face).

(iv) Perpetual Securities are serially numbered and issued with Coupons attached.

(b) Title

(i) Title to the Perpetual Securities and the Coupons appertaining thereto shall pass by delivery.

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Perpetual Security or Coupon shall be deemed to be and may be treated as the absolute owner of such Perpetual Security or of such Coupon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Perpetual Security or Coupon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

(iii) For so long as any of the Perpetual Securities is represented by a Global Security (as defined below) and such Global Security is held by a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or The Central Depository (Pte) Limited (the "**Depository**"), each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or the Depository as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or the Depository as to the principal amount of such Perpetual Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Issuing and Paying Agent, the Agent Bank, all other agents of the Issuer and the Trustee as the holder of such principal amount of Perpetual Securities other than with respect to the payment of principal, premium, interest, distribution, redemption, purchase and/or any other amounts in respect of the Perpetual Securities, for which purpose the bearer of the Global Security shall be treated by the Issuer, the Issuing and

Paying Agent, the Agent Bank, all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security (and the expressions "**Perpetual Securityholder**" and "**holder of Perpetual Securities**" and related expressions shall be construed accordingly). Perpetual Securities which are represented by the Global Security will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or the Depository. For so long as any of the Perpetual Securities is represented by a Global Security and such Global Security is held by the Depository, the record date for the purposes of determining entitlements to any payment of principal, distribution and any other amounts in respect of the Perpetual Security shall, unless otherwise specified by the Issuer, be the date falling five business days prior to the relevant payment date (or such other date as may be prescribed by CDP).

(iv) In these Conditions, "**Global Security**" means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, "**Perpetual Securityholder**" means the bearer of any Definitive Security and "**holder**" (in relation to a Definitive Security or Coupon) means the bearer of any Definitive Security or Coupon, "**Series**" means a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of distribution and "**Tranche**" means Perpetual Securities which are identical in all respects (including as to listing).

(v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. Status

(a) Senior Perpetual Securities: This Condition 2(a) applies to Perpetual Securities that are Senior Perpetual Securities (being the Perpetual Securities that specify their status as senior in the applicable Pricing Supplement). The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

(b) Subordinated Perpetual Securities: This Condition 2(b) applies to Perpetual Securities that are Subordinated Perpetual Securities (being the Perpetual Securities that specify their status as subordinated in the applicable Pricing Supplement).

(i) **Status of Subordinated Perpetual Securities**

The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves and *pari passu* with any Parity Obligations of the Issuer. The rights and claims of the Perpetual Securityholders and Couponholders in respect of the Subordinated Perpetual Securities are subordinated as provided in this Condition 2(b).

In these Conditions, "**Parity Obligation**" means any instrument or security (including without limitation any preference units in ESR REIT) issued, entered into or guaranteed by the Issuer (1) which ranks or is expressed to rank, by its terms or by operation of law,

pari passu with a ESR REIT Notional Preferred Unit (as defined below) and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof.

(ii) **Ranking of claims on Winding-Up**

Subject to the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up (as defined below) of ESR REIT, there shall be payable by the Issuer in respect of each Subordinated Perpetual Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to such Perpetual Securityholder if, on the day prior to the commencement of the Winding-Up of ESR REIT, and thereafter, such Perpetual Securityholder were the holder of one of a class of preferred units in the capital of ESR REIT (and if more than one class of preferred units is outstanding, the most junior ranking class of such preferred units) (the "**ESR REIT Notional Preferred Units**") having an equal right to return of assets in the Winding-Up of ESR REIT and so ranking *pari passu* with the holders of that class or classes of preferred units (if any) which have a preferential right to return of assets in the Winding-Up of ESR REIT, and so rank ahead of, the holders of Junior Obligations of the Issuer, but junior to the claims of all other present and future creditors of the Issuer (other than Parity Obligations of the Issuer), on the assumption that the amount that such Perpetual Securityholder was entitled to receive in respect of each ESR REIT Notional Preferred Unit on a return of assets in such Winding-Up of ESR REIT were an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Subordinated Perpetual Security together with distributions including any Arrears of Distribution (as defined in Condition 3(IV)(c)) and any Additional Distribution Amount (as defined in Condition 3(IV)(c)) accrued and unpaid since the immediately preceding Distribution Payment Date (as defined in Condition 3(II)(a)) or the Issue Date (as the case may be) and any unpaid Optional Distributions (as defined in Condition 3(IV)(c)) in respect of which the Issuer has given notice to the Perpetual Securityholders in accordance with these Conditions.

In these Conditions, "**Junior Obligation**" means any class of equity capital in ESR REIT and any instrument or security issued, entered into or guaranteed by the Issuer, other than any instrument or security (including without limitation any preferred units) ranking in priority in payment and in all other respects to the ordinary units of ESR REIT.

(iii) **No set-off**

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding, counterclaim, compensation or retention against the Issuer. Notwithstanding the preceding sentence, if at any time any Perpetual Securityholder receives payment or benefit of any sum in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them (including any benefit received pursuant to any set-off, deduction, withholding, counterclaim, compensation or retention) other than in accordance with the Conditions, the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes and such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law,

immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of ESR REIT's Winding-Up, the liquidator of ESR REIT) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator of ESR REIT) and accordingly any such discharge shall be deemed not to have taken place.

3. Distribution and other Calculations

(I) Distribution on Fixed Rate Perpetual Securities

(a) Distribution Rate and Accrual

Each Fixed Rate Perpetual Security confers a right to receive distribution on its Calculation Amount (as defined in Condition 3(II)(c)) from the Distribution Commencement Date (as defined in Condition 3(II)(c)) in respect thereof and as shown on the face of such Perpetual Security at the rate per annum (expressed as a percentage) equal to the Distribution Rate (as defined in Condition 3(II)(c)) shown on the face of such Perpetual Security payable in arrear on each Distribution Payment Date or Distribution Payment Dates shown on the face of such Perpetual Security in each year.

The first payment of distribution will be made on the Distribution Payment Date next following the Distribution Commencement Date (and if the Distribution Commencement Date is not a Distribution Payment Date, will amount to the Initial Broken Amount shown on the face of such Perpetual Security).

Distribution will cease to accrue on each Fixed Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Perpetual Security is improperly withheld or refused, in which event distribution at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 3(I) to the Relevant Date (as defined in Condition 6).

(b) Distribution Rate

The Distribution Rate applicable to each Fixed Rate Perpetual Security shall be:

(i) (if no Reset Date is specified in the applicable Pricing Supplement).

(1) if no Step-Up Margin is specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security; or

(2) if a Step-Up Margin is specified in the applicable Pricing Supplement, (A) for the period from (and including) the Distribution Commencement Date to (but excluding) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (B) for the period from (and including) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security plus the Step-Up Margin (as specified in the applicable Pricing Supplement); and

(ii) (if a Reset Date is specified in the applicable Pricing Supplement) (1) for the period from (and including) the Distribution Commencement Date to (but excluding) the First Reset Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (2) for the period from (and including) the First Reset Date and each Reset Date (as specified in the applicable Pricing Supplement) falling thereafter to (but excluding) the immediately following Reset Date, the Reset Distribution Rate.

For the purpose of these Conditions:

"**Reset Distribution Rate**" means the Swap Offer Rate or such other Relevant Rate to be specified in the applicable Pricing Supplement with respect to the relevant Reset Date plus the Initial Spread (as specified in the applicable Pricing Supplement) plus the Step-Up Margin (if applicable, as specified in the applicable Pricing Supplement); and

"**Swap Offer Rate**" means:

(aa) the rate per annum (expressed as a percentage) notified by the Agent Bank to the Issuer equal to the swap offer rate published by the Association of Banks in Singapore (or such other equivalent body) for a period equal to the duration of the Reset Period specified in the applicable Pricing Supplement on the second business day prior to the relevant Reset Date (the "**Reset Determination Date**");

(bb) if on the Reset Determination Date, there is no swap offer rate published by the Association of Banks in Singapore (or such other equivalent body), the Agent Bank will determine the swap offer rate for such Reset Period (determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates (excluding the highest and the lowest rates) which appears on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD" and the column headed "Ask" (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on each of the five consecutive business days prior to and ending on the Reset Determination Date);

(cc) if on the Reset Determination Date, rates are not available on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD" and the column headed "Ask" (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on one or more of the said five consecutive business days prior to and ending on the Reset Determination Date, the swap offer rate will be the rate per annum notified by the Agent Bank to the Issuer equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.)

of the rates which are available in such five-consecutive-business-day period or, if only one rate is available in such five-consecutive-business-day period, such rate; and

(dd) if on the Reset Determination Date, no rate is available on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD" and the column headed "Ask" (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business in such five-consecutive-business-day period, the Agent Bank will request the principal Singapore offices of the Reference Banks to provide the Agent Bank with quotation(s) of their swap offer rates for a period equivalent to the duration of the Reset Period at the close of business on the Reset Determination Date. The swap offer rate for such Reset Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations, as determined by the Agent Bank or, if only one of the Reference Banks provides the Agent Bank with such quotation, such rate quoted by that Reference Bank.

(c) Calculation of Reset Distribution Rate

The Agent Bank will, on the second business day prior to each Reset Date, determine the applicable Reset Distribution Rate payable in respect of each Perpetual Security. The Agent Bank will cause the applicable Reset Distribution Rate to be notified to the Issuing and Paying Agent, the Trustee, the Issuer and ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited) (in its capacity as manager of ESR REIT) (the "**ESR REIT Manager**") as soon as practicable after their determination but in no event later than the fourth business day thereafter. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Perpetual Securityholders.

(d) Publication of relevant Reset Distribution Rate

The Issuer shall cause notice of the then applicable Reset Distribution Rate to be notified to the Perpetual Securityholders in accordance with Condition 13 as soon as possible after their determination.

(e) Determination or Calculation by Trustee

If the Agent Bank does not at any material time for any reason so determine or calculate the applicable Reset Distribution Rate, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the provisions of this Condition 3(l), with any necessary consequential amendments, to the extent that, in its opinion, it can do so and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(f) Calculations

In the case of a Fixed Rate Perpetual Security, distribution in respect of a period of less than one year will be calculated on the Day Count Fraction (as defined in Condition 3(II)(c)) specified hereon. The amount of distribution payable per Calculation Amount in respect of a Fixed Rate Distribution Period, for any Fixed Rate Perpetual Security shall be calculated by multiplying the product of the Distribution Rate and the Calculation Amount, by the Day Count Fraction shown on the face of such Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency.

For the purposes of these Conditions, "**Fixed Rate Distribution Period**" means the period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date.

(II) Distribution on Floating Rate Perpetual Securities

(a) Distribution Payment Dates

Each Floating Rate Perpetual Security confers a right to receive distribution on its Calculation Amount from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security, and such distribution will be payable in arrear on each distribution payment date ("**Distribution Payment Date**"). Such Distribution Payment Date(s) is/are either shown hereon as Specified Distribution Payment Date(s) or, if no Specified Distribution Payment Date(s) is/are shown hereon, Distribution Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Distribution Period on the face of the Perpetual Security (the "**Specified Number of Months**") after the preceding Distribution Payment Date or, in the case of the first Distribution Payment Date, after the Distribution Commencement Date (and which corresponds numerically with such preceding Distribution Payment Date or the Distribution Commencement Date, as the case may be). If any Distribution Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined in Condition 3(II)(c)), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date is herein called a "**Distribution Period**".

Distribution will cease to accrue on each Floating Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event distribution will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 3(II) to the Relevant Date.

(b) Rate of Distribution – Floating Rate Perpetual Securities

(i) Each Floating Rate Perpetual Security confers a right to receive distribution on its Calculation Amount at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Perpetual Security, being (in the case of Perpetual Securities which are denominated in Singapore dollars) SIBOR (in which case such Perpetual Security will be a SIBOR Perpetual Security) or Swap Rate (in which case such Perpetual Security will be a Swap Rate Perpetual Security) or in any other case (or in the case of Perpetual Securities which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Perpetual Security.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) and the Step-Up Spread (if any) stated on the face of such Perpetual Security. The "Spread" and the "Step-Up Spread" are the percentage rates per annum specified on the face of such Perpetual Security as being applicable to the rate of distribution for such Perpetual Security. The rate of distribution so calculated shall be subject to Condition 3(III)(a) below.

The rate of distribution payable in respect of a Floating Rate Perpetual Security from time to time is referred to in these Conditions as the "**Rate of Distribution**".

(ii) The Rate of Distribution payable from time to time in respect of each Floating Rate Perpetual Security will be determined by the Agent Bank on the basis of the following provisions:

(1) in the case of Floating Rate Perpetual Securities which are SIBOR Perpetual Securities:

(A) the Agent Bank will, at or about the Relevant Time (as defined in Condition 3(II)(c)) on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Distribution Period which appears on Page ABSI on the monitor of the Bloomberg agency under the caption "ASSOCIATION OF BANKS IN SG – SWAP OFFER AND SIBOR FIXING RATES – RATES AT 11:00 AM SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page (as defined in Condition 3(II)(c)) as may be provided hereon) and as adjusted by the Spread (if any) and the Step-Up Spread (if any);

(B) if on any Distribution Determination Date no such rate appears on Page ABSI on the monitor of the Bloomberg agency (or such other replacement page thereof), the Agent Bank will determine the Rate of Distribution for such Distribution Period which shall be the rate which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof) at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Spread (if any);

(C) if on any Distribution Determination Date no such rate appears on the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Distribution Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Distribution Period commencing on such Distribution Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Perpetual Securities. The Rate of Distribution for such Distribution Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations and as adjusted by the Spread (if any) and the Step-Up Spread (if any), as determined by the Agent Bank;

(D) if on any Distribution Determination Date, two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Distribution for the relevant Distribution Period shall be determined in accordance with sub-paragraph (C) above on the basis of the quotations of those Reference Banks providing such quotations; and

(E) if on any Distribution Determination Date, one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Spread (if any);

(2) in the case of Floating Rate Perpetual Securities which are Swap Rate Perpetual Securities:

(A) the Agent Bank will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the Average Swap Rate for such Distribution Period (determined by the Agent Bank as being the rate which appears on Page ABSI on the monitor of the Bloomberg agency under the caption "ASSOCIATION OF BANKS IN SG – SWAP OFFER AND SIBOR FIXING

RATES – RATES AT 11:00 AM London Time" and under the column headed "SGD SWAP OFFER" (or such other page as may replace Page ABSI for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period) and as adjusted by the Spread (if any) and the Step-Up Spread (if any);

(B) if on any Distribution Determination Date, no such rate appears on Page ABSI on the monitor of the Bloomberg agency (or such other replacement page thereof), the Agent Bank will determine the Rate of Distribution for such Distribution Period which shall be the Average Swap Rate for such Distribution Period (determined by the Agent Bank as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" and under the column headed "SGD SOR" (or such other page as may replace the Reuters Screen ABSFIX01 Page for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period) and as adjusted by the Spread (if any) and the Step-Up Spread (if any); and

(C) if on any Distribution Determination Date, the Agent Bank is otherwise unable to determine the Rate of Distribution under paragraphs (b)(ii)(2)(A) and (b)(ii)(2)(B) above, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Spread (if any); and

(3) in the case of Floating Rate Perpetual Securities which are not SIBOR Perpetual Securities or Swap Rate Perpetual Securities or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Distribution in respect of any Distribution Period at or about the Relevant Time on the Distribution Determination Date in respect of such Distribution Period as follows:

(A) if the Primary Source (as defined in Condition 3(II)(c)) for the Floating Rate is a Screen Page, subject as provided below, the Rate of Distribution in respect of such Distribution Period shall be:

(aa) the Relevant Rate (as defined in Condition 3(II)(c)) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Distribution Determination Date,

and as adjusted by the Spread (if any) and the Step-Up Spread (if any);

(B) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Distribution Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Distribution Determination Date, subject as provided below, the Rate of Distribution shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined in Condition 3(II)(c)) at the Relevant Time on the Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Spread (if any); and

(C) if paragraph (b)(ii)(3)(B) applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Distribution shall be the Rate of Distribution determined on the previous Distribution Determination Date.

(iii) On the last day of each Distribution Period, the Issuer will pay distribution on each Floating Rate Perpetual Security to which such Distribution Period relates at the Rate of Distribution for such Distribution Period.

(iv) If the applicable Pricing Supplement specifies a Minimum Rate of Distribution for any Distribution Period, then, in the event that the Rate of Distribution in respect of such Distribution Period determined in accordance with this Condition 3(II)(b) is less than such Minimum Rate of Distribution, the Rate of Distribution for such Distribution Period shall be such Minimum Rate of Distribution.

(v) For the avoidance of doubt, in the event that the Rate of Distribution in relation to any Distribution Period is less than zero, the Rate of Distribution in relation to such Distribution Period shall be equal to zero.

(c) Definitions

As used in these Conditions:

"**Benchmark**" means (in the case of Fixed Rate Perpetual Securities) the Swap Offer Rate and (in the case of Floating Rate Perpetual Securities) the rate specified as such in the applicable Pricing Supplement;

"**business day**" means, in respect of each Perpetual Security, (a) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and the Depository, as applicable, are operating, (b) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the Issuing and Paying Agent's specified office and (c) (if a payment is to be made on that day) (i) (in the case of Perpetual Securities denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (ii) (in the case of Perpetual Securities denominated in Euro) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euro and (iii) (in the case of Perpetual Securities denominated in a currency other than Singapore dollars and Euro) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and in the principal financial centre for that currency;

"**Calculation Amount**" means the amount specified as such on the face of any Perpetual Security or, if no such amount is so specified, the Denomination Amount of such Perpetual Security as shown on the face thereof;

"**Day Count Fraction**" means, in respect of the calculation of an amount of distribution in accordance with Condition 3:

(i) if "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period divided by 365 (or, if any portion of that Fixed Rate Distribution Period or, as the case may be, Distribution Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a non-leap year divided by 365);

(ii) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 360; and

(iii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 365;

"**Distribution Commencement Date**" means the Issue Date or such other date as may be specified as the Distribution Commencement Date on the face of such Perpetual Security;

"**Distribution Determination Date**" means, in respect of any Distribution Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Perpetual Security;

"**Distribution Rate**" means the distribution rate payable from time to time in respect of this Perpetual Security and that is either specified or calculated in accordance with the provisions hereon;

"**Euro**" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

"**Primary Source**" means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Bloomberg agency or the Reuters Monitor Money Rates Service ("**Reuters**")) agreed to by the Agent Bank;

"**Reference Banks**" means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Agent Bank (in consultation with the Issuer) in the interbank market that is most closely connected with the Benchmark;

"**Relevant Currency**" means the currency in which the Perpetual Securities are denominated;

"**Relevant Financial Centre**" means, in the case of distribution to be determined on a Distribution Determination Date with respect to any Floating Rate Perpetual Security, the financial centre with which the relevant Benchmark is most closely connected to or, if none is so connected to, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Distribution Period;

"**Relevant Time**" means, with respect to any Distribution Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

(III) Calculations

(a) Determination of Rate of Distribution and Calculation of Distribution Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Distribution Determination Date determine the Rate of Distribution and calculate the amount of distribution payable (the "**Distribution Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Perpetual Securities for the relevant Distribution Period. The amount of distribution payable per Calculation Amount in respect of any Floating Rate Perpetual Security shall be calculated by multiplying the product of the Rate of Distribution and the Calculation Amount, by the Day Count Fraction shown on the face of such Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Agent Bank will cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to the Issuing and Paying Agent, the Trustee and the Issuer as soon as possible after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Perpetual Securities, the Agent Bank will also cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to Perpetual Securityholders in accordance with Condition 13 as soon as possible after their determination. The Distribution Amounts and the Distribution Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Distribution Period by reason of any Distribution Payment Date not being a business day. If an Enforcement Event (as defined in Condition 8(b)) occurs in relation to the Floating Rate Perpetual Securities, the Rate of Distribution and Distribution Amounts payable in respect of the Floating Rate Perpetual Securities shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Distribution and Distribution Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Agent Bank does not at any material time determine or calculate the Rate of Distribution for a Distribution Period or any Distribution Amount, the Trustee shall do so. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(d) Agent Bank and Reference Banks

The Issuer will procure that, so long as any Floating Rate Perpetual Security remains outstanding (as defined in the Trust Deed), there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Distribution for any Distribution Period or to calculate the Distribution Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Agent Bank may not resign from its duties without a successor having been appointed as aforesaid.

(IV) Distribution Discretion

(a) Optional Payment

If Optional Payment is set out hereon, the Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an "**Optional Payment Notice**") to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 13) not more than 15 nor less than three business days (or such other notice period as may be specified hereon) prior to a scheduled Distribution Payment Date.

If Dividend Pusher is set out hereon, the Issuer may not elect to defer any distribution if during the "Reference Period" (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following (each such event a "**Compulsory Distribution Payment Event**") have occurred:

(i) a discretionary dividend, distribution or other payment has been declared or paid on or in respect of any of the Issuer's Junior Obligations or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Issuer's Parity Obligations; or

(ii) any of the Issuer's Junior Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Issuer's Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration, and/or as otherwise specified in the applicable Pricing Supplement,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, consultants or directors of the Group (as defined in the Trust Deed) or (2) as a result of the exchange or conversion of Parity Obligations of the Issuer for Junior Obligations of the Issuer and/or as specified in the applicable Pricing Supplement.

(b) No obligation to pay

If Optional Payment is set out hereon and subject to Condition 3(IV)(c) and Condition 3(IV)(d), the Issuer shall have no obligation to pay any distribution on any Distribution Payment Date and any failure to pay a distribution in whole or in part shall not constitute a default of the Issuer in respect of the Perpetual Securities.

(c) Non-Cumulative Deferral and Cumulative Deferral

(i) If Non-Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 3(IV) is non-cumulative and will not accrue interest. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion (and is not obliged to), and at any time, elect to pay an amount up to the amount of distribution which is unpaid (an "**Optional Distribution**") in whole or in part by complying with the notice requirements in Condition 3(IV)(e). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to this Condition 3(IV).

Any partial payment of outstanding Optional Distribution by the Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a *pro-rata* basis.

(ii) If Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 3(IV) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion (and is not obliged to), elect to (in the circumstances set out in Condition 3(IV)(a)) further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 3(IV) except that this Condition 3(IV)(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

(iii) If Additional Distribution is set out hereon, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 3 and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 3. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(d) Restrictions in the case of Non-Payment

If Dividend Stopper is set out hereon and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of this Condition 3(IV), the Issuer shall not and shall procure that none of the subsidiaries of ESR REIT shall:

(i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Issuer's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Issuer's Parity Obligations; or

(ii) redeem, reduce, cancel, buy-back or acquire for any consideration and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of any of the Issuer's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Issuer's Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, consultants or directors of the Group (as defined in the Trust Deed) or (2) as a result of the exchange or conversion of Parity Obligations of the Issuer for Junior Obligations of the Issuer unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.

(e) Satisfaction of Optional Distribution or Arrears of Distribution

The Issuer:

(i) may, at its sole discretion (and is not obliged to), satisfy an Optional Distribution or Arrears of Distribution, as the case may be (in whole or in part) at any time by giving notice of such election to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 13) not more than 20 nor less than 15 business days (or such other notice period as may be specified hereon) prior to the relevant payment date specified in such notice (which notice

is irrevocable and shall oblige the Issuer to pay the relevant Optional Distribution or Arrears of Distribution on the payment date specified in such notice); and

(ii) in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earliest of:

(1) the date of redemption of the Perpetual Securities in accordance with the redemption events set out in Condition 4 (as applicable);

(2) the next Distribution Payment Date following the occurrence of a breach of Condition 3(IV)(d); and

(3) the date such amount becomes due under Condition 8 or on a Winding-Up of ESR REIT.

Any partial payment of an Optional Distribution or Arrears of Distribution, as the case may be, by the Issuer shall be shared by the Perpetual Securityholders of all outstanding Perpetual Securities on a *pro-rata* basis.

(f) No default

Notwithstanding any other provision in these Conditions, the non-payment of any distribution payment in accordance with this Condition 3(IV) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8) on the part of the Issuer under the Perpetual Securities.

(V) Benchmark Discontinuation

In addition, notwithstanding the provisions above in the Conditions 3(I) and 3(II), if a Benchmark Event occurs in relation to a Benchmark when any (in the case of Fixed Rate Perpetual Securities) Reset Distribution Rate and (in the case of Floating Rate Perpetual Securities) Rate of Distribution (or the relevant component part thereof) remains to be determined by such Benchmark, then the following provisions shall apply:

(i) the Issuer shall use commercially reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner and in consultation with the Issuer), (in the case of Fixed Rate Perpetual Securities) no later than five business days prior to the relevant Reset Determination Date relating to the next succeeding Reset Period or (in the case of Floating Rate Perpetual Securities) no later than five business days prior to the relevant Distribution Determination Date relating to the next succeeding Distribution Period (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Reset Distribution Rate or, as the case may be, Rate of Distribution (or the relevant component part thereof) applicable to the Securities;

(ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Benchmark for each of the future (in the case of Fixed Rate Perpetual Securities) Reset Periods or (in the case of Floating Rate Perpetual Securities) Distribution Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 3(V); *provided*, however, that if sub-paragraph (ii) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to:

(A) (in the case of Fixed Rate Perpetual Securities) the relevant Reset Determination Date, the Reset Distribution Rate applicable to the next succeeding Reset Period shall be equal to the Reset Distribution Rate last determined in relation to the Fixed Rate Perpetual Securities in respect of the preceding Reset Period (or alternatively, if there has not been a First Reset Date, the Reset Distribution Rate shall be the initial Distribution Rate) (subject, where applicable, adding the Step-up Margin that is to be applied to such preceding Reset Period for the Step-up Margin that is to be applied to the relevant Reset Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii)(A) shall apply to the relevant Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 3(V);

(B) (in the case of Floating Rate Perpetual Securities) the relevant Distribution Determination Date, the Rate of Distribution applicable to the next succeeding Distribution Period shall be equal to the Rate of Distribution last determined in relation to the Floating Rate Perpetual Securities in respect of the preceding Distribution Period (or alternatively, if there has not been a first Distribution Payment Date, the Rate of Distribution shall be the first Rate of Distribution (if any)) (subject, where applicable, to substituting the Spread (if any) and the Step-Up Spread (if any) that applied to such preceding Distribution Period for the the Spread (if any) and the Step-Up Spread (if any) that is to be applied to the relevant Distribution Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii)(B) shall apply to the relevant Distribution Period only and any subsequent Distribution Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 3(V);

(iv) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Screen Page, Business Day Convention, business days, Reset Determination Date or, as the case may be, Distribution Determination Date and/or the definition of Benchmark applicable to the Securities, and the method for determining the fallback rate in relation to the Securities, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate

or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Trustee and Issuing and Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 3(V). Perpetual Securityholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee or Issuing and Paying Agent (if required); and

(v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread, give notice thereof to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread and any consequential changes made to these Conditions.

For the purposes of this Condition 3(V):

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Benchmark with the Successor Rate by any Relevant Nominating Body;

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Benchmark, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Benchmark in customary market usage in the international debt capital markets for the purposes of determining rates of distribution in respect of securities denominated in the Relevant Currency and of a comparable duration to the relevant Reset Period or, as the case may be, Distribution Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Benchmark.

"**Benchmark Event**" means:

(i) the relevant Benchmark ceasing to be published for a period of at least five business days or ceasing to exist;

(ii) a public statement by the administrator of the relevant Benchmark that it will, by a specified date within the following six months, cease publishing the relevant Benchmark permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Benchmark);

(iii) a public statement by the supervisor of the administrator of the relevant Benchmark, that the relevant Benchmark has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of the relevant Benchmark as a consequence of which the relevant Benchmark will be prohibited from being used either generally, or in respect of the Securities, in each case within the following six months; or

(v) it has become unlawful for any Paying Agent, the Issuer or other party to calculate any payments due to be made to any Perpetual Securityholder using the relevant Benchmark.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

"**Relevant Nominating Body**" means, in respect of a Benchmark:

(i) the central bank for the currency to which the Benchmark relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Benchmark; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Benchmark relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Benchmark, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof.

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Benchmark which is formally recommended by any Relevant Nominating Body.

4. Redemption and Purchase

(a) No Fixed Redemption Date

The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 and without prejudice to Condition 8), only have the right (but not the obligation) to redeem or purchase them in accordance with the following provisions of this Condition 4.

(b) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) to (but excluding) the date fixed for redemption.

All Perpetual Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Perpetual Securities, the notice to Perpetual Securityholders shall also contain the certificate numbers of the Perpetual Securities to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Perpetual Securities are listed on any Stock Exchange (as defined in the Trust Deed), the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Perpetual Securities.

(c) Redemption for Taxation Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement or as a result of a position adopted by any political subdivision or any authority of or in Singapore having power to tax, which causes the Perpetual Securities to not qualify as "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), which position is made public on or after the Issue Date or any other date specified in the Pricing Supplement; and

(ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Prior to the publication of any notice of redemption pursuant to this Condition 4(c), the Issuer shall deliver, or procure to be delivered to the Trustee and the Issuing and Paying Agent:

(A) a certificate signed by a duly authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal, tax or other professional advisers of recognised standing to the effect that the Issuer has or is likely to become obliged to pay such additional amounts as a result of such change or amendment,

and the Trustee and the Issuing and Paying Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 4(c), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 4(c).

(d) Redemption for Accounting Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or immediately before giving such notice, as a result of any changes or amendments to the Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council (as amended from time to time, the "**SFRS**") or any other accounting standards that may replace SFRS for the purposes of the consolidated financial statements of ESR REIT (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of ESR REIT pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 4(d), the Issuer shall deliver, or procure to be delivered, to the Trustee and the Issuing and Paying Agent:

(A) a certificate, signed by a duly authorised signatory of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect,

and the Trustee and the Issuing and Paying Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 4(d), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 4(d).

(e) Redemption for Tax Deductibility

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if the Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

(i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued otherwise on or after the Issue Date;

(ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued otherwise on or after the Issue Date; or

(iii) any applicable official interpretation or pronouncement (which, for the avoidance of doubt, includes any ruling) which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is announced on or after the Issue Date,

payments of distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer which would otherwise have been regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA, are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be so regarded.

Prior to the publication of any notice of redemption pursuant to this Condition 4(e), the Issuer shall deliver or procure that there is delivered to the Trustee and the Issuing and Paying Agent:

(A) a certificate, signed by a duly authorised signatory of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion of the Issuer's independent tax or legal adviser of recognised standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the tax regime is due to take effect,

and the Trustee and the Issuing and Paying Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 4(e), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 4(e).

(f) Redemption in the case of Minimal Outstanding Amount

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.

Upon the expiry of any such notice as is referred to in this Condition 4(f), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 4(f).

(g) Redemption upon a Regulatory Event

If so provided hereon, the Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, at any time at their principal amount, together with distributions (including any Arrears of Distribution and any Additional Distribution Amount) accrued from the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on the Issuer giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that as a result of any change in, or amendment to, the Property Funds Appendix, or any change in the application or official interpretation of the Property Funds Appendix, the Perpetual Securities count or will count towards the Aggregate Leverage under the Property Funds Appendix (a "**Regulatory Event**"), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Perpetual Securities will count towards the Aggregate Leverage.

Prior to the publication of any notice of redemption pursuant to this Condition 4(g), the Issuer shall deliver, or procure that there is delivered to the Trustee and the Issuing and Paying Agent:

(i) a certificate, signed by a duly authorised signatory of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(ii) an opinion of the Issuer's independent legal adviser of recognised standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to, or change in application or interpretation of, the Property Funds Appendix, took, or is due to take, effect,

and the Trustee and the Issuing and Paying Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 4(g), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 4(g).

For the purposes of this Condition 4(g):

(1) "**Aggregate Leverage**" means, as defined under the Property Funds Appendix, the total borrowings and deferred payments of a real estate investment trust, or such other definition as may from time to time be provided for under the Property Funds Appendix;

(2) "**Property Funds Appendix**" means Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

(h) Redemption upon a Ratings Event

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or immediately before giving such notice, an amendment, clarification or change has occurred, or will occur, in the equity credit criteria, guidelines or methodology of any Rating Agency (as defined in the Trust Deed) or any other rating agency of equivalent recognised

standard requested from time to time by the Issuer to grant an equity classification to the Perpetual Securities and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Perpetual Securities than the equity credit assigned on the Issue Date or, if equity credit is not assigned on the Issue Date, at the date when equity credit is assigned for the first time (a "**Ratings Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 4(h), the Issuer shall deliver, or procure to be delivered, to the Trustee and the Issuing and Paying Agent a certificate, signed by a duly authorised signatory of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances.

Upon the expiry of any such notice as is referred to in this Condition 4(h), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 4(h).

(i) Purchases

The Issuer or any of the related corporations of ESR REIT may at any time purchase Perpetual Securities at any price (provided that they are purchased together with all unmatured Coupons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Perpetual Securities purchased by the Issuer or any of the related corporations of ESR REIT may be surrendered by the purchaser through the Issuer to the Issuing and Paying Agent for cancellation or may, at the option of the Issuer or relevant related corporation, be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation or stock exchange.

(j) Cancellation

All Perpetual Securities purchased by or on behalf of the Issuer or any of the related corporations of ESR REIT may be surrendered for cancellation by surrendering each such Perpetual Security together with all unmatured Coupons to the Issuing and Paying Agent at its specified office and, if so surrendered, shall, together with all Perpetual Securities redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Perpetual Securities so surrendered for cancellation may not be reissued or resold.

5. Payments

(a) Principal and Distribution

Payments of principal (or as the case may be, Redemption Amounts) and distribution in respect of Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Perpetual Securities or Coupons, as the case may be, at the specified office of the Issuing and Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(b) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 6. No commission or expenses shall be charged to the Perpetual Securityholders or Couponholders in respect of such payments.

(c) Appointment of Agents

The Issuing and Paying Agent initially appointed by the Issuer and its specified office is listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Issuing and Paying Agent and to appoint additional or other Issuing and Paying Agents provided that it will at all times maintain an Issuing and Paying Agent having a specified office in Singapore.

Notice of any such change or any change of any specified office will promptly be given to the Perpetual Securityholders in accordance with Condition 13, within the period specified in the Agency Agreement.

The Agency Agreement may be amended by the Issuers, the Guarantor, the Issuing and Paying Agent and the Trustee, without the consent of any holder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or where such amendment is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in which the Securities may be held, or in any manner which the Issuers, the Guarantor, the Issuing and Paying Agent and the Trustee may mutually deem necessary or desirable and which does not, in the reasonable opinion of the Issuers, the Guarantor, the Issuing and Paying Agent and the Trustee, materially prejudice the interests of the holders.

(d) Unmatured Coupons

(i) Fixed Rate Perpetual Securities should be surrendered for payment together with all unmatured Coupons (if any) relating to such Fixed Rate Perpetual Securities, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of three years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 7).

(ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Floating Rate Perpetual Security, unmatured Coupons relating to such Floating Rate Perpetual Security (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Where any Floating Rate Perpetual Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iv) If the due date for redemption or repayment of any Perpetual Security is not a due date for payment of distribution, distribution accrued from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Perpetual Security.

(e) Non-business days

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Perpetual Security or Coupon is not a business day, the Perpetual Securityholder shall not be entitled to payment until the next following business day and shall not be entitled to any further distribution or other payment in respect of any such delay.

6. Taxation

Where the Perpetual Securities are recognised as debt securities for Singapore income tax purposes, all payments in respect of the Perpetual Securities and the Coupons by the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Perpetual Security or Coupon presented for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Singapore otherwise than by reason only of the holding of such Perpetual Security or Coupon or the receipt of any sums due in respect of such Perpetual Security or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, Singapore);

(b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or

(c) by or on behalf of a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring compliance with any statutory requirements or by making or procuring that any third party makes a declaration of non residence or other similar claim for exemption to any tax authority in the place where the relevant Perpetual Security or Coupon is presented for payment.

Where the Perpetual Securities are not recognised as debt securities for Singapore income tax purposes, all payments in respect of the Perpetual Securities and the Coupons by or on behalf of the Issuer may be subject to any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by within Singapore or any authority thereof or therein having power to tax in the same manner as distributions on ordinary units of ESR REIT, and ESR REIT may be obliged (in certain circumstances) to withhold or deduct tax at the prevailing rate (currently 10% or 17%) under Section 45G of the ITA. In that event, the Issuer will not pay any additional amounts in respect of any such withholding or deduction from payments in respect of the Perpetual Securities and the Coupons for or on account of any such taxes or duties.

As used in these Conditions, "**Relevant Date**" in respect of any Perpetual Security or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Perpetual Securityholders in accordance with Condition 13 that, upon further presentation of the Perpetual Security or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Perpetual Securities, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 4, "**distribution**" shall be deemed to include all Distribution Amounts and all other amounts payable pursuant to Condition 3 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**distribution**" shall be deemed to include any additional amounts, principal, premium, Redemption Amount or distribution (as the case may be) which may be payable under these Conditions.

7. Prescription

The Perpetual Securities and Coupons shall become void unless presented for payment within three years from the appropriate Relevant Date for payment.

8. Non-payment

(a) Non-payment when due

Notwithstanding any of the provisions below in this Condition 8, the right to institute proceedings for the bankruptcy, termination, winding-up, liquidation or similar proceedings in respect of ESR REIT (the "**Winding-Up**") is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the Issuer has elected not to pay that distribution in accordance with Condition 3(IV). In addition, nothing in this Condition 8, including any restriction on commencing proceedings, shall in any way restrict or limit the rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Perpetual Securities or the Trust Deed.

(b) Proceedings for Winding-Up

If (i) a final and effective order is made or an effective resolution is passed for the Winding-Up of ESR REIT or (ii) the Issuer fails to make payment in respect of the Perpetual Securities when due and such default continues for a period of three business days after the due date (together, the "**Enforcement Events**"), the Issuer shall be deemed to be in default under the Trust Deed and the Perpetual Securities and the Trustee may, subject to the provisions of Condition 8(d), institute proceedings for the Winding-Up of ESR REIT and/or prove in the Winding-Up of ESR REIT and/or claim in the liquidation of ESR REIT for such payment.

(c) Enforcement

Without prejudice to Condition 8(b) but subject to the provisions of Condition 8(d), the Trustee may, at its discretion and without further notice to the Issuer, institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Perpetual Securities or the Trust Deed, as the case may be, (other than any payment obligation of the Issuer under or arising from the Perpetual Securities, including, without limitation, payment of any principal or premium or satisfaction of any distributions (including any damages awarded for breach of any obligations)) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) Entitlement of Trustee

The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 8(b) or Condition 8(c) against the Issuer to enforce the terms of the Trust Deed or the Perpetual Securities unless (i) it shall have been so directed by an Extraordinary Resolution of the Perpetual Securityholders or so requested in writing by Perpetual Securityholders holding not less than 25 per cent. in principal amount of the Perpetual Securities outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction against all actions, proceedings, claims, demands and liabilities to which it may thereby become liable and all costs, charges, damages and expenses which may be incurred by it in connection therewith.

(e) Rights of Perpetual Securityholders or Couponholder

No Perpetual Securityholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up or claim in the liquidation of ESR REIT or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing, in which case the Perpetual Securityholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 8.

(f) Extent of Perpetual Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 8, shall be available to the Trustee or the Perpetual Securityholders or Couponholders, whether for the recovery of amounts owing in respect of the Trust Deed or the Perpetual Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Trust Deed or the Perpetual Securities (as applicable).

(g) Damages subject to Subordination

If any court awards money, damages or other restitution for any default with respect to the performance by the Issuer of its obligation contained in the Trust Deed and the Perpetual Securities, the payment of such money, damages or other restitution shall be subject to the subordination provisions set out in these Conditions and in Clause 9.3 of the Trust Deed.

9. Meetings of Perpetual Securityholders and Modifications

The Trust Deed contains provisions for convening meetings of Perpetual Securityholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Perpetual Securities of such Series (including these Conditions insofar as the same may apply to such Perpetual Securities) or any of the provisions of the Trust Deed.

The Trustee or the Issuer at any time may, and the Trustee upon the request in writing by Perpetual Securityholders holding not less than one-tenth of the principal amount of the Perpetual Securities of any Series for the time being outstanding and after being indemnified and/or secured to its satisfaction against all costs and expenses shall, convene a meeting of the Perpetual Securityholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Perpetual Securityholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of redemption of the Perpetual Securities or any date for payment of distribution or Distribution Amounts on the Perpetual Securities, (b) to reduce or cancel the principal amount of, or any premium payable on

redemption of, the Perpetual Securities, (c) to reduce the rate or rates of distribution in respect of the Perpetual Securities or to vary the method or basis of calculating the rate or rates of distribution or the basis for calculating any Distribution Amount in respect of the Perpetual Securities, (d) to vary any method of, or basis for, calculating the Redemption Amount, (e) to vary the currency or currencies of payment or denomination of the Perpetual Securities, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (g) to amend the subordination provisions of the Perpetual Securities or (h) to modify the provisions concerning the quorum required at any meeting of Perpetual Securityholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Perpetual Securityholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Perpetual Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed or any of the other Issue Documents (as defined in the Trust Deed) which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in which the Perpetual Securities may be held and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any of the other Issue Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders. Any such modification, authorisation or waiver shall be binding on the Perpetual Securityholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Perpetual Securityholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution) the Trustee shall have regard to the interests of the Perpetual Securityholders as a class and shall not have regard to the consequences of such exercise for individual Perpetual Securityholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Perpetual Securities by the terms of the relevant Pricing Supplement in relation to such Series.

10. Replacement of Perpetual Securities and Coupons

If a Perpetual Security or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent, or at the specified office of such other Issuing and Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Perpetual Securityholders in accordance with Condition 13, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Perpetual Security or Coupon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Perpetual Security or Coupon) and otherwise as the Issuer may require. Mutilated or defaced Perpetual Securities or Coupons must be surrendered before replacements will be issued.

11. Further Issues

The Issuer may from time to time without the consent of the Perpetual Securityholders or Couponholders create and issue further perpetual securities having the same terms and conditions as the Perpetual Securities of any Series and so that the same shall be consolidated and form a single Series with such Perpetual Securities, and references in these Conditions to "**Perpetual Securities**" shall be construed accordingly.

12. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Trust Deed also contains a provision entitling the Trustee to enter into business transactions with the Issuer or any of the related corporations of ESR REIT without accounting to the Perpetual Securityholders or Couponholders for any profit resulting from such transactions.

Each Perpetual Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Perpetual Securityholder shall not rely on the Trustee in respect thereof.

13. Notices

Notices to the holders will be valid if published in a daily newspaper of general circulation in Singapore (or, if the holders of any Series of Perpetual Securities can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in The Business Times. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders in accordance with this Condition 13.

Until such time as any Definitive Securities (as defined in the Trust Deed) are issued, there may, so long as the Global Security(ies) is or are held in its or their entirety on behalf of Euroclear, Clearstream, Luxembourg and/or the Depository, be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of the Depository) the Depository for communication by it to the Perpetual Securityholders, except that if the Perpetual Securities are listed on the SGX-ST and the rules of such exchange so require, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Perpetual Securityholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or the Depository.

Notices to be given by any Perpetual Securityholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Perpetual Security or Perpetual Securities, with the Issuing and Paying Agent. Whilst the Perpetual Securities are represented by a Global Security, such notice may be given by any Perpetual Securityholder to the Issuing and Paying Agent through Euroclear, Clearstream, Luxembourg and/or the Depository in such manner as the Issuing and Paying Agent and Euroclear, Clearstream, Luxembourg and/or the Depository may approve for this purpose.

Notwithstanding the other provisions of this Condition 13, in any case where the identity and addresses of all the Perpetual Securityholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

14. Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Perpetual Securities under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

15. Acknowledgment

(a) Notwithstanding any provision to the contrary in the Trust Deed, the Perpetual Securities and the Coupons, the Trustee, each of the Perpetual Securityholders and the Couponholders acknowledges and agrees that RBC Investor Services Trust Singapore Limited ("**RBC**") has entered into the Trust Deed only in its capacity as trustee of ESR REIT and not in its personal capacity and all references to the Issuer in the Trust Deed, the Perpetual Securities and the Coupons shall be construed accordingly. As such, notwithstanding any provision to the contrary in the Trust Deed, the Perpetual Securities and the Coupons, RBC has assumed all obligations under the Trust Deed, the Perpetual Securities and the Coupons only in its capacity as trustee of ESR REIT and not in its personal capacity. Any liability of or indemnity, covenant, undertaking, representation and/or warranty given by the Issuer under the Trust Deed, the Perpetual Securities and the Coupons is given by RBC only in its capacity as trustee of ESR REIT and not in its personal capacity and any power and right conferred on any receiver, attorney, agent and/or delegate under the Trust Deed, the Perpetual Securities and the Coupons is limited to the assets of ESR REIT over which the Issuer has recourse and shall not extend to any assets of RBC (other than the assets of ESR REIT), any personal assets of RBC or any assets held by RBC in its capacity as trustee of any trust (other than ESR REIT). Any obligation, matter, act, action or thing required to be done, performed or undertaken by the Issuer under the Trust Deed, the Perpetual Securities and the Coupons shall only be in connection with matters relating to ESR REIT (and shall not extend to RBC's obligations in respect of any other trust or real estate investment trust of which it is a trustee). The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, each of the Perpetual Securityholders and each of the Couponholders under law or equity in connection with any negligence, fraud or breach of trust of RBC.

(b) Notwithstanding any provision to the contrary in the Trust Deed, the Perpetual Securities and the Coupons, it is hereby agreed that the Issuer's obligations under the Trust Deed, the Perpetual Securities and the Coupons will be solely the corporate obligations of the ESR REIT Trustee and that the parties to the Trust Deed, the Perpetual Securities and the Coupons shall not have any recourse against the shareholders, directors, officers or employees of RBC for any claims, losses, damages, liabilities or other obligations whatsoever in connection with any of the transactions contemplated by the provisions of the Trust Deed, the Perpetual Securities and the Coupons. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, each of the Perpetual Securityholders and each of the Couponholders under law or equity in connection with any negligence, fraud or breach of trust of RBC.

(c) For the avoidance of doubt, any legal action or proceedings commenced against the Issuer whether in Singapore or elsewhere pursuant to the Trust Deed, the Perpetual Securities and the Coupons shall be brought against RBC only in its capacity as trustee of ESR REIT and not in its personal capacity. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, each of the Perpetual Securityholders and each of the Couponholders under law or equity in connection with any negligence, fraud or breach of trust of RBC.

16. Governing Law and Jurisdiction

(a) Governing Law

The Perpetual Securities and the Coupons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction

The courts of Singapore are to have jurisdiction to settle any disputes that may arise out of or in connection with any Perpetual Securities or Coupons and accordingly any legal action or proceedings arising out of or in connection with the Perpetual Securities or Coupons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

Issuing and Paying Agent
British and Malayan Trustees Limited
1 Coleman Street
#08-01 The Adelphi
Singapore 179803

RISK FACTORS

Prior to making an investment or divestment decision, prospective investors in or existing Securityholders should carefully consider all the information set forth in this Information Memorandum and any documents incorporated by reference herein, including the risk factors set out below. The risk factors set out below do not purport to be complete or comprehensive of all the risks that may be involved in the business, assets, property, financial condition, performance, results of operations or prospects of the Issuers, the Guarantor, ESR-REIT or the Group or any of their respective properties or any decision to purchase, own or dispose of the Securities. Additional risks which the Issuers or the Guarantor is currently unaware of may also impair the business, assets, property, financial condition, performance, results of operations or prospects of ESR-REIT or the Group.

If any of the following risk factors develops into actual events, the business, assets, property, financial condition, performance, results of operations and/or prospects of the Issuers, the Guarantor, ESR-REIT or the Group could be materially and adversely affected. In such cases, the ability of the Issuers and the Guarantor to comply with their respective obligations under the Trust Deed and the Securities may be adversely affected and investors may lose all or part of their investment in the Securities.

LIMITATIONS OF THIS INFORMATION MEMORANDUM

This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing holder of the Securities may require in investigating the Issuers, the Guarantor, ESR-REIT or the Group, prior to making an investment or divestment decision in relation to the Securities issued under the Programme.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Securities (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuers, the Guarantor, the Arranger or any of the Dealers that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Securities. This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Securities only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Securities is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such a determination. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuers, the Guarantor, ESR-REIT, their respective subsidiaries (if any) or associated companies (if any), the Arranger, any of the Dealers or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Securities should determine for itself the relevance of the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely upon its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers, the Guarantor, ESR-REIT, their respective subsidiaries (if any) and associated companies (if any), the terms and conditions of the Securities and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Securities.

This Information Memorandum contains forward-looking statements. These forward-looking statements are based on a number of assumptions which are subject to uncertainties and contingencies, many of which are outside of the Issuers' and/or the Guarantor's control. The forward-looking information in this Information Memorandum may prove inaccurate. Please see the section on "Forward-Looking Statements" on page 6 of this Information Memorandum.

INVESTMENT CONSIDERATIONS ASSOCIATED WITH INVESTMENT IN THE SECURITIES

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Securities linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including S$ Swap Offer Rate ("**SOR**") or the Singapore interbank offered rate ("**SIBOR**")) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Security linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and mostly applies, subject to certain transitional provisions, from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Securities linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority ("**FCA**") confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

As the SOR methodology relies on USD LIBOR in its computation, the likely discontinuation of LIBOR after end-2021 will impact the future sustainability of SOR. On 30 August 2019, the MAS announced that, it has established a steering committee to oversee an industry-wide interest rate benchmark transition from the SOR to the Singapore Overnight Rate Average.

It is not possible to predict with certainty whether, and to what extent, SOR and SIBOR will continue to be supported going forwards. This may cause SOR and SIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Securities linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if the Benchmark (as defined in the Conditions of the Notes or, as the case may be, the Conditions of the Perpetual Securities) and/or any page on which the Benchmark may be published, becomes unavailable, or if the Issuer, the Issuing and Paying Agent or any other party responsible for the calculation of the Rate of Interest, Reset Distribution Rate or Rate of Distribution (as applicable) no longer permitted lawfully to calculate interest or, as the case may be, distribution on any Securities by reference to the Benchmark under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the Rate of Interest, Reset Distribution Rate or Rate of Distribution (as applicable) could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions of the Notes or, as the case may be, the Conditions of the Perpetual Securities), with or without the application of an adjustment spread and may include amendments to the Conditions of the Notes or, as the case may be, the Conditions of the Perpetual Securities to ensure the proper operation of the successor or replacement benchmark An adjustment spread, if applied could be positive or negative. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors If no adjustment spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest, Reset Distribution Rate or Rate of Distribution (as applicable). The use of a Successor Rate or Alternative Reference Rate (including with the application of an adjustment spread) will still result in any Securities linked to or referencing a Benchmark performing differently (which may include payment of a lower Rate of Interest, Reset Distribution Rate or Rate of Distribution (as applicable)) than they would if the Benchmark were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, amongst other things, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of (i) (in the case of Floating Rate Notes and Variable Rate Notes (both as defined in the Conditions of Notes)) the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used; (ii) (in the case of Fixed Rate Perpetual Securities) the Reset Distribution Rate for a particular Reset Period may result in the Reset Distribution Rate for the last preceding Reset Period being used; and (iii) (in the case of Floating Rate Perpetual Securities) the Rate of Distribution for a particular Distribution Period may result in the Rate of Distribution for the last preceding Distribution Period being used. This may result in the effective application of a fixed rate for the Securities based on the rate which was last observed on the relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of Securities in making any investment decision with respect to any Securities referencing a benchmark.

Limited liquidity of the Securities issued under the Programme

There can be no assurance regarding the future development of the market for the Securities issued under the Programme, the ability of the Securityholders, or the price at which the Securityholders may be able, to sell their Securities. The Securities may have no established trading market when issued, and one may never develop. Even if a market for the Securities does develop, there can be no assurance as to the liquidity or sustainability of any such market. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This may particularly be the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally may have a more limited secondary market and more price volatility than conventional debt securities. If Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending on prevailing interest rates, the market for similar Securities, general economic conditions and the financial condition of the Issuer. If the Securities are trading at a discount, investors may not be able to receive a favourable price for their Securities, and in some circumstances investors may not be able to sell their Securities at their fair market value or at all.

The lack of liquidity may have a severely adverse effect on the market value of the Securities. Although the issue of additional Securities may increase the liquidity of the Securities, there can be no assurance that the price of such Securities will not be adversely affected by the issue in the market of such additional Securities.

Although an application will be made for the listing and quotation of any Securities to be issued under the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST, there is no assurance that such application will be accepted, that any particular Tranche of Securities will be so admitted or that an active trading market will develop. In addition, the market for investment grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Securities to be issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Securities.

Fluctuation of market value of Securities issued under the Programme

Trading prices of the Securities are influenced by numerous factors, including the operating results, financial condition and/or future prospects of any of the Issuers, the Guarantor, ESR-REIT and/or their respective subsidiaries and/or associated companies (if any), political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuers, the Guarantor, ESR-REIT, their respective subsidiaries and/or associated companies (if any) generally. Adverse economic developments, in Singapore as well as countries in which the Issuers, the Guarantor, ESR-REIT, their respective subsidiaries and/or associated companies (if any) operate or have business dealings, could have a material adverse effect on the Singapore economy and the operating results and/or the financial condition of the Issuers, the Guarantor, ESR-REIT, their respective subsidiaries and/or associated companies (if any).

Further, recent global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets or may adversely affect the market price of any Series or Tranche of Securities.

Interest rate risk

Investments in fixed rate Securities involve the risk that subsequent changes in interest rates may adversely affect the value of the fixed rate Securities and Securityholders may suffer unforeseen losses due to such fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in note and/or perpetual security prices, resulting in a capital loss for the Securityholders. However, the Securityholders may reinvest the interest or distribution payments at higher prevailing interest rates. Conversely, when interest rates fall, note and/or perpetual security prices may rise. The Securityholders may enjoy a capital gain but interest or distribution payments received may be reinvested at lower prevailing interest rates.

Inflation risk

Securityholders may suffer erosion on the return of their investments due to inflation. Securityholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Securities. An unexpected increase in inflation could reduce the actual returns.

Currency risk associated with Securities denominated in foreign currencies

As at the date of this Information Memorandum, ESR-REIT's revenue is generally denominated in Singapore dollars and its operating expenses are generally incurred in Singapore dollars as well. As the Securities can be denominated in currencies other than Singapore dollars, ESR-REIT may be affected by fluctuations between the Singapore dollar and such foreign currencies in meeting the payment obligations under such Securities and there is no assurance that ESR-REIT may be able to fully hedge the currency risks associated with such Securities denominated in foreign currencies.

Rating of the Securities

Any rating assigned by Fitch, Moody's or Standard & Poor's to a particular Series or Tranche of Securities is based on the views of the relevant rating agency only. A rating is not a recommendation to buy, sell or hold securities. Future events may have a negative impact on the rating of such Securities and prospective investors should be aware that there is no assurance that ratings given will continue or that the ratings will not be reviewed, revised, suspended, downgraded or withdrawn as a result of future events, unavailability of information or if, in the judgment of the relevant rating agency, circumstances so warrant. Any rating changes that may occur may have a negative impact on the market value of such Securities.

The Securities may be subject to optional redemption by the Relevant Issuer

An optional redemption feature is likely to limit the market value of Securities. During any period when the Relevant Issuer may elect to redeem Securities, the market value of such Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Relevant Issuer may be expected to redeem Securities when its cost of borrowing is lower than the interest or distribution rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest or distribution rate on the Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Securities may be issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Securities and the Guarantee are not secured

The Notes, Senior Perpetual Securities and Coupons relating thereto constitute direct, unconditional, unsubordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu* without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Relevant Issuer. The Subordinated Perpetual Securities and Coupons relating thereto constitute direct, unconditional, subordinated and unsecured obligations of the ESR-REIT Issuer and shall at all times rank *pari passu* without any preference or priority among themselves, and *pari passu* with any Parity Obligations (as defined in the Trust Deed) of the ESR-REIT Issuer. The payment obligations of the Guarantor under the Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

Accordingly, on a winding-up or termination of the Relevant Issuer, (where applicable) the Guarantor and/or ESR-REIT at any time prior to maturity of any Securities, the Securityholders will not have recourse to any specific assets of the Relevant Issuer, (where applicable) the Guarantor, ESR-REIT or their respective subsidiaries and/or associated companies (if any) as security for outstanding payment or other obligations under the Securities and/or Coupons owed to the Securityholders and there can be no assurance that there would be sufficient value in the assets of the Relevant Issuer, (where applicable) the Guarantor and/or ESR-REIT, after meeting all claims ranking ahead of the Securities, to discharge all outstanding payment and other obligations under the Securities and/or Coupons owed to the Securityholders.

Application of Singapore insolvency and related laws to ESR-REIT may result in a material adverse effect on the Securityholders

There can be no assurance that ESR-REIT will not become bankrupt or insolvent or the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency-related proceedings or procedures. As of now, it is unclear whether the provisions of Singapore insolvency and related laws applicable to corporates can be applied to REITs. If Singapore insolvency and related laws applicable to corporates were to be applied to REITs, this could have a material adverse effect on the Securityholders. Without being exhaustive, below are some matters that could have a material adverse effect on the Securityholders.

Where ESR-REIT is insolvent or close to insolvent and the ESR-REIT Trustee undergoes certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to ESR-REIT. It may also be possible that if a company related to the ESR-REIT Trustee proposes a creditor scheme of arrangement and obtains an order for a moratorium, the ESR-REIT Trustee may also seek a moratorium even if the ESR-REIT Trustee is not in itself proposing a scheme of arrangement. These moratoriums can be lifted with court permission and in the case of judicial management, additionally with the permission of the judicial manager. Accordingly, if for instance there is any need for the Trustee to bring an action against the ESR-REIT Trustee, the need to obtain court permission may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

Furthermore, Securityholders may be made subject to a binding scheme of arrangement where the majority in number representing 75% in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, recent amendments have also introduced cram-down provisions for where there is a dissenting class of creditors. The court may notwithstanding a single class of dissenting creditors approve a scheme provided an overall majority in number representing 75% in value of the creditors meant to be bound by the scheme have agreed to it and provided that the scheme does not unfairly discriminate and is fair and equitable to each dissenting class. In such a scenario, Securityholders may be bound by a scheme of arrangement to which they may have dissented.

Further to the amendments that took effect on 23 May 2017 (some of which have been highlighted above), the Insolvency, Restructuring and Dissolution Bill (the "**IRD Act**") was passed in Parliament on 1 October 2018, but is not yet in force. The IRD Act includes a prohibition against terminating, amending or claiming an accelerated payment or forfeiture of the term under, any agreement (including a security agreement) with a company which commences certain insolvency or rescue proceedings (and before the conclusion of such proceedings), by reason only that the proceedings are commenced or that the company is insolvent. In the event that these provisions are applicable to REITs, it is unclear how, and to what extent, the provisions in the IRD Act may affect this transaction and whether or not this transaction will be exempted from the application of such provisions.

Meeting of Securityholders and Modifications

The Conditions contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The Trustee may request the Securityholders to provide an indemnity and/or security to its satisfaction before taking action on behalf of Securityholders

In certain circumstances (pursuant to Condition 10 of the Notes or Condition 8 of the Perpetual Securities), the Trustee may (at its sole discretion) request Securityholders to provide an indemnity and/or security to its satisfaction before it takes action on behalf of Securityholders. The Trustee shall not be obliged to take any such action if not indemnified and/or secured to its satisfaction. Negotiating and agreeing to an indemnity and/or security can be a lengthy process and may impact on when such actions can be taken.

The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Securityholders to take such actions directly.

Performance of contractual obligations by the Relevant Issuer is dependent on other parties

The ability of the Relevant Issuer to make payments in respect of the Securities may depend upon the due performance by the other parties to the Trust Deed and the Agency Agreement of their obligations thereunder including the performance by the Trustee, the Issuing and Paying Agent and/or the Agent Bank of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Relevant Issuer of its obligations to make payments in respect of the Securities, the Relevant Issuer may not, in such circumstances, be able to fulfil its obligations to the Securityholders and the Couponholders.

Enforcement of the Securities and the Guarantee

Potential investors in the Securities should note that the Securities are issued by the Relevant Issuer and (in the case of Notes issued by EMPL) the Guarantee is issued by the Guarantor, and not ESR-REIT, since ESR-REIT is not a legal entity. Securityholders should note that under the terms of the Securities issued by the ESR-REIT Issuer or, as the case may be, the Guarantee, Securityholders shall only have recourse in respect of such Securities or, as the case may be, the Guarantee to the assets of ESR-REIT which the ESR-REIT Trustee has recourse to under the ESR-REIT Trust Deed and not to RBC Investor Services Trust Singapore Limited ("**RBC**") personally nor any other assets held by RBC as trustee of any trust (other than ESR-REIT). Further, Securityholders do not have direct access to the assets of ESR-REIT but can only gain access to such assets through the ESR-REIT Trustee and if necessary seek to subrogate to the ESR-REIT Trustee's right of indemnity out of such assets, and accordingly, any claim of the Securityholders to the assets of ESR-REIT is derivative in nature. A Securityholder's right of subrogation therefore could be limited by the ESR-REIT Trustee's right of indemnity under the ESR-REIT Trust Deed. Securityholders should also note that such right of indemnity of the ESR-REIT Trustee may be limited or lost through gross negligence, wilful default, fraud, breach of trust or breach of the ESR-REIT Trust Deed by the ESR-REIT Trustee.

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal, distribution or interest payable in one or more currencies, or where the currency for principal, distribution or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Legal risk factors may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls may result in Securityholders receiving less principal, interest or distribution than expected

The Relevant Issuer will pay principal, interest and distribution on the Securities in the currency specified. This presents certain risks relating to currency conversions if a Securityholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency in which the Securities are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Securities are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Securities are denominated would decrease (i) the Investor's Currency equivalent yield on the Securities, (ii) the Investor's Currency equivalent value of the principal payable on the Securities and (iii) the Investor's Currency equivalent market value of the Securities.

A change in Singapore law which governs the Securities may adversely affect Securityholders

The Securities are governed by Singapore law in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Securities.

The Securities may be represented by Global Securities and holders of a beneficial interest in a Global Security must rely on the procedures of the relevant Clearing System (as defined below).

Securities issued under the Programme may be represented by one or more Global Securities. Such Global Securities will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or lodged with CDP (each of Euroclear, Clearstream, Luxembourg and CDP, a "**Clearing System**"). Except in the circumstances described in the relevant Global Security, investors will not be entitled to receive Definitive Securities. The relevant Clearing System will maintain records of their accountholders in relation to the Global Securities. While the Securities are represented by one or more Global Securities, investors will be able to trade their beneficial interests only through the relevant Clearing System.

While the Securities are represented by one or more Global Securities, the Relevant Issuer will discharge its payment obligations under the Securities by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg or, as the case may be, to CDP, for distribution to their accountholders or, as the case may be, to the Issuing and Paying Agent for distribution to the holders as appearing in the records of the relevant Clearing System. A holder of a beneficial interest in a Global Security must rely on the procedures of the relevant Clearing System to receive payments under the relevant Securities. The Relevant Issuer bears no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities.

Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Securities will not have a direct right under the respective Global Securities to take enforcement action against the Relevant Issuer following an Event of Default or, as the case may be, Enforcement Event (each as defined in the Trust Deed) under the relevant Securities but will have to rely upon their rights under the Trust Deed.

RISK RELATING TO THE NOTES

The Notes are subject to mandatory redemption in the event of termination of ESR-REIT

In the event that ESR-REIT is terminated in accordance with the provisions of the ESR-REIT Trust Deed, the Relevant Issuer shall redeem all of the Notes at their redemption amount together with interest accrued to the date fixed for redemption. In that event, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

The Notes are subject to mandatory redemption in the event of cessation of trading of the Units

Should the Units cease to be listed and/or traded on the SGX-ST, the Relevant Issuer shall redeem all (and not some only) of the Notes at their redemption amount together with interest accrued to the date fixed for redemption. In that event, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

Variable Rate Notes may have a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Singapore Tax Risk

The Notes to be issued from time to time under the Programme during the period from the date of this Information Memorandum to 31 December 2023 are intended to be "qualifying debt securities" for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section on "Singapore Taxation" herein.

However, there is no assurance that the conditions for "qualifying debt securities" will be met or that such Notes will continue to enjoy the tax concessions for "qualifying debt securities" should the relevant tax laws be amended or revoked at any time or should the required conditions cease to be fulfilled.

RISKS RELATING TO THE PERPETUAL SECURITIES

Perpetual Securities may be issued for which investors have no right to require redemption

The Perpetual Securities are perpetual and have no fixed final maturity date. Perpetual Securityholders have no right to require the ESR-REIT Issuer to redeem Perpetual Securities at any time, and an investor who acquires Perpetual Securities may only dispose of such Perpetual Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, Perpetual Securityholders should be aware that they may be required to bear the financial risks of an investment in Perpetual Securities for an indefinite period of time.

If so specified in the relevant Pricing Supplement, Perpetual Securityholders may not receive distribution payments if the ESR-REIT Issuer elects to not pay all or a part of a distribution under the Conditions of the Perpetual Securities

If Optional Payment is specified in the relevant Pricing Supplement, the ESR-REIT Issuer may, at its sole discretion, elect not to pay any scheduled distribution on the Perpetual Securities in whole or in part for any period of time. The ESR-REIT Issuer is subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations (as defined in the Trust Deed) and (except on a *pro rata* basis) its Parity Obligations and the redemption and repurchase of its Junior Obligations and (except on a *pro rata* basis) its Parity Obligations in the event that it does not pay a distribution in whole or in part. The ESR-REIT Issuer is not subject to any limit as to the number of times or the extent of the amount with respect to which the ESR-REIT Issuer can elect not to pay distributions under the Perpetual Securities. While the ESR-REIT Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution, being an optional amount equal to the amount of distribution which is unpaid in whole or in part, there is no assurance that the ESR-REIT Issuer will do so, and distributions which are not paid in whole or in part may remain unpaid for an indefinite period of time. Any non-payment of a distribution in whole or in part shall not constitute a default for any purpose. Any election by the ESR-REIT Issuer not to pay a distribution in whole or in part will likely have an adverse effect on the market price of the Perpetual Securities. In addition, as a result of the potential non-cumulative distribution feature of the Perpetual Securities and the ESR-REIT Issuer's ability to elect not to pay a distribution in whole or in part, the market price of the Perpetual Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such election not to pay and may be more sensitive generally to adverse changes in the ESR-REIT Issuer's, ESR-REIT's and/or the Group's financial condition.

If so specified in the relevant Pricing Supplement, Perpetual Securityholders may not receive distribution payments if the ESR-REIT Issuer elects to defer distribution payments

If Cumulative or Non-Cumulative Deferral is specified in the relevant Pricing Supplement, the ESR-REIT Issuer may, at its sole discretion, elect to defer any scheduled Distribution on the Perpetual Securities for any period of time. The ESR-REIT Issuer may be subject to certain restrictions in relation to the payment of dividends on its Junior Obligations and the redemption and repurchase of its Junior Obligations until any Arrears of Distribution and any Additional Distribution Amounts (each as defined in the Trust Deed) are satisfied. The ESR-REIT Issuer is not subject to any limits as to the number of times distributions can be deferred pursuant to the Conditions of the Perpetual Securities subject to compliance with the foregoing restrictions. Where distributions are cumulative, the ESR-REIT Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the holders, and holders have no rights to claim any distribution, Arrears of Distribution or Additional Distribution Amount if there is such deferral. Investors should be aware that the interests of the ESR-REIT Issuer may be different from the interests of the Securityholders.

If so specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the ESR-REIT Issuer's option at date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events

The Perpetual Securities are perpetual securities and have no fixed final redemption date. If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the ESR-REIT Issuer on certain date(s) specified in the relevant Pricing Supplement at their principal amount (or such other redemption amount stated in the relevant Pricing Supplement) together with all outstanding Arrears of Distribution, Additional Distribution Amounts and distribution accrued to the date fixed for redemption. In addition, if specified on the relevant Pricing Supplement, the ESR-REIT Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on any Distribution Payment Date, or any time after such Distribution Payment Date, upon the occurrence of certain other events. Please refer to the section on "Terms and Conditions of the Perpetual Securities – Redemption and Purchase" herein.

The date on which the ESR-REIT Issuer elects to redeem the Perpetual Securities may not accord with the preference of individual Perpetual Securityholders. This may be disadvantageous to Perpetual Securityholders in light of market conditions or the individual circumstances of the Perpetual Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Perpetual Securities.

There are limited remedies for non-payment under the Perpetual Securities

Any scheduled distribution will not be due if the ESR-REIT Issuer elects not to pay all or a part of that distribution pursuant to the Conditions of the Perpetual Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute proceedings for the winding-up of ESR-REIT is limited to circumstances where payment has become due and the ESR-REIT Issuer fails to make the payment when due. The only remedy against the ESR-REIT Issuer available to any Perpetual Securityholder for recovery of amounts in respect of the Perpetual Securities following the occurrence of a payment default after any sum becomes due in respect of the Perpetual Securities will be proving in such winding-up and/or claiming in the liquidation of ESR-REIT in respect of any payment obligations of the ESR-REIT Issuer arising from the Perpetual Securities.

The Issuers may raise or redeem other capital which affects the price of the Perpetual Securities

The Issuers may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuers may issue or incur and which rank senior to, or *pari passu* with, the Perpetual Securities. Similarly, subject to compliance with the Conditions of the Perpetual Securities, the ESR-REIT Issuer may redeem securities that rank junior to, *pari passu* with, or senior to the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities may reduce the amount (if any) recoverable by Perpetual Securityholders on a winding-up of ESR-REIT, and may increase the likelihood of a deferral of distribution under the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities might also have an adverse impact on the trading price of the Perpetual Securities and/or the ability of Perpetual Securityholders to sell their Perpetual Securities.

The Subordinated Perpetual Securities are subordinated obligations

The obligations of the ESR-REIT Issuer under the Subordinated Perpetual Securities will constitute unsecured and subordinated obligations of the ESR-REIT Issuer. In the event of the winding-up of ESR-REIT, the rights of the holders of Subordinated Perpetual Securities to receive payments in respect of the Subordinated Perpetual Securities will rank senior to the holders of all Junior Obligations of the ESR-REIT Issuer and *pari passu* with the holders of all Parity Obligations of the ESR-REIT Issuer, but junior to the claims of all other present and future creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities and/or Notes. In the event of a shortfall of funds or a winding-up of the ESR-REIT Issuer and/or ESR-REIT, there is a real risk that an investor in the Subordinated Perpetual Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution, Additional Distribution Amounts or accrued distribution.

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuers without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuers may issue or incur and which rank senior to, or *pari passu* with, the Subordinated Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Perpetual Securities on a winding-up of ESR-REIT and/or may increase the likelihood of a non-payment of distribution under the Subordinated Perpetual Securities.

Any future changes in the accounting treatment of the Perpetual Securities may entitle the ESR-REIT Issuer to redeem such Securities

Any changes or amendments to the Singapore Financial Reporting Standards (as amended from time to time, the "**SFRS**") or any other accounting standards that may replace SFRS for the purposes of the consolidated financial statements of ESR-REIT which result in the Perpetual Securities not being regarded as "equity" of ESR-REIT will allow the ESR-REIT Issuer to redeem such Perpetual Securities.

The date on which the ESR-REIT Issuer elects to redeem the Perpetual Securities may not accord with the preference of individual Perpetual Securityholders. This may be disadvantageous to Perpetual Securityholders in light of market conditions or the circumstances of individual Perpetual Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Perpetual Securities.

Tax treatment of the Perpetual Securities is unclear

It is not clear whether any tranche of the Perpetual Securities (the "**Relevant Tranche of Perpetual Securities**") issued by the ESR-REIT Issuer will be regarded as "debt securities" by the IRAS for the purposes of the ITA and whether the tax exemptions or tax concessions available for qualifying debt securities under the qualifying debt securities scheme (as set out in the section "Singapore Taxation") would apply to the Relevant Tranche of Perpetual Securities.

In the event that the IRAS regards the Relevant Tranche of Perpetual Securities issued by the ESR-REIT Issuer to be "debt securities" for Singapore income tax purposes, that Relevant Tranche of Perpetual Securities are intended to be "qualifying debt securities" for the purposes of the ITA subject to the fulfilment of certain conditions more particularly described in the section "Singapore Taxation". However, there is no assurance that the conditions for "qualifying debt securities" will be met or that that Relevant Tranche of Perpetual Securities will continue to enjoy the tax concessions for "qualifying debt securities" should the relevant tax laws be amended or revoked at any time, or should the required conditions cease to be fulfilled.

In the event that the IRAS does not regard a Relevant Tranche of Perpetual Securities issued by the ESR-REIT Issuer as "debt securities" for Singapore income tax purposes, all payments, or part thereof, of Distributions, Optional Distributions, Arrears of Distribution and Additional Distribution Amounts (if applicable) in respect of the Relevant Tranche of Perpetual Securities may be subject to Singapore income tax in the same manner as distributions on ordinary units of ESR-REIT or interest payments made by ESR-REIT, and the ESR-REIT Issuer may be obliged (in certain circumstances) to withhold tax under Section 45G or Section 45 of the ITA on such payments. In that event, the ESR-REIT Issuer will not pay any additional amounts in respect of any such withholding or deduction from payments in respect of the Relevant Tranche of Perpetual Securities in connection therewith for or on account of any such taxes or duties. Perpetual Securityholders are thus advised to consult their own professional advisers regarding the tax treatment of the Distributions, Optional Distributions and Arrears of Distribution and Additional Distribution Amounts (if applicable) under the Relevant Tranche of Perpetual Securities received by them, including the risk of such payments being subject to Singapore withholding tax.

For further details of the tax treatment of the Perpetual Securities, please see the section on "Singapore Taxation" herein.

A change in the law governing the subordination provisions of the Perpetual Securities may adversely affect Securityholders

The provisions of the Conditions of the Perpetual Securities that relate to subordination are governed by Singapore law. No assurance can be given as to the impact of any possible judicial decision or change to such law or administrative practice after the date of issue of the relevant Perpetual Securities.

RISKS RELATING TO THE BUSINESS, FINANCIAL CONDITION AND/OR RESULTS OF OPERATIONS OF ESR-REIT

Uncertainties and instability in global market conditions could adversely affect the business, financial condition and results of operations of ESR-REIT

The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions in light of, *inter alia*, the concerns about the outlook for the economy in China, the exit of the United Kingdom from the European Union, the rise in global trade protectionism, falling oil prices, the interest rate environment in the United States and the trade tensions between the United States and its trading partners (including the European Union and China).

Such events could have an adverse impact on the overall business environment and could adversely affect ESR-REIT insofar as they result in:

(i) a negative impact on the ability of its tenants to pay their rents in a timely manner or continuing their leases, thus reducing ESR-REIT's cash flow;

(ii) an increase in counterparty risk; and/or

(iii) an increased likelihood that one or more of (a) ESR-REIT's banking syndicate, (b) banks providing bankers' guarantees for ESR-REIT's rental deposits, or (c) ESR-REIT's insurers, may be unable to honour their commitments to ESR-REIT.

The properties owned by ESR-REIT may be revalued downwards

Property valuations generally include a subjective evaluation of certain factors relating to the relevant properties, such as their relative market positions, their financial and competitive strengths and their physical conditions. General property prices, including those of industrial properties, are subject to the volatilities of the property market and there can be no assurance that

ESR-REIT will not be required to make a downward revaluation of the properties owned by it in the future. Any fall in the gross revenue or net property income earned from the properties owned by ESR-REIT will result in a downward revaluation of such properties. Downward revaluations could negatively impact ESR-REIT's gearing, which could in turn trigger a default under certain loan covenants and/or impact ESR-REIT's ability to refinance its existing borrowings or secure additional borrowings.

In addition, ESR-REIT is required to measure investment properties at fair value at each balance sheet date and any change in the fair value of the investment properties is recognised in the statements of total return. Changes in fair value may have an adverse effect on ESR-REIT's financial results for the financial year if there is a significant decrease in the valuation of ESR-REIT's investment properties which results in revaluation losses that are recognised in its statements of total return.

The amount ESR-REIT may borrow is limited, which may affect the operations of ESR-REIT and ESR-REIT's borrowing limit may be exceeded if there is a downward revaluation of the properties owned by ESR-REIT

As at the date of this Information Memorandum, under the Property Funds Appendix, ESR-REIT is permitted to borrow up to 45.0% of the value of the Deposited Property at the time the borrowing is incurred, taking into account deferred payments (including deferred payments for assets whether to be settled in cash or in Units). Pursuant to the consultation paper on "Proposed Amendments to the Requirements for REITs" published by the MAS on 2 July 2019 ("**Consultation Paper**"), the MAS may in the future introduce the option of allowing a REIT's leverage to exceed 45.0% but not more than 50.0%, subject to any requirements which the MAS may impose, such as a minimum interest coverage ratio of 2.5 times after taking into account the interest payments arising from the new debt.

As at 30 June 2019, the Group's Aggregate Leverage (as defined in the Property Funds Appendix) is approximately 39.0[1]%.

ESR-REIT may, from time to time, require further debt financing to achieve its investment strategy. In the event that ESR-REIT decides to incur additional borrowings in the future, it may be unable to obtain such additional borrowings if to do so would breach the prescribed borrowing limits. In addition, should there be a substantial decline in the value of the Deposited Property which causes ESR-REIT's Aggregate Leverage limit to be exceeded, ESR-REIT will not be able to make further borrowings.

Adverse business consequences of this limit on borrowings may include:

(i) an inability to fund acquisitions by ESR-REIT of further properties or to fund capital expenditure requirements, refurbishments, renovation and improvements, AEIs and development works in relation to the properties owned by ESR-REIT;

(ii) an inability to fund working capital requirements which may further constrain ESR-REIT's operational flexibility; and

(iii) cash flow shortage which may have an adverse impact on ESR-REIT's ability to satisfy its existing debt obligations and/or obligations in respect of the Securities.

1 Excluding the effects of FRS 116 *Leases* which became effective on 1 January 2019.

There is no assurance that credit ratings given to ESR-REIT (if any) by any rating agency will be maintained or that such ratings will not be reviewed, downgraded, suspended or withdrawn in the future

Where credit ratings are assigned to ESR-REIT by a rating agency, such ratings are based solely on the views of that rating agency. Future events could have a negative impact on the ratings of ESR-REIT and prospective investors should be aware that there can be no assurance that the ratings given will continue or that the ratings would not be reviewed, downgraded, suspended or withdrawn as a result of future events or based on the judgment of the relevant rating agency. A downgrade or withdrawal of the credit ratings assigned by a rating agency may have a negative impact on the market value of the Securities and lead to ESR-REIT being unable to obtain future credit on terms which are as favourable as those of its existing borrowings, resulting in loans at higher interest rates.

ESR-REIT may experience limited availability of funds

ESR-REIT may require additional financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to ESR-REIT. Factors that could affect ESR-REIT's ability to procure financing include the cyclicality of the property market and market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources. ESR-REIT may experience increased difficulties in obtaining funding amidst uncertainties in the global economy, whether from financial institutions or the capital markets. ESR-REIT's plans for expansion will require significant additional investments and capital, and if ESR-REIT is unable to procure sufficient funds, its growth strategy may be materially and adversely affected.

ESR-REIT may have a higher level of gearing than certain other types of unit trusts

ESR-REIT may, from time to time, require additional debt financing to achieve its investment strategies and to fund working capital requirements and/or to refinance existing debt obligations.

ESR-REIT's level of borrowings may represent a higher level of gearing as compared to certain other types of unit trusts, such as non-specialised collective investment schemes which invest in equities and/or fixed income instruments, and this could affect ESR-REIT's ability to make timely interest payments or otherwise comply with applicable debt covenants. Investment risk is known to increase with an increase in gearing or leverage. An increase in gearing or leverage will increase ESR-REIT's exposure to the risk of changing economic conditions. For example, in a climate of rising interest rates, the costs of financing ESR-REIT's investments (including servicing its indebtedness) will increase and this will adversely affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities. ESR-REIT has taken steps to actively manage this risk through its interest rate risk management policies. Please also see the risk factor titled "*ESR-REIT is subject to interest rate fluctuations*".

ESR-REIT faces risks associated with its existing debt financing arrangements

ESR-REIT is subject to risks associated with debt financing, including the risk that its cash flow will be insufficient to make the required principal and interest payments under such financing. ESR-REIT's distribution policy is to distribute at least 90.0% of its annual distributable income, comprising substantially its income from the letting of the properties owned by it after deduction of allowable expenses. The actual level of distribution will be determined at the ESR-REIT Manager's discretion taking into account the needs of ESR-REIT for capital expenditure, working capital requirements and the liquidity position of ESR-REIT. As a result of this distribution policy, ESR-REIT may not be able to meet all of its obligations to repay any future principal repayment through its cash flow from operations. As such, ESR-REIT may be required to repay maturing debt

with funds from additional debt or equity financing or both. There can be no assurance that such financing will be available on acceptable terms or at all. If ESR-REIT defaults under such debt liabilities, the lenders may be able to declare a default and initiate enforcement proceedings in respect of any security provided, and/or call upon any guarantees provided.

As at 30 June 2019, 100% of ESR-REIT's Properties are unencumbered. However, ESR-REIT may, in future, mortgage any or any number of its properties are mortgaged to secure payment of ESR-REIT's bank borrowings. If ESR-REIT is unable to meet interest or principal payments in respect of such borrowings, such properties may be foreclosed by the lender or the lender may require a force sale of such properties. This may result in a loss of income and asset value to ESR-REIT. In an event of default on the Notes, an enforcement event on the Perpetual Securities, or default under any other indebtedness or upon ESR-REIT's bankruptcy, liquidation or reorganisation, any secured indebtedness of third party creditors to ESR-REIT's portfolio would effectively be senior to the Securities to the extent of the value of ESR-REIT's portfolio securing their indebtedness. The holders of the Securities would only have a (in the case of Notes and Senior Perpetual Securities) senior unsecured claim against those assets to the extent any remain after satisfying the obligations under secured indebtedness.

There is also no assurance that the lenders will be able to realise the original purchase price or the current market value of ESR-REIT's properties if they are divested under any enforcement action in the future. If the ESR-REIT Manager wishes to dispose of any of its properties, it would (for so long as such properties are mortgaged) require the approval of the lenders. The need for such approval may restrict ESR-REIT's ability to freely dispose of its properties as there is no assurance that the approval would be obtained in time or at all.

ESR-REIT's borrowings are also subject to covenants, representations and warranties in favour of the lenders, relating to, among other things, ESR-REIT, the ESR-REIT Manager, the ESR-REIT Trustee and the Properties. Certain of these borrowings also require ESR-REIT to indemnify the lenders in relation to any breach of such covenants, representations and warranties. In the event that the lenders, or any party entitled to enforce the covenants, representations, warranties and indemnities make a claim in respect of any of them, the assets of ESR-REIT may be used to satisfy such a claim and this could have a material adverse effect on ESR-REIT.

ESR-REIT may seek to repay maturing debt with funds from additional debt or equity financings or both. There can be no assurance that such financing will be available on acceptable terms, or at all.

ESR-REIT is also subject to the risk that its existing borrowings may have their repayments accelerated or terminated by the lenders upon the occurrence of certain events. Even if ESR-REIT is able to refinance part or all of such existing debt, it remains subject to the risk that the terms of such refinancing will not be as favourable as the terms of its existing debt.

In addition, ESR-REIT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect its operations. Such covenants may also restrict ESR-REIT's ability to acquire future properties or to undertake other capital expenditures, or may require it to set aside funds for maintenance or repayment of security deposits.

In addition to the risks set out above, if prevailing interest rates or any other factors at the time of refinancing its debt (such as the possible reluctance of lenders to make loans in relation to industrial properties) result in ESR-REIT having to bear higher interest rates upon refinancing its debt, the interest expense relating to such refinanced borrowings would increase, and this may adversely affect ESR-REIT's cash flow. The occurrence of such events may adversely affect the financial condition and results of operations of ESR-REIT, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Additionally, a proportion of ESR-REIT's expected cash flow may be required to be dedicated to the payment of interest on its borrowings, thereby reducing the funds available to ESR-REIT for use in its general business operations. Such indebtedness may also restrict ESR-REIT's ability to obtain additional financing for capital expenditure, acquisitions or general corporate purposes and may cause it to be vulnerable in the event of a general economic downturn.

ESR-REIT is subject to interest rate fluctuations

ESR-REIT maintains part of its debts on a floating rate basis. Consequently, the interest cost to ESR-REIT for the floating interest rate debt will be subject to fluctuations in interest rates. In addition, ESR-REIT is, and may in future be, subject to market disruption clauses contained in its loan agreements with banks. Such clauses will generally provide that to the extent that the banks face difficulties in raising funds in the interbank market or are paying materially more for interbank deposits than the displayed screen rates, they may pass on the higher cost of such funds to the borrower, notwithstanding the margins agreed.

ESR-REIT has entered, and may continue to enter, into some hedging transactions to partially mitigate the risk of interest rate fluctuations. However, there is no certainty that ESR-REIT will be able to hedge its debts on commercially acceptable terms or at all, or that ESR-REIT's hedging policy will adequately cover its exposure to adverse interest rate fluctuations. Interest rate hedging could fail to protect ESR-REIT or could adversely affect ESR-REIT because, among other things:

(i) the available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;

(ii) the party owing money in the hedging transaction may default on its obligation to pay;

(iii) the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs ESR-REIT's ability to sell or assign its side of the hedging transaction; and

(iv) the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Any downward adjustments would reduce the net asset value of ESR-REIT.

Hedging involves risks and transaction costs, which may reduce overall returns. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. As a result, ESR-REIT's financial condition and results of operations could potentially be adversely affected by interest rate fluctuations, and this may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

ESR-REIT may be exposed to risks associated with exchange rate fluctuations between the currencies of the countries in which ESR-REIT may invest in future and the Singapore dollar and changes in foreign exchange regulations

ESR-REIT's future foreign investments may be denominated in foreign currencies and fluctuations in the respective foreign currencies and foreign exchange rates will affect the value of the Singapore dollar equivalent amounts. If a substantial portion of ESR-REIT's income, expenses, assets and liabilities continues to be denominated in Singapore dollars, ESR-REIT will most likely maintain its financial statements in Singapore dollars, will make distributions to its Unitholders in Singapore dollars and its Unit price will remain in Singapore dollars. Accordingly, any significant fluctuation in the exchange rates between the foreign currencies and the Singapore dollar may have an adverse impact on ESR-REIT's results of operations when translated or converted into Singapore dollars. Should the Singapore dollar appreciate in value against the currencies of countries in which ESR-REIT invests, there may be a material adverse effect on ESR-REIT's net asset value and results of operations.

ESR-REIT may also be subject to the imposition or tightening of exchange control or repatriation restrictions, and may encounter difficulties or delays in the receipt of its proceeds from divestments and dividends due to the existence of such restrictions in the jurisdictions in which it operates in future.

Payment of management fees in cash by ESR-REIT to the ESR-REIT Manager may have an adverse effect on the cash flow of ESR-REIT and the Relevant Issuer's ability to fulfil its payment obligations under the Securities

The ESR-REIT Manager is entitled to management fees as set out in the ESR-REIT Trust Deed, which shall be paid to the ESR-REIT Manager in the form of cash and/or Units (as the ESR-REIT Manager may elect prior to each such payment) out of the Deposited Property and in such proportion as may be determined by the ESR-REIT Manager.

If the ESR-REIT Manager is required to pay a large amount of management fees in cash, ESR-REIT's cash flow, financial condition and/or results of operations as well as the Relevant Issuer's ability to fulfil its payment obligations under the Securities may be adversely affected. The price of the Securities may be materially and adversely affected as a result.

ESR-REIT may be adversely affected by the illiquidity of real estate investments

Real estate investments are relatively illiquid. Such illiquidity may affect ESR-REIT's ability to vary its investment portfolio or dispose of part of its assets in response to changes in economic, real estate market or other conditions. For example, ESR-REIT may be unable to dispose of its assets on short notice or may be forced to give a substantial reduction in the price that may otherwise be sought for such assets in order to ensure a quick sale. Moreover, ESR-REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to the illiquid nature of real estate assets. These factors could have an adverse effect on ESR-REIT's financial condition and results of operations, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

ESR-REIT's strategy of investing in industrial properties may entail a higher level of risk compared to other types of trusts that have a more diverse range of permitted investments

ESR-REIT's principal strategy of investing, directly or indirectly, in industrial real estate entails a higher level of risk than a portfolio which has a diverse range of investments. This concentration of investments in a portfolio of industrial real estate assets may cause ESR-REIT to be susceptible to a downturn in the industrial real estate market. A downturn in the industrial real estate market may lead to a decline in the rental income in the Properties and/or a decline in the capital value of such Properties, either of which may have a material and adverse impact on the financial condition and results of operations of ESR-REIT, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The ESR-REIT Manager may not be able to implement its investment strategy

The ESR-REIT Manager's investment strategy includes expanding ESR-REIT's portfolio of industrial properties in Singapore and expanding its portfolio to include industrial properties in overseas markets. There can be no assurance that the ESR-REIT Manager will be able to expand ESR-REIT's portfolio further, or at any specified rate or to any specified size. The ESR-REIT Manager may not be able to make investments or acquisitions on favourable terms in a desired time frame or at all.

ESR-REIT relies on external sources of funding to expand its portfolio, and there is no assurance that such funding will be available on favourable terms, or at all. Even if ESR-REIT were able to complete additional property investments successfully, there is no assurance that ESR-REIT will

achieve its intended return on such investments. As the amount of debt ESR-REIT can incur to finance acquisitions is limited (for example, by the Property Funds Appendix and various financial and restrictive covenants in ESR-REIT's debt instruments and/or loan facilities), such acquisitions may be dependent on ESR-REIT's ability to raise equity capital. Potential vendors may also view the necessity of raising equity capital to fund any such purchase negatively and may prefer other potential purchasers.

Furthermore, there has been significant competition from other real estate investors for attractive investment opportunities, particularly for industrial properties both in Singapore and regionally. These real estate investors include other industrial REITs, commercial property development companies and private investment funds, both foreign and domestic, which may be larger in terms of assets and revenue and/or have greater financial resources, better quality of assets and stronger relationships with potential vendors and tenants compared to ESR-REIT. There is no assurance that ESR-REIT will be able to compete effectively against such entities or that ESR-REIT's acquisition growth strategy can be successfully implemented as increased competition may adversely affect its ability to acquire properties in Singapore. Even if ESR-REIT were able to successfully acquire property or investments, there is no assurance that ESR-REIT will achieve its intended return on such acquisitions or investments.

In the event that the ESR-REIT Manager is not able to successfully implement its investment strategy for ESR-REIT or effectively compete against its competitors, ESR-REIT's business, financial condition and results of operations may be adversely affected, which may in turn adversely affect the ability of the Relevant Issuer to fulfil its payment obligations under the Securities.

The ESR-REIT Manager may invest overseas and may be subject to associated risks

The ESR-REIT Manager may venture to invest in yield-accretive properties overseas to enhance ESR-REIT's value. There may be operational and currency risks involved in expanding the overseas business.

Investment in properties in foreign countries will expose ESR-REIT to local real estate market conditions in these countries. An economic decline in any one or more of the countries in which the properties owned by ESR-REIT are located could adversely affect ESR-REIT's business, financial condition, performance or prospects. Other local real estate market conditions which may adversely affect ESR-REIT's performance include the attractiveness of competing industrial properties, the supply of industrial properties and demand from tenants.

Furthermore, ESR-REIT will be subject to foreign real estate laws, securities laws, tax laws, any applicable laws relating to foreign exchange and related policies and any unexpected changes to the same. For example, real estate laws differ from country to country and ESR-REIT's business in these countries may not always enjoy the same level of legal rights or protection that it is afforded in Singapore. More stringent or onerous real estate laws may be adopted in the future in the countries where ESR-REIT may operate its business, and that may restrict ESR-REIT's ability to operate its business. The risk profile of ESR-REIT may therefore encompass the risks involved in each of the countries or businesses that ESR-REIT operates, and such risks may adversely affect the business, financial condition, performance or prospects of ESR-REIT. There might also be a negative impact on ESR-REIT's investments located in a foreign country as a result of measures and policies adopted by the relevant foreign governments and authorities at the local and national levels, including the imposition of foreign exchange restrictions. There is a risk that ESR-REIT will not be able to repatriate the income and gains derived from investment in real estate and other assets in these foreign countries. It may also be difficult to obtain legal protection and recourse in some countries.

In addition, the income and gains derived from investment in properties in foreign countries may be subject to various types of taxes in Singapore and in such countries, including income tax, withholding tax, capital gains tax and such other taxes which may be imposed specifically for ownership of real estate. All these taxes, which are subject to changes in laws and regulations that may lead to an increase in tax rates or the introduction of new taxes, could adversely affect and erode the returns from these properties and hence the yield to investors. There is also no assurance that ESR-REIT will be able to repatriate to Singapore the income and gains derived from investment in properties outside Singapore on a timely and regular basis. Any inability to repatriate the income and gains to Singapore will affect the ability of the Relevant Issuer to fulfil its payment obligations under the Securities.

The ESR-REIT Manager's strategy to initiate asset enhancement and/or development works on the properties owned by ESR-REIT from time to time may not materialise

The ESR-REIT Manager may from time to time initiate asset enhancement and/or development works on some of the properties owned by ESR-REIT at the request of existing or pre-committed tenants or to attract new tenants. There is no assurance that such plans for asset enhancement and/or development works will materialise, or in the event that they do materialise and are completed, that they will be able to achieve their desired results. The proposed AEIs are also subject to ESR-REIT obtaining the approvals of the relevant authorities. Furthermore, the ESR-REIT Manager may not be able to carry out the proposed AEIs within a desired timeframe, and any benefit or return which may arise from such AEIs may be reduced or lost. Despite the significant costs that may have been incurred by ESR-REIT in the course of such asset enhancement and/or development works, such properties may still be unable to attract new tenants or retain existing tenants and pre-committed tenants may default on their pre-commitment obligations. This may adversely affect the financial condition and results of operations of ESR-REIT, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

ESR-REIT may not be able to control or exercise any influence over entities in which it has minority interests or over the management of strata sub-divided properties in which it owns strata lots

ESR-REIT may, in the course of future acquisitions, acquire minority interests in real estate-related investment entities ("**Other Investment Entities**"). ESR-REIT may also acquire strata lots in strata sub-divided properties ("**Strata Sub-divided Properties**") in the future. There can be no assurance that ESR-REIT will be able to (i) control such Other Investment Entities or exercise any influence over the assets of such entities or their distributions to ESR-REIT or (ii) control or exercise any influence over the management of the Strata Sub-divided Properties, depending on the share value of the strata lots owned by ESR-REIT. Furthermore, the Other Investment Entities may also develop objectives which are different from those of ESR-REIT and may not be able to make distributions. The management of such Other Investment Entities and Strata Sub-divided Properties may make decisions regarding such entities or properties they control which adversely affect the operations of ESR-REIT, and this may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The ESR-REIT Manager and the Property Manager are indirectly owned by ESR Cayman Limited ("ESR"). There are potential conflicts of interest amongst ESR, ESR-REIT, the ESR-REIT Manager and the Property Manager

As at the Latest Practicable Date, ESR (through its wholly-owned subsidiary) owns 67.3% of the ESR-REIT Manager and 100.0% of the Property Manager. ESR is engaged in, and/or may engage in, among other things, the development, operation, portfolio management and investment of real estate specifically in Asia, with a focus on logistics and industrial warehouses.

As a result, the strategy and activities of ESR-REIT may be influenced by the overall interests of ESR. There can be no assurance that conflicts of interest will not arise between ESR and ESR-REIT in the future. Furthermore, there can be no assurance that ESR will not favour properties retained in its own property portfolio or which it manages or operates over those owned by ESR-REIT. ESR may in future, sponsor, manage or invest in other REITs or other vehicles which may also compete directly with ESR-REIT. This could lead to lower occupancy rates and/or lower revenue for the properties owned by ESR-REIT, which may in turn result in a material adverse effect on ESR-REIT's gross revenue and this may indirectly affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

There is no assurance that ESR-REIT will be able to continue to leverage and tap on ESR's capabilities and expertise in the operation of the properties owned by ESR-REIT or the management of ESR-REIT

As at the Latest Practicable Date, ESR owns 100.0%, 67.3% and 9.0% in the Property Manager, the ESR-REIT Manager and ESR-REIT, respectively.

However, if and when ESR decides to transfer or dispose of its interests in ESR-REIT or its shares in the ESR-REIT Manager or the Property Manager, ESR-REIT may no longer be able to leverage on:

(i) ESR's on-the-ground real estate expertise in the Asia Pacific region;

(ii) ESR's financial strength, market reach and network of contacts to further ESR-REIT's growth; and/or

(iii) ESR's pipeline of properties.

This may have a material adverse effect on ESR-REIT's business, financial condition, results of operations and/or prospects.

ESR-REIT may be involved in legal and other proceedings from time to time

ESR-REIT may be involved from time to time in disputes with various parties such as tenants, contractors, sub-contractors, consultants, suppliers, construction companies, purchasers and other partners involved in the asset enhancement, operation and purchase of the properties owned by ESR-REIT. These disputes may lead to legal and/or other proceedings, and may cause ESR-REIT to suffer additional costs and delays. In the event that such proceedings are resolved in favour of other parties against ESR-REIT, there may be an adverse impact on ESR-REIT's financial condition and results of operations. Additionally, ESR-REIT may have disputes with governmental or regulatory bodies in the course of its operations and may be subject to administrative proceedings and unfavourable orders, directives or decrees. This may in turn result in financial losses and delays in the completion of works and/or the construction of properties. Should any of the above circumstances develop into actual events, the business, results of operations and financial condition of ESR-REIT may be materially and adversely affected, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

ESR-REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations

ESR-REIT's success depends, in part, upon the continued service and performance of members of the ESR-REIT Manager's senior management team and certain key senior personnel. These key personnel may leave the ESR-REIT Manager or compete with it and ESR-REIT. The loss of any of these individuals, or of one or more of the ESR-REIT Manager's other key employees, without suitable and/or timely replacement, could have a material adverse effect on ESR-REIT's results of operations and financial condition, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Properties of ESR-REIT and ESR-REIT's operation may be affected or damaged by acts of terrorism and other acts of violence or war and adverse political developments

The presence of terrorist activities, acts of violence or war and adverse political developments could materially and adversely affect international financial markets and the Singapore economy. Acts of terrorism and other acts of violence and war could also cause physical damage to the properties owned by ESR-REIT. Such developments may lead to a significant disruption to the business or operation of the relevant properties and result in an adverse impact on the financial condition and results of operations of ESR-REIT.

Outbreak of infectious diseases or any other serious public health concerns in Singapore and elsewhere could adversely impact ESR-REIT's financial condition, business and results of operations

The outbreak of infectious diseases such as Influenza A (H1N1), Severe Acute Respiratory Syndrome, Middle East Respiratory Syndrome, Zika virus, Ebola or Hand, Foot and Mouth Disease in Singapore and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines could have a negative impact on the economy and business activities in Singapore and in other countries that ESR-REIT could potentially expand to and could thereby adversely impact the revenues and results of operations of ESR-REIT. A future outbreak of an infectious disease or any other serious public health concern in Singapore and elsewhere could seriously harm ESR-REIT's business.

ESR-REIT may be affected by the introduction of new or revised legislation, regulations, guidelines or directions affecting REITs

ESR-REIT may be affected by the introduction of new or revised legislation, regulations, guidelines or directions affecting REITs in the jurisdictions in which it operates. There is no assurance that MAS or any other relevant authority will not introduce new legislation, regulations, guidelines or directions which would adversely affect REITs generally or ESR-REIT specifically. Changes in legislation, regulations or government policies may increase the cost of compliance with such laws, regulations or policies and may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance.

If the Capital Markets Services Licence of the ESR-REIT Manager is cancelled, not renewed or revoked by MAS, the operations of ESR-REIT may be adversely affected

The Capital Markets Services Licence issued to the ESR-REIT Manager is subject to certain conditions. If the ESR-REIT Manager fails to satisfy or comply with these conditions, the Capital Markets Services Licence of the ESR-REIT Manager may be cancelled, not renewed or revoked by MAS. The operations of ESR-REIT will be adversely affected as the ESR-REIT Manager would no longer be able to act as the manager of ESR-REIT. ESR-REIT would need to expend time and resources searching for a replacement manager and the operations of ESR-REIT may accordingly be adversely affected, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The accounting standards in Singapore may change

The Singapore Accounting Standards Council may issue new and revised accounting standards and pronouncements from time to time and the Institute of Singapore Chartered Accountants may revise the recommendations of Statement of Recommended Accounting Practice 7 Reporting Framework for Unit Trusts ("**RAP 7**") from time to time. The financial statements of ESR-REIT may be affected by the introduction of such changes in accounting standards or revised RAP 7. The extent and timing of these changes are unknown and subject to confirmation by the relevant authorities.

There is no assurance that the changes in the accounting standards and revised RAP 7 will not have a material adverse effect on ESR-REIT's business, financial condition, results of operations and/or prospects.

A substantial number of the Properties' leases are for terms of three years

The Properties have lease cycles in which a substantial number of the leases expire each year. Vacancies following the non-renewal of leases may lead to reduced occupancy rates. If a large number of tenants do not renew their leases in a year in which a substantial number of leases expire, this could adversely affect the financial condition and results of operations of ESR-REIT, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

RISKS RELATING TO THE PROPERTIES OF ESR-REIT

ESR-REIT is exposed to general risks associated with the ownership and management of real estate

Property investment is subject to risks incidental to the ownership and management of industrial properties including, among other things, competition for tenants, changes in market rent, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in ESR-REIT's financial statements, increased operating costs, the need to renovate, repair and re-let space periodically, wars, terrorist attacks, riots, civil commotions, natural disasters and other events beyond ESR-REIT's control.

The activities of ESR-REIT may also be impacted by changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws relating to government appropriation, condemnation and redevelopment.

Any of the above factors may adversely affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The Properties are predominantly industrial in nature and are located in Singapore and are therefore exposed to the economic and real estate conditions in Singapore

As at the date of this Information Memorandum, all of ESR-REIT's Properties are used predominantly for industrial purposes and are located in Singapore. This concentration of investments in a portfolio of industrial real estate assets in Singapore may entail a higher level of risk, as compared to other REITs which have properties spread over different countries. ESR-REIT is heavily exposed to the risk of a prolonged downturn in economic and real estate conditions in Singapore, both of which may lead to a decline in the rental income in the Properties and/or a decline in the capital value of such Properties, thus adversely affecting ESR-REIT's results of operations, financial condition and future growth.

In addition, the performance of ESR-REIT may also be adversely affected by local real estate market conditions, such as the competitiveness of competing industrial properties, an oversupply of industrial properties or reduced demand for industrial properties or limited uses of industrial properties.

ESR-REIT's business, results of operations and/or future growth may also be adversely affected by competition for business and direct investment from other Asian countries such as China, India, Malaysia, Indonesia, Thailand, Vietnam or the Philippines, where the operating cost and rental and property rates may be substantially lower than those in Singapore. There can be no assurance that prospective or current tenants will not seek properties in locations outside of Singapore, which could have an adverse effect on ESR-REIT's results of operations and/or future growth, with a consequential adverse effect on the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The cash flow of ESR-REIT may be adversely affected by declining rental rates

The amount of cash flow available to ESR-REIT will depend in part on its ability to continue to lease the properties owned by ESR-REIT on economically favourable terms. As most of the income generated from the properties owned by ESR-REIT is derived from rentals, ESR-REIT's cash flow may be adversely affected by any significant decline in the rental rates at which ESR-REIT is able to lease its properties and to renew existing leases or attract new tenants. There can be no assurance that the rental rates will not decline at some point during the period from each issue of the Securities until their redemption and that such decline will not have an adverse effect on the cash flow of ESR-REIT, which may in turn affect ESR-REIT's business, financial condition and/or results of operations.

The properties owned by ESR-REIT may face competition from other properties

There are many existing and new industrial properties in Singapore that compete with the properties owned by ESR-REIT in attracting and retaining tenants. Whenever competing properties in the vicinity of properties owned by ESR-REIT are developed or substantially upgraded and refurbished, the attractiveness of such properties may be affected. The properties owned by ESR-REIT will also compete with properties that may be developed in the future. The development of such properties may adversely affect the demand and rental rates for properties owned by ESR-REIT and consequently the financial condition and results of operations of ESR-REIT. This may in turn affect the availability of cash flows and the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Factors that affect the ability of industrial properties to attract or retain tenants include connectivity through proximity to strategic infrastructure amenities and major highways, the attractiveness and relevance of the specifications of the building and the surrounding area to prospective tenants and their customers, the quality of the building's existing tenants as well as the performance of the relevant building's property manager. The income from, and market value of, the properties owned by ESR-REIT will be largely dependent on the ability of these properties to compete with other industrial properties in the relevant localities in attracting and retaining tenants. Historical operating results and the market values of the properties owned by ESR-REIT may not be indicative of future operating results and market values of such properties.

The revenue stream and the value of the properties owned by ESR-REIT may be adversely affected by a number of factors

The revenue stream and the value of the properties owned by ESR-REIT may be adversely affected by a number of factors which include:

(i) vacancies following expiry or termination of leases or licences that lead to lower occupancy rates which in turn reduce ESR-REIT's revenue and its ability to recover certain operating costs such as government rates (including property and other taxes), government rents, utility charges and other charges payable by the tenants and licensees;

(ii) the ESR-REIT Manager's ability to collect rent or licence fees from tenants and licensees on a timely basis or at all;

(iii) the amount and extent to which ESR-REIT grants waivers of interest on late payment of rent;

(iv) tenants seeking the protection of bankruptcy laws which could result in delays in the receipt of rent payments, inability to collect rental income or delays in the termination of the tenant's lease, or which could hinder or delay the sale of a property or the re-letting of the premises in question;

(v) the amount of rent payable by tenants and the terms on which lease renewals and new leases are agreed being less favourable than current leases;

(vi) the national and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for, industrial space, compulsory acquisitions or release of land by the Government of Singapore, general downturns in market rental rates and increases in operating expenses for the properties owned by ESR-REIT);

(vii) the ESR-REIT Manager's ability to provide adequate management and maintenance services and insurance;

(viii) tenants or sub-tenants failing to comply with the terms of their leases or sub-leases;

(ix) bankruptcy, insolvency or downturn in the business of tenants or sub-tenants which may result in the non-renewal of their leases or sub-leases or the termination of their leases or sub-leases before they expire. For example, on 5 March 2019, the ESR-REIT Manager announced that the ESR-REIT Trustee had on 1 March 2019 filed proofs of claim against the tenant of the Property at 8 Tuas South Lane, Hyflux Membrane Manufacturing (S) Pte. Ltd. ("**Hyflux Membrane**"), as well as against Hyflux Ltd ("**Hyflux**") in connection with the notices dated 22 February 2019 given for meeting(s) to be held for considering and voting on a compromise or arrangement under the Companies Act involving the obligations owed by Hyflux and Hyflux Membrane;

(x) competition for tenants from other similar properties which may affect rental or occupancy rates of the properties owned by ESR-REIT;

(xi) changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and governmental charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights relating to the relevant properties may also be restricted by legislative actions, such as revisions to the building standards laws or the town planning laws, or the enactment of new laws relating to government appropriation, condemnation and redevelopment;

(xii) power outages, shortages or interruptions;

(xiii) acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases, natural disasters and other events beyond the control of the ESR-REIT Manager; and

(xiv) defects affecting any of the properties owned by ESR-REIT which could affect the operations of tenants resulting in the inability of such tenants to make payments of rent in a timely manner, if at all.

The properties owned by ESR-REIT may be subject to increases in operating and other expenses

ESR-REIT's net income could be adversely affected, if operating and other expenses of the properties owned by ESR-REIT increase without a corresponding increase in revenues or tenant reimbursement of operating and other costs.

Factors which could increase operating and other expenses include, among others:

(i) increases in property taxes and other statutory charges;

(ii) changes in direct or indirect tax policies;

(iii) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;

(iv) increases in sub-contracted service costs;

(v) increases in agent commission expenses for procuring new tenants;

(vi) increases in the rate of inflation;

(vii) costs arising from litigation claims;

(viii) increases in insurance premiums;

(ix) increases in the amount of maintenance and sinking fund contributions payable to the management corporations of the properties owned by ESR-REIT;

(x) increases in repair and maintenance costs;

(xi) increases in payroll expenses and labour costs;

(xii) increases in annual rents and/or service charges payable to the lessors under the land leases for the properties owned by ESR REIT;

(xiii) damage or defects affecting any of the properties owned by ESR-REIT which need to be rectified, leading to unforeseen capital expenditure; and

(xiv) increases in costs of energy and utilities.

The properties owned by ESR-REIT may be subject to risks associated with the acquisition of properties

While the ESR-REIT Manager believes that reasonable due diligence investigations have been and will be conducted with respect to the properties owned by ESR-REIT prior to their acquisition, there can be no assurance that such properties will not have certain defects or deficiencies requiring repair or maintenance (including design, construction or other latent property or equipment defects in the properties owned by ESR-REIT which may require additional capital expenditure, special repair or maintenance expenses) other than those which have been previously disclosed to the ESR-REIT Manager. Such undisclosed defects or deficiencies may require significant capital expenditures or obligations to third parties and involve significant and unpredictable patterns and levels of expenditure which may have a material adverse effect on

ESR-REIT's earnings and cash flows. This may affect the financial condition and results of operations of ESR-REIT, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Any expert report that the ESR-REIT Manager relies on as part of its due diligence investigations of the properties owned by or to be acquired by ESR-REIT may be subject to inaccuracies and deficiencies. This may be because certain building defects and deficiencies are difficult or impossible to ascertain due to limitations inherent in the scope of the inspections, the technologies or techniques used and other factors.

Notwithstanding the due diligence investigations which have been and will be carried out on the properties owned by ESR-REIT, some of the properties owned by ESR-REIT may still not be in compliance with certain laws and regulations. ESR-REIT may incur financial or other obligations in relation to such breaches or non-compliance. This may affect the financial condition and results of operations of ESR-REIT which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The representations, warranties and indemnities granted or to be granted in favour of ESR-REIT by the vendors of the properties owned by ESR-REIT may be subject to limitations as to their scope and as to the amount and timing of claims which can be made. Additionally, the time frame for such claims to be made may have expired. There is no assurance that ESR-REIT will be entitled to be reimbursed under such representations, warranties and indemnities for any losses or liabilities suffered or incurred by it as a result of its acquisition of these properties. This may affect the financial condition and results of operations of ESR-REIT, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The Properties are mainly industrial properties and have limited uses

The Properties are mainly located on sites zoned for industrial purposes in the Master Plan Zoning (2014 edition) (with reference to the Draft Master Plan 2019). As a result, the Properties located on such designated lands may only be used for a specific purpose. If ESR-REIT or any of the tenants in the single-tenanted buildings terminates any of the lease agreements, or if a tenant loses its licence to operate, ESR-REIT may not be able to find a replacement tenant to lease those industrial facilities in a timely manner or on terms acceptable to ESR-REIT or at all. In the event that ESR-REIT is unable to find a tenant to lease the affected Property for industrial purposes, ESR-REIT may need to change the use of the affected Property in order to be able to lease it and to generate income. There can be no assurance that ESR-REIT will be able to obtain the requisite approval to change the zoning of the sites on which its Properties are located, and even if such approvals are obtained, ESR-REIT may be required to incur significant time and expenditure to alter the existing Properties to make them suitable for other uses. If any of the above events were to occur, ESR-REIT's financial condition and results of operation may be materially and adversely affected, and this may indirectly affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The loss of anchor tenants, sub-tenants and licensees of the properties owned by ESR-REIT could directly or indirectly reduce the cash flow of ESR-REIT

ESR-REIT is directly dependent upon the anchor tenants, sub-tenants and licensees of the properties owned by it for the revenue from such properties. ESR-REIT is therefore subject to the risk of default on rental payments and negotiation of reduced rent by the anchor tenants, sub-tenants and licensees. It is also subject to the risk of non-renewal, non-replacement or early termination of the underlying tenancies in the event that these anchor tenants, subtenants and licensees become bankrupt or insolvent, suffer a downturn in business, prematurely terminate their leases, do not renew their leases at expiry, or reduce their leased space in the properties owned by it. For example, the ESR-REIT Manager announced on 5 March 2019 that the

ESR-REIT Trustee had on 1 March 2019 filed proofs of claim against one of ESR-REIT's top 10 tenants, Hyflux Membrane, which is a tenant of the property at 8 Tuas South Lane. Factors that affect the ability of such anchor tenants, sub-tenants and licensees to meet their obligations include, but are not limited to, ability of such anchor tenants, sub-tenants and licensees to compete with its competitors; adverse changes in the local economies in which they have business operations; and external factors such as acts of God, terrorist attacks, riots, civil commotions, widespread communicable diseases or other events beyond the control of the ESR-REIT Manager in Singapore or in other countries where the anchor tenants, sub-tenants and licensees may have business dealings. In the event that the tenancies are terminated, there is no guarantee that replacement anchor tenants, sub-tenants and licensees may be found in a timely manner and on satisfactory terms, if at all.

The loss of one or more of the anchor tenants, such as Hyflux Membrane, sub-tenants and licensees of the properties owned by ESR-REIT could result in periods of vacancy which could adversely affect ESR-REIT's income. In addition, the amount of rent and the terms of new leases entered into with replacement anchor tenants, sub-tenants and licensees or renewal leases entered into with current tenants and licensees may be less favourable than the existing leases. This would adversely affect ESR-REIT's results of operations and financial condition, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The performance of the tenant of 2 & 4 Changi Business Park Avenue 1 ("**Hotel Lessee**") and its ability to pay rent may additionally be affected by factors beyond its control, such as the changes in economic conditions, the level of demand for the accommodation at Park Avenue Changi Hotel, competition in the hospitality and hospitality-related industries and other factors relating to the operations of the hotel. If the Hotel Lessee terminates or does not renew its lease on expiry, the business, financial condition and operating results of ESR-REIT may be adversely affected. In addition, the amount of rental and the terms on which the lease is renewed may also be less favourable than the current lease and the replacement of the Hotel Lessee on satisfactory terms may not be carried out in a timely manner or at all, which may affect the business, financial condition and results of operations of ESR-REIT. This may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Any breach by the major tenants of their obligations under the lease agreements may have a material and adverse impact on ESR-REIT

In the event that any major tenants of ESR-REIT are unable to pay their rent or breach their obligations under their respective lease agreements, and the relevant security deposits are insufficient to cover the losses incurred by ESR-REIT, ESR-REIT's results of operations and financial condition may be materially and adversely affected, and this may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Factors that affect the ability of such major tenants to meet their obligations include, but are not limited to:

- their financial condition;
- the local economies in which they have business operations;
- the ability of such major tenants to compete with its competitors;
- in the instance where such major tenants have sub-leased the Properties, the failure of the subtenants to pay rent; and
- material losses in excess of insurance proceeds.

The Properties are held pursuant to leases from Jurong Town Corporation ("JTC"), Ascendas Land (Singapore) Pte Ltd ("Ascendas Land") and/or the President of the Republic of Singapore and these land leases contain certain provisions which are subject to variation and which may have an adverse effect on ESR-REIT's financial condition and results of operations

The ESR-REIT Trustee, on behalf of ESR-REIT, owns the Properties pursuant to land leases from JTC, Ascendas Land and/or the President of the Republic of Singapore.

Properties which are held on land leases from JTC (a "**JTC Lease**"), as well as the lease with Ascendas Land, each contain a clause that requires ESR-REIT to surrender free of cost to the Singapore Government portions of the respective Properties that may be required in the future for certain public uses, such as roads, drainage and other public improvements. There have been previous instances in which lessees of land from JTC or Ascendas Land, as the case may be, have been required to surrender portions of their land to the Singapore Government for the construction of roads, without compensation, pursuant to similar provisions in the relevant land leases. If ESR-REIT is required to surrender a portion of one of the Properties to the Singapore Government, it may have an adverse impact on the gross revenue and the value of the Properties.

Furthermore, the Properties held under a JTC Lease contain certain standard terms and conditions requiring the lessee:

(i) to pay a yearly rent to JTC;

(ii) not to demise, sell, assign, charge, create a trust or agency, mortgage, let, sublet or permit underletting, grant a licence or part with or share the possession or occupation of the whole or part of the relevant Property and/or not to effect any form of reconstruction howsoever brought about including any form of amalgamation or merger with or take-over by another company, firm, body or party without first obtaining JTC's prior written consent;

(iii) not to use or permit the relevant Property to be used other than for such purposes as approved by JTC;

(iv) not to sell, assign, transfer, create a trust or part with the possession or occupation of the relevant Property without first making a written offer ("**Offer**") to JTC at the prevailing market rate and JTC shall thus have a right of first refusal to the Property. In the event that JTC declines the Offer, the lessee may, subject to JTC's prior written consent, sell, assign, transfer, create a trust or part with the possession or occupation of the Property; and

(v) to grant JTC the right of re-entry if the relevant lessee fails to perform or observe any of the terms and conditions of the relevant JTC Lease. Upon re-entry, the term of the relevant JTC Lease will cease without prejudice to any right of action or other remedy that JTC may have.

The Properties held under a lease from Ascendas Land contain certain standard terms and conditions requiring the lessee:

(a) to pay yearly rent to Ascendas Land;

(b) not to demise, sell, assign, charge, create a trust or agency, mortgage, let, sublet or permit underletting, grant a licence or part with or share the possession or occupation of the whole or part of the relevant Property and/or not to effect any form of reconstruction howsoever brought about including any form of amalgamation or merger with or take-over by another company, firm, body or party without first obtaining Ascendas Land's prior written consent;

(c) not to use or permit the relevant Property to be used other than for such purposes as approved by Ascendas Land;

(d) not to sell, assign, transfer, create a trust or part with the possession or occupation of the Property without first making an Offer to Ascendas Land at the prevailing market rate and Ascendas Land shall thus have a right of first refusal to the Property. In the event that Ascendas Land declines the Offer, the lessee may, subject to Ascendas Land's prior written consent, sell, assign, transfer, create a trust or part with the possession or occupation of the Property; and

(e) to grant Ascendas Land the right of re-entry if the relevant lessee fails to perform or observe any of the terms and conditions of the relevant lease with Ascendas Land. Upon re-entry, the term of the relevant lease from Ascendas Land will cease without prejudice to any right of action or other remedy that Ascendas Land may have.

Each of the Properties held under a lease from the President of the Republic of Singapore contains certain terms and conditions which include:

(I) preventing the lessee, without the written approval of the lessor, from using or permitting the relevant Property to be used otherwise than as permitted by the terms of the lease from the President of the Republic of Singapore or in accordance with the written approval obtained from the lessor and the competent planning authority;

(II) granting the lessor the right of re-entry if the relevant lessee fails to perform or observe any of the terms and conditions of the relevant lease from the President of the Republic of Singapore. Upon re-entry, the term of the relevant lease from the President of the Republic of Singapore will cease without prejudice to any right of action or other remedy that the lessor may have; and

(III) requiring the lessee to surrender to the Government of the Republic of Singapore, without compensation, such portions of the relevant Property which may be required from time to time for roads, drainage, or any other public purpose as may be declared or notified to the lessee.

Compliance with the terms of such leases may restrict ESR-REIT's ability to respond to changing real estate market conditions, re-let a Property to different tenants or perform asset enhancements. In addition, any current or future breaches of its land leases may require rectification. These restrictions may have an adverse effect on ESR-REIT's financial condition and results of operations, which may in turn affect the ability of the Relevant Issuer to fulfil its payment obligations under the Securities. In addition, the terms of the leases with JTC, Ascendas Land and/or the President of the Republic of Singapore are subject to variation from time to time and there can be no assurance that such variation will not materially and adversely impact ESR-REIT's financial condition and results of operations and thus affect the ability of the Relevant Issuer to fulfil its payment obligations under the Securities.

JTC has announced that all new leases from JTC as well as transfers of JTC properties by owners should give JTC the right to buy the relevant property should the owner decide to sell the property in the future

In order to facilitate overall land use planning and development needs in Singapore, JTC has announced that all new leases from JTC as well as transfers/assignments and lease renewals of JTC properties by owners should give JTC the right to buy the relevant property should the owner decide to sell the property in the future (excluding sale and lease-back transactions and mortgagee sales). According to the announcement, the reason behind this policy is that land in Singapore is scarce and the constant rejuvenation of land use is essential to optimise land use in Singapore. This policy may have an impact on ESR-REIT's ability to acquire properties under JTC Leases or to dispose of its Properties which are held under JTC Leases.

ESR-REIT may not be able to extend the terms of the underlying land leases of certain of the Properties which contain options to renew

If ESR-REIT, whether due to an inability to agree on terms, competition from other prospective lessee or any other reason, is not able to extend the lease term of the underlying leases of any of the Properties, ESR-REIT may have to surrender such Property to its lessor upon expiry of the original lease term. The value of the remaining Properties may be substantially reduced upon such surrender. Any potential income expected after the expiry of the original lease term will not be realised. In addition, ESR-REIT may be required to incur substantial amounts of money to reinstate a Property to a state and condition acceptable to the relevant lessor, including the demolition of any existing building and/or reinstatements thereof on such Property.

The underlying leases of certain of the Properties contain a covenant by the relevant lessor thereof to grant a further term following the expiry of the current lease term subject to the satisfaction of certain conditions, such as there being no breach of any terms and conditions of the underlying leases and certain fixed investment criteria in respect of these Properties being fulfilled.

While ESR-REIT had, where applicable, required the vendors, at the time of the acquisition of such Properties, to provide written confirmation of the relevant head lessor that the pertinent fixed investment criteria had been fulfilled, there can be no assurance that such conditions for extension have been or will be satisfied or that ESR-REIT's tenants, while in occupation of the premises, have not been or will not be in breach of the terms and conditions of the underlying leases or that any such breach has been or will be rectified in time, or at all.

The properties owned by ESR-REIT or parts thereof may be acquired compulsorily

The Land Acquisition Act, Chapter 152 of Singapore gives the Government of Singapore the power to acquire any land in Singapore:

(i) for any public purpose;

(ii) where the acquisition is of public benefit or of public utility or in the public interest; or

(iii) for any residential, commercial or industrial purposes.

The compensation to be awarded pursuant to any compulsory acquisition would be based on, among other factors:

(a) the market value of a property as at the date of the publication in the Government Gazette of the notification of the likely acquisition of the land (provided that within six months from the date of publication, a declaration of intention to acquire is made by publication in the Government Gazette); or

(b) the market value of a property as at the date of publication in the Government Gazette of the declaration of intention to acquire.

Accordingly, if the market value of a property (or part thereof) is greater than the market values referred to above, the compensation paid in respect of the property would be less than its market value. In such cases, the compulsory acquisitions would have an adverse effect on the revenue of ESR-REIT and the value of the properties owned by ESR-REIT.

Further, ESR-REIT may, in the future, acquire properties that are located in other countries. The laws of these countries may also provide for a right by the governments of these countries to compulsorily acquire any land or property with no compensation to the owner or with compensation which is below market value. Such compulsory acquisitions would have an adverse effect on the revenue of ESR-REIT and the value of such properties.

The sub-tenancies in respect of the Properties with existing sub-tenants may not have been properly approved by or notified to JTC

Some of the Properties are and may be sub-tenanted by ESR-REIT's anchor tenants. These anchor tenants may sub-let parts of the Properties to third parties. Some of such sub-tenancies in respect of these Properties may not have been approved by or notified to JTC under the relevant JTC Lease or any other head lessor. Where approval is necessary and has been obtained, the terms of the approval may not reflect the actual terms of the relevant sub-tenancy (for example, in relation to the duration and term of the sub-tenancy or the permitted use under such sub-tenancy). This may constitute a breach of the relevant JTC Lease or lease with any head lessor which may give rise, *inter alia*, to a right of re-entry by the head lessor.

JTC has tightened its subletting policy applicable to third-party facility providers. Under the revised subletting policy, JTC requires at least 70% of the GFA to be occupied by approved anchor tenant(s) with a minimum requirement of 1,000 sqm per anchor tenant and a minimum occupation period of three years per term. In view of the aforementioned subletting policy, there may be a potential risk of the sub-tenancies in respect of the Properties with existing anchor tenant(s) and/or sub-tenants not being in compliance.

Any breach of JTC Leases or any other head lease or non-compliance with JTC sub-letting policies could result in significant financial loss and adversely affect ESR-REIT's financial condition and results of operations. This may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Amenities and transportation infrastructure near the properties owned by ESR-REIT may be closed, relocated or terminated, or the commencement of their operations may be delayed

The proximity of amenities and transportation infrastructure such as train stations and bus interchanges to the properties owned by ESR-REIT influence the demand for and hence the occupancy of such properties.

There is no assurance that the amenities, transportation infrastructure and shuttle services near the properties owned by ESR-REIT will not be closed, relocated or terminated in the future, or that the commencement of their operations will not be delayed. If such an event were to occur, it would adversely impact the accessibility of the affected properties and their attractiveness and marketability to tenants. This may have a negative impact on their occupancy rates and may consequently affect ESR-REIT's financial condition and results of operations.

ESR-REIT may be involved in boundary disputes and there may be encroachment by, or affecting, the properties owned by it

ESR-REIT may be involved in boundary disputes which may cause difficulties in future dispositions of the land or unexpected costs or losses including, but not limited to, the loss of part of the land area or liability for damages arising in relation to such properties. Some of the properties are encroaching on, or being encroached upon by, the adjoining properties. Such encroachment by, or affecting, the properties may restrict the use of the land or lead to claims from neighbours. This may adversely affect ESR-REIT's rental income and cause additional expense to be incurred by ESR-REIT in the removal of the encroachment or reinstatement of the affected land. These risks may have an adverse effect on ESR-REIT's financial condition and results of operations, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

ESR-REIT is exposed to general risks associated with the development and asset enhancement works on the properties owned by it

From time to time, ESR-REIT carries out development and asset enhancement works on some of its properties, including building and property fitting-out works, alterations and additions, interior decoration, installation of air-conditioning units and lifts, and gardening and landscaping works. ESR-REIT will face risks commonly associated with such development and asset enhancement activities. Such risks may include, amongst others, *force majeure* events, changes to governmental policies, untimely or unsatisfactory quality of services rendered by independent third-party contractors. These projects may also be subject to delays in completion or cost overruns beyond project estimates due to several factors, including disputes with the contractors and suppliers, industrial accidents, work stoppages arising from accidents at the worksite, and shortage of labour, equipment and construction materials. Such delays and cost overruns could have an adverse effect on ESR-REIT's financial condition and results of operations.

ESR-REIT has previously entered into, and may in the future enter into, arrangements to develop BTS facilities. The construction of new developments entails significant risks, including shortage of materials or skilled labour, unforeseen engineering, environmental or geological problems, work stoppages, litigation, weather interference, floods and unforeseen cost increases, any of which could give rise to delayed completions or cost overruns. Difficulties in obtaining any requisite licences, permits, allocations or authorisations from regulatory authorities could also increase the cost, or delay the construction or opening of new developments. All of these factors may affect ESR-REIT's business, financial condition and results of operations.

There is also no assurance that such projects will be able to achieve their desired results as such properties may still be unable to attract new tenants or retain existing tenants or pre-committed tenants may default on their pre-commitment obligations, and significant costs may have been incurred by ESR-REIT in the course of such projects. These risks may have a material adverse effect on ESR-REIT's financial condition and results of operations, which may in turn affect the ability of the Relevant Issuer to fulfil its payment obligations under the Securities.

ESR-REIT relies on third parties to provide various services

ESR-REIT engages and relies on third-party contractors to carry out its development and asset enhancement works, in addition to providing various services in connection with the day-to-day operation of the properties owned by it. ESR-REIT is exposed to the risk that a third-party contractor may cause a delay in project completion or incur costs in excess of project estimates. This may in turn result in excess costs which may have to be borne by ESR-REIT in order to complete the project in a timely manner or at all.

Major third-party contractors may experience financial or other difficulties which may affect their ability to carry out construction or related works, thus increasing the risk of delays in the completion of development projects, or the inability to continue with the project. This may result in additional costs to ESR-REIT as ESR-REIT will need to engage other third-party contractors to complete the remaining works.

There can also be no assurance that the services rendered by the third-party contractors will always be satisfactory, be adequately covered by insurances or match ESR-REIT's targeted quality levels. All of these factors could adversely affect ESR-REIT's business, financial condition and results of operations.

Renovation or redevelopment works or physical damage to the properties owned by ESR-REIT may disrupt the operations of such properties and the collection of rental income or otherwise have an adverse effect on the financial condition of ESR-REIT

The quality and design of the properties owned by ESR-REIT have a direct influence on the demand for space in, and the rental rates of, such properties. The properties owned by ESR-REIT may need to undergo renovation or redevelopment works from time to time to retain their competitiveness and may also require unforeseen *ad hoc* maintenance or repairs in respect of faults or problems that may develop from time to time or as a result of new planning laws, regulations or building codes. The costs of maintaining industrial properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. In addition, some of the older properties owned by ESR-REIT may be required to undergo regularisation exercises to comply with updated building codes. The business and operations of the properties owned by ESR-REIT may suffer some disruption and it may not be possible to collect the full or any rental income on space affected by such renovation, rectification, redevelopment works, maintenance or repairs. This may adversely affect the financial condition of ESR-REIT, and in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

In addition, physical damage to any of the properties owned by ESR-REIT resulting from fire or other causes may lead to a significant disruption to the business and operation of such properties and, together with the foregoing, may cause significant losses of rental income and result in an adverse impact on the financial condition and results of operations of ESR-REIT. This may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

Potential liability for environmental problems could result in unanticipated costs

The properties owned by ESR-REIT may contain, or their operations may utilise certain material, processes or installations which are regulated pursuant to various environmental laws, including those relating to air pollution control, water pollution control, waste disposal and noise pollution control, or may require environmental permits from regulatory authorities. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of the hazardous substances. The costs of removal or remediation of such substances could be substantial. There can be no assurance that potential environmental liability does not exist or will not arise in the future. The presence of contamination or hazardous substances on the properties owned by ESR-REIT could adversely affect ESR-REIT's ability to lease or sell such properties or to borrow using these properties as collateral, and ESR-REIT may be required to incur unbudgeted capital expenditure to remedy the issues, which could have a material adverse effect on ESR-REIT's business, financial condition, results of operations, and prospects. This may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

ESR-REIT may suffer material losses in excess of insurance proceeds or may not put in place or maintain adequate insurance in relation to the properties owned by it and its potential liabilities to third parties

ESR-REIT maintains insurance policies covering its real properties in line with general business practices in the real estate industry, with policy specifications and insured limits which ESR-REIT believes are adequate. Risks insured against include industrial special risk which covers buildings from physical loss, damage and destruction and consequential loss arising from business interruption, terrorism and public liability. The properties owned by ESR-REIT may suffer physical damage caused by fire, natural disaster or other causes, and ESR-REIT may suffer public liability claims and loss of rent from the inability to use such properties, resulting in losses which may not be fully compensated by insurance proceeds.

In addition, certain types of risk (such as the risk of war and losses caused by contamination or other environmental breaches) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, ESR-REIT could be required to pay compensation and/or may lose capital invested in the affected property as well as anticipated future revenue from that property. ESR-REIT would also remain liable for any debt or other financial obligation related to that property. There can be no assurance that material losses in excess of insurance proceeds will not occur in the future. This may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

In the event that an uninsured loss or a loss in excess of insured limits occurs, ESR-REIT may not be able to rent out such affected property for a period of time until the property is fit for occupation and this would have an adverse effect on the revenue of ESR-REIT and the value of the properties.

In addition, should ESR-REIT fail to put in place or maintain adequate insurance in relation to its properties and its potential liabilities to third parties, ESR-REIT may be exposed to various liabilities and losses to the extent that such assets and liabilities are not adequately insured.

Major natural catastrophes may materially disrupt and adversely affect the business and operations of the properties owned by ESR-REIT

Severe weather conditions and natural disasters such as earthquakes, tsunamis, typhoons and floods may affect the operations of the properties owned by ESR-REIT. These events may cause substantial structural and physical damage to the properties owned by ESR-REIT, resulting in expenses to repair the damage caused. The environmental conditions may also cause disruptions, affect investments and result in various other adverse effects on the relevant economies in general. This could materially and adversely affect ESR-REIT's business, financial condition and results of operations, which may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The properties owned by ESR-REIT are subject to environmental regulations and may be affected by contamination and other environmental issues.

The properties owned by ESR-REIT may from time to time be affected by contamination or other environmental issues which may not previously have been identified and/or rectified. This gives rise to a number of risks including:

(i) the risk of prosecution by relevant authorities;

(ii) the requirement for unbudgeted additional expenditure to remedy such issues; and

(iii) the adverse impact on the business operations and financial position of tenants arising from the above, affecting their ability to trade and meet their tenancy obligations.

The costs of removal or remediation of such substances could be substantial. There can be no assurance that potential environmental liability does not exist or will not arise in the future. The presence of contamination or hazardous substances on the properties owned by ESR-REIT could adversely affect ESR-REIT's ability to lease or sell such properties or to borrow using these properties as collateral, and ESR-REIT may be required to incur unbudgeted capital expenditure to remedy the issues, which could have a material adverse effect on ESR-REIT's business, financial condition, results of operations, and prospects. This may in turn affect the Relevant Issuer's ability to fulfil its payment obligations under the Securities.

The properties owned by ESR-REIT might be adversely affected if the ESR-REIT Manager or the Property Manager do not provide adequate management and maintenance services

Should the ESR-REIT Manager or the Property Manager fail to provide adequate management and maintenance services, the value of the properties owned by ESR-REIT might be adversely affected and this may result in a loss of end-users. This may in turn affect the tenants' ability to pay their rent, and hence have an adverse effect on the financial condition, business, results of operations and cash flow of ESR-REIT and the Relevant Issuer's ability to make payments under the Securities.

Significant capital expenditure may be required periodically beyond the ESR-REIT Manager's current estimates and ESR-REIT may not be able to secure funding

The properties owned by ESR-REIT may require periodic capital expenditure beyond the ESR-REIT Manager's current estimates for refurbishment, renovation and improvements in order to remain competitive. ESR-REIT may not be able to fund capital improvements solely from cash provided from its operating activities and ESR-REIT may not be able to obtain additional equity or debt financing or be able to obtain such financing on favourable terms. If ESR-REIT is not able to obtain such financing, the marketability of properties owned by ESR-REIT or the attractiveness of properties owned by ESR-REIT to new or existing tenants may be affected.

Redevelopment of the properties owned by ESR-REIT may be delayed or remain uncompleted and the ESR-REIT Manager may not be able to secure tenants for redeveloped properties

The ESR-REIT Manager undertakes redevelopment works of certain properties owned by ESR-REIT from time to time and there can be no assurance that any redevelopment works will be completed on time as planned and within budget. The counterparty may also fail to deliver and/or perform its obligations in connection with any redevelopment works, thus resulting in delay or failed completion. Although the ESR-REIT Manager has sought to mitigate some of the financial risks associated with the redevelopment works such as obtaining performance bonds and providing for liquidated damages for delay in the relevant contract, there is no assurance that the counterparty will be able to perform its obligations.

There is no guarantee that the ESR-REIT Manager will be able to secure tenants or obtain a favourable rental rate for the properties owned by ESR-REIT upon completion of any redevelopment.

In the event that the redevelopment works do not complete on time and within budget as planned and/or the ESR-REIT Manager fails to secure tenants or obtain a favourable rental rate, the financial condition and results of operations of ESR-REIT may be adversely affected.

Please also see the risk factors titled "*ESR-REIT is exposed to general risks associated with the development and asset enhancement works on the properties owned by it*" and "*Renovation or redevelopment works or physical damage to the properties owned by ESR-REIT may disrupt the operations of such properties and the collection of rental income or otherwise have an adverse effect on the financial condition of ESR-REIT*".

Portions of 2 & 4 Changi Business Park Avenue 1 and 750-750E Chai Chee Road (Viva Business Park) are within the railway protection and safety zone and certain activities may not be carried out in such zone unless the prior approval of the Land Transport Authority ("LTA") is obtained

Certain parts of 2 & 4 Changi Business Park Avenue 1 and 750-750E Chai Chee Road (Viva Business Park) are within the railway protection zone and railway safety zone such that ESR-REIT would be required to obtain the prior approval of the LTA before carrying out restricted activities within the railway protection zone and where applicable, the railway safety zone, and any restricted activity being carried out on the railway protection zone and the railway safety zone shall be subject to the regulations under the Rapid Transit Systems (Railway Protection, Restricted Activities) Regulations. Such restricted activities include the use of any crane, piling equipment, excavator or any other mechanical equipment or vehicle, the storage of materials and the erection of temporary structures such as maintenance towers and hoardings or other similar temporary structures. In addition, ESR-REIT will not be allowed to carry out any restricted activity within six metres of the railway and any person contravening such restriction shall be guilty of an offence. In view of the aforesaid restrictions, any future asset enhancement or other redevelopment or rectification works in respect of 2 & 4 Changi Business Park Avenue 1 and 750-750E Chai Chee Road (Viva Business Park) are required to be carefully planned and carried out under close supervision and diligence to avoid damaging or affecting the mass rapid transit structures and the safety of railway operation.

If ESR-REIT intends to carry out any restricted activity within the railway protection zone or, where applicable, the railway safety zone, there is no guarantee that the LTA would grant its permission. The LTA may impose terms and conditions as it thinks fit in granting its permission. This may affect the ability of ESR-REIT to carry out asset enhancement or other development or rectification works in respect of 2 & 4 Changi Business Park Avenue 1 and 750-750E Chai Chee Road (Viva Business Park).

ESR-MTN PTE. LTD.

1. HISTORY AND BUSINESS

ESR-MTN Pte. Ltd. (formerly known as Cambridge-MTN Pte. Ltd.) was incorporated under the Companies Act on 2 February 2012. It is a wholly-owned subsidiary of ESR-REIT (formerly known as Cambridge Industrial Trust) and its principal activity is the provision of financial and treasury services for and on behalf of ESR-REIT.

Since its incorporation, ESR-MTN Pte. Ltd. has not engaged in any material activities other than the establishment of the Programme, the issue of certain Notes under the Programme and the authorisation of documents and agreements in connection with the Programme.

The registered office of ESR-MTN Pte. Ltd. is at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946.

2. SHAREHOLDING AND CAPITAL

As at the date of this Information Memorandum, the issued share capital of ESR-MTN Pte. Ltd. is S$1.00 comprising one ordinary share. The issued share capital of ESR-MTN Pte. Ltd. is held by RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT).

Save as disclosed below, ESR-MTN Pte. Ltd. has no borrowings, indebtedness in the nature of borrowings, loan capital outstanding or created but unissued (including term loans), guarantees or material contingent liabilities as at the date of this Information Memorandum.

The following series of Notes were issued by ESR-MTN Pte. Ltd. pursuant to the Programme and are outstanding as at the date of this Information Memorandum:

Notes	Amount issued and outstanding	Coupon per annum
Series 2 Notes due 2020	S$30,000,000	4.10%
Series 4 Notes due 2020	S$130,000,000	3.95%

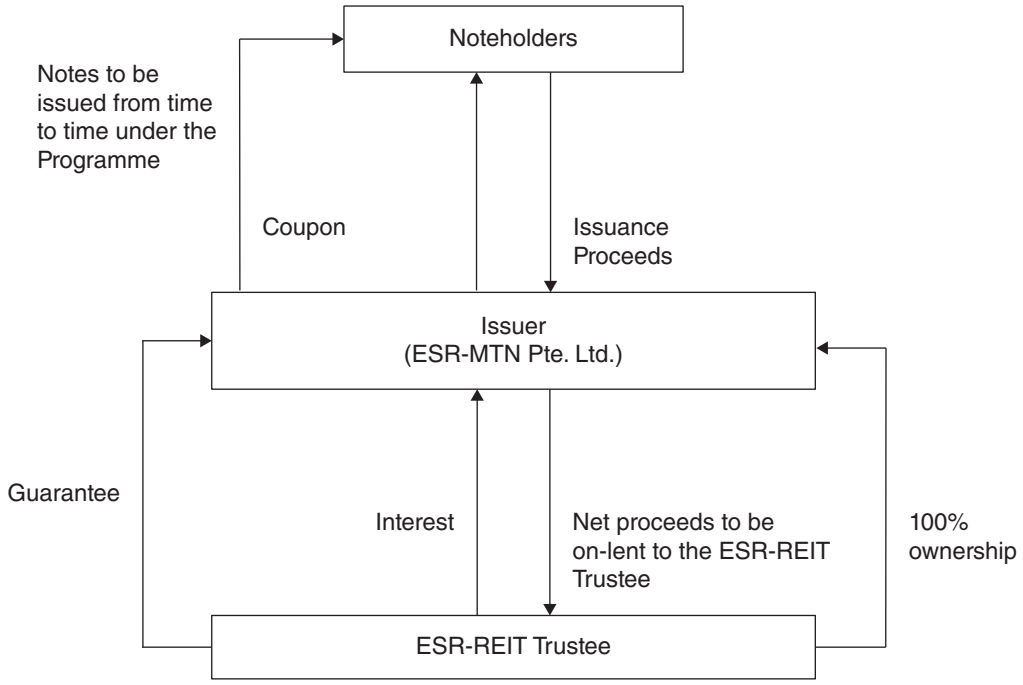
The above Notes are unconditionally and irrevocably guaranteed by the ESR-REIT Trustee.

3. DIRECTORS

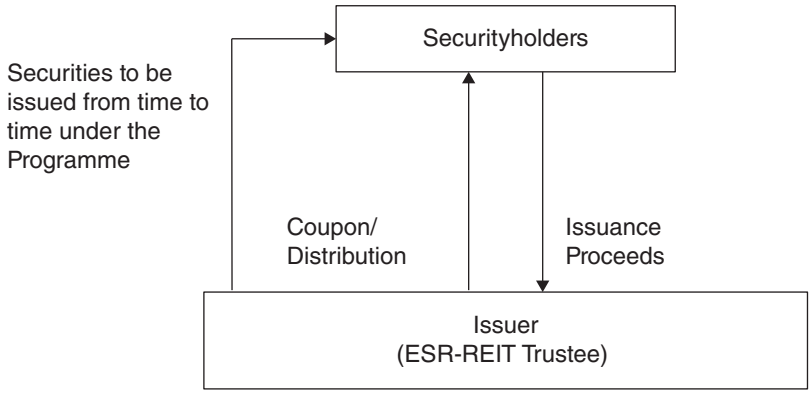
The Directors of ESR-MTN Pte. Ltd. as at the date of this Information Memorandum comprise the following:

Name	Designation in the ESR-REIT Manager
Mr Adrian Chui Wai Yin	CEO and Executive Director
Mr Ooi Eng Peng	Independent Chairman

4. ISSUANCE STRUCTURE UNDER THE PROGRAMME WHERE NOTES ARE ISSUED BY ESR-MTN PTE. LTD.



5. ISSUANCE STRUCTURE UNDER THE PROGRAMME WHERE SECURITIES ARE ISSUED BY ESR-REIT TRUSTEE



The following series of Securities were issued by the ESR-REIT Trustee pursuant to the Programme and are outstanding as at the date of this Information Memorandum:

Notes	Amount issued and outstanding	Coupon per annum
Series 5 Notes due 2023	S$50,000,000	3.95%
Series 6 subordinated Perpetual Securities	S$150,000,000	4.60%

ESR-REIT
(FORMERLY KNOWN AS CAMBRIDGE INDUSTRIAL TRUST)

1. HISTORY AND BACKGROUND

ESR-REIT is a Singapore-based industrial REIT, principally investing directly or indirectly in income-producing real estate and real estate related assets in Singapore for the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial.

ESR-REIT was constituted on 31 March 2006 by way of a trust deed (as amended) entered into between the ESR-REIT Manager and the ESR-REIT Trustee. ESR-REIT was officially listed on the Main Board of the SGX-ST on 25 July 2006 and has a market capitalisation of approximately S$1.7 billion as at the Latest Practicable Date.

On 21 June 2017, the ESR-REIT Manager announced that the name of the REIT was changed from "Cambridge Industrial Trust" to "ESR-REIT" with effect from 23 June 2017.

On 15 October 2018, the ESR-REIT Manager announced that ESR-REIT's proposal for the proposed merger of all the issued and paid-up stapled securities (the "**Stapled Securities**") of Viva Industrial Trust ("**VIT**") held by the stapled securityholders of VIT (the "**Stapled Securityholders**") and the Units in ESR-REIT held by the Unitholders, has become effective and binding in accordance with its terms (the "**Merger**"). The Merger was effected through the acquisition by ESR-REIT of all the Stapled Securities held by the Stapled Securityholders by way of a trust scheme of arrangement (the "**Scheme**") in accordance with the Singapore Code on Take-overs and Mergers and the allotment and issue by ESR-REIT of 1,585,021,648[1] new Units. This follows the approval from Unitholders and Stapled Securityholders via their respective extraordinary general meetings held on 31 August 2018, the sanction of the Scheme by the High Court of the Republic of Singapore, as well as the receipt of approval of Jurong Town Corporation of the various conditions under the Scheme.

This is a landmark transaction that marks the first merger of two (2) Singapore real estate investment trusts ("**S-REITs**") into an enlarged trust upon completion, and the enlarged Group, with VIT as a sub-trust of ESR-REIT, is one of the top five (5) industrial S-REITs listed on the SGX-ST in terms of market capitalisation and total assets as at the Latest Practicable Date. A larger and more liquid ESR-REIT will provide diversification benefits and resilience to the enlarged Group's portfolio as well as property management efficiencies, supporting its future growth. The ESR-REIT Manager believes that the enlarged Group will also benefit from a significant increase in market capitalisation, trading liquidity, investor coverage and potential index inclusion. With a larger asset size, better asset class diversification, larger market capitalisation and higher liquidity, ESR-REIT could potentially enjoy a positive re-rating on its unit price and benefit from longer debt tenors at lower margins, as well as better access to alternative funds and pools of capital, resulting in improved cost of capital.

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[1] Comprising 1,561,213,700 Units at an issue price of S$0.54 per Unit as part of the Scheme consideration paid to Stapled Securityholders and 23,807,948 new Units in payment of the acquisition fee to the ESR-REIT Manager for the Merger in accordance with the ESR-REIT Trust Deed.

VIT was a Singapore-focused business park and industrial S-REIT listed on the Main Board of the SGX-ST on 4 November 2013, and was a stapled group comprising VI-REIT and Viva Industrial Business Trust ("**VI-BT**"). VI-REIT had the principal investment strategy of investing in a diversified portfolio of income-producing real estate that was predominantly used for business parks and other industrial purposes in Singapore and elsewhere in the Asia Pacific region. VI-BT had been dormant since 4 November 2013. Following the completion of the Merger, VIT was delisted from the SGX-ST on 22 October 2018. VI-REIT ceased to be an authorised collective investment scheme and became a sub-trust of ESR-REIT and, was on 22 October 2018, renamed as Viva Trust ("**VT**"). VI-BT, which was dormant, had been wound up in December 2018.

Following completion of the Merger, the ESR-REIT Manager became the manager of the enlarged Group's portfolio encompassing VT. As at the Latest Practicable Date, ESR, Shanghai Summit Pte. Ltd. and Mitsui & Co., Ltd own 67.3%, 25.0%, and 7.7% in the ESR-REIT Manager, respectively.

As at the Latest Practicable Date, ESR also owns a 100% stake in the Property Manager and is ESR-REIT's second largest Unitholder with a 9.0% stake. ESR-REIT will benefit from being well-supported by the ESR Group, the largest Asia-Pacific focused logistics real estate platform by gross floor area ("**GFA**") and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's pre-eminent partners including APG, SK Holdings, JD.com, Goldman Sachs, CPPIB, Ping An, Allianz Real Estate and CSOBOR Funds. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2018, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US$16 billion, and the GFA of properties completed and under development, as well as GFA to be built on land held for future development stood at over 12 million square metres in total.

With ESR as the majority shareholder of the ESR-REIT Manager, the ESR-REIT Manager believes that they will be able to assist ESR-REIT to grow into a sizeable Pan-Asian REIT. The ESR-REIT Manager is committed to optimising returns to Unitholders through the delivery of stable and secure returns and the creation of long-term capital growth. To achieve this objective, the ESR-REIT Manager has adopted a three-pronged strategy: (i) achieving organic growth; (ii) active acquisition and development growth; and (iii) exercising prudent capital management. Please refer to the section on "ESR-REIT Manager's Strategies" for more information.

As at 30 June 2019, ESR-REIT has a diversified portfolio of 56[1] properties located across Singapore with a diversified tenant base of 328 tenants across the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial. As at 30 June 2019, the Group's portfolio has a carrying value of approximately S$3.02[2] billion and a total GFA of approximately 14.0 million sq ft and remains 100% unencumbered.

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[1] Includes properties under VT and accounts for the divestment of 31 Kian Teck Way which was completed on 28 June 2019. This excludes 48 Pandan Road as the acquisition was only completed on 7 August 2019.

[2] This is the enlarged portfolio after the merger of ESR-REIT with VT (where VT is currently a sub-trust under ESR-REIT). Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest and excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019. This also excludes 48 Pandan Road as the acquisition was only completed on 7 August 2019.

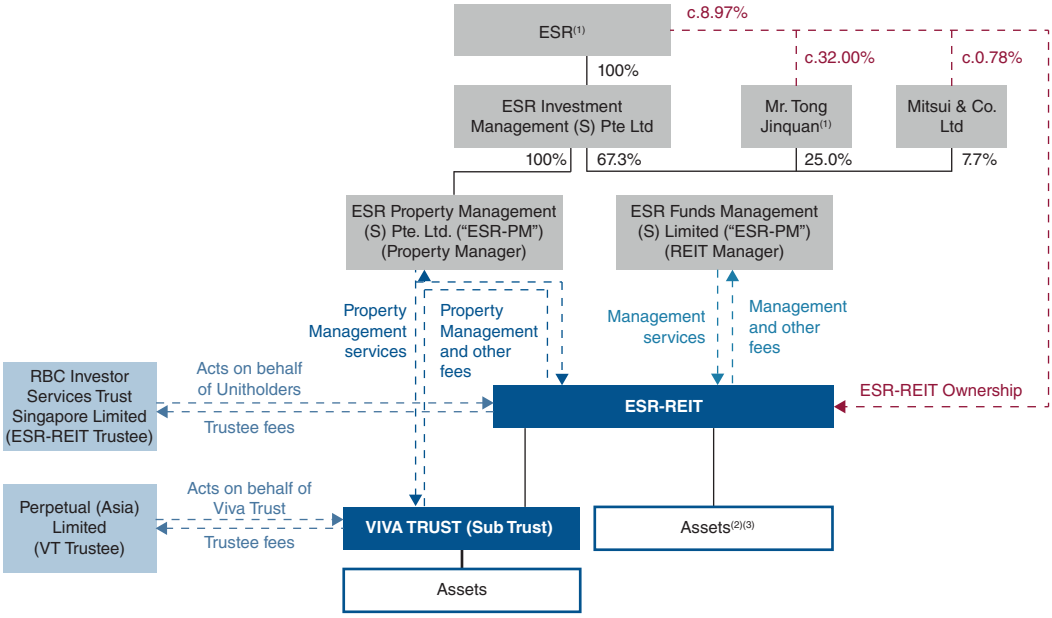
2. STRUCTURE OF ESR-REIT

ESR Funds Management (S) Limited, serving as both the ESR-REIT Manager and the VT Manager, has general powers of management over the real estate and real estate related assets of ESR-REIT. The ESR-REIT Manager's main responsibility is to manage ESR-REIT's assets and liabilities for the benefit of the Unitholders. ESR Funds Management (S) Limited, in its capacity as the ESR-REIT Manager as well as in its capacity as the VT Manager, sets the strategic direction of ESR-REIT and gives recommendations to the ESR-REIT Trustee and the VT Trustee on the acquisition, property development, divestment and/or enhancement of assets of ESR-REIT in accordance with its stated investment strategy.

The Property Manager is responsible for providing property management, lease management, project management, marketing and administration of property tax services for the properties held by ESR-REIT Group.

The following diagram illustrates the relationships between ESR-REIT, ESR Funds Management (S) Limited (in its capacity as the ESR-REIT Manager as well as in its capacity as the VT Manager), the Property Manager, the ESR-REIT Trustee, the VT Trustee and the Unitholders as at the Latest Practicable Date:

ESR-REIT Group Structure



(1) Includes direct interests and/or deemed interests through holding entities in ESR-REIT.

(2) Includes 80% ownership of 7000 AMK LLP. Ho Lee Properties Pte Ltd owns the remaining 20%.

(3) Includes 49% ownership of PTC Logistics Hub LLP. Poh Tiong Choon Logistics Limited owns the remaining 51%.

Management of the ESR-REIT Manager

The key management of the ESR-REIT Manager as at the date of this Information Memorandum comprises the following:

Name	Designation
Mr Adrian Chui Wai Yin	Chief Executive Officer and Executive Director
Mr Lawrence Chan Wee Kiat	Chief Financial Officer
Ms Nancy Tan	Head of Real Estate
Ms Charlene-Jayne Chang Wei-Ying	Head of Capital Markets and Investor Relations
Ms Loy York Ying	Head of Compliance and Risk Management
Ms Irene Phua Li Hoon	Head of Human Resources and Corporate Services

Experience and Expertise of the ESR-REIT Manager's Management

The ESR-REIT Manager's management team has extensive experience and a proven track record in fund management, compliance, as well as asset and property management in Singapore and the region. A number of the management members are real estate specialists and industry professionals with strong credentials and investment experience. Information on the working experience of the key management team as at the date of this Information Memorandum is set out below:

Mr Adrian Chui Wai Yin
CEO and Executive Director

Please see section titled "The ESR-REIT Manager – Experience and Expertise of the Board of Directors" for details.

Mr Lawrence Chan Wee Kiat
Chief Financial Officer

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

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

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

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

Ms Nancy Tan
Head of Real Estate

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

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

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

Ms Charlene-Jayne Chang Wei-Ying
Head of Capital Markets and Investor Relations

Ms Chang joined the ESR-REIT Manager in April 2017 as Head of Capital Markets and Investor Relations. She reports to the CEO and manages the capital markets/fundraising, treasury and investor relations/marketing communications functions of the ESR-REIT Manager.

Ms Chang has more than 10 years of experience in originating and executing mergers and acquisitions, capital markets/fundraising and treasury strategies. Prior to joining the ESR-REIT Manager, Ms Chang was a Director of the Commercial Real Estate division at Standard Chartered Bank and has originated and executed major transactions across Singapore and Southeast Asia for real estate companies, REITs and Business Trusts. In her role, she was responsible for the structuring, valuation, fundamental analysis, financing and execution advice for mergers and acquisitions, initial public offerings, and follow-on offerings of equity, equity-linked and debt securities.

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

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

Ms Loy York Ying
Head of Compliance and Risk Management

Ms Loy joined the ESR-REIT Manager in June 2014 as Head of Compliance and Risk Management. She reports to the CEO and is responsible for all internal and external compliance requirements for the ESR-REIT, the ESR-REIT Manager and all other related companies of the ESR-REIT Manager. She has over 14 years of experience in regulatory and compliance requirements in the financial services industry.

Prior to joining the ESR-REIT Manager, Ms Loy was the Head of Regulatory Advisory and Policy, Compliance at Maybank Singapore and was responsible for the oversight and management of all compliance-related requirements of the Singapore branch. Prior to that,

she also managed the portfolio of and provided financial advisory services to high net-worth individuals with DBS Bank Ltd. and United Overseas Bank Limited.

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

Ms Irene Phua Li Hoon
Head of Human Resources and Corporate Services

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

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

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

Roles and Responsibilities of the ESR-REIT Manager

The ESR-REIT Manager has general powers of management over the real estate and real estate related assets of ESR-REIT. The ESR-REIT Manager's main responsibility is to manage ESR-REIT's assets and liabilities for the benefit of Unitholders.

The main functions and responsibilities of the ESR-REIT Manager are as follows:

- *Principal investment strategy*. Formulate and execute ESR-REIT's principal investment strategy, including determining the location, sub-sector type and other characteristics of ESR-REIT's property portfolio;

- *Acquisitions and divestments*. Make recommendations to the ESR-REIT Trustee and the VT Trustee on the acquisition or divestment of properties;

- *Planning and reporting*. Make periodic property business plans, including budgets and reports, relating to the performance of ESR-REIT's properties;

- *Financing*. Provide advisory services and raise funds for ESR-REIT's property acquisitions, distribution payments, expense payments, capital expenditure payments and property maintenance payments;

- *Administrative and advisory services*. Perform day-to-day administrative services as ESR-REIT's representative, including providing administrative services relating to meetings of Unitholders when such meetings are convened;

- *Investor relations*. Communicate and liaise with Unitholders and potential investors;

- *Compliance management*. Make requisite regulatory filings on behalf of ESR-REIT and ensure that ESR-REIT is in compliance with the applicable provisions of the SFA and all other relevant legislation, including the Listing Manual, the CIS Code (including the Property Funds Appendix), the ESR-REIT Trust Deed and the Capital Markets Services Licence;

- *Accounting*. Maintain financial records and prepare or cause to be prepared financial accounts and annual reports; and

- *Property management supervision*. Supervise the execution of works by the Property Manager.

The ESR-REIT Manager will set the strategic direction of ESR-REIT and give recommendations to the ESR-REIT Trustee and the VT Trustee on the acquisition, property development, divestment and/or enhancement of the assets of ESR-REIT in accordance with its stated principal investment strategy.

The ESR-REIT Manager has covenanted in the ESR-REIT Trust Deed to use its best endeavours to carry on and conduct its own business and the business of ESR-REIT in a proper and efficient manner and to conduct all transactions with or for ESR-REIT on an arm's length basis and on normal commercial terms.

The ESR-REIT Manager may require the ESR-REIT Trustee to borrow on behalf of ESR-REIT (upon such terms and conditions as the ESR-REIT Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Properties) whenever the ESR-REIT Manager considers, among other things, that such borrowings are necessary or desirable in order to enable ESR-REIT to meet any liabilities or to finance the acquisition of any property. However, the ESR-REIT Manager must not direct the ESR-REIT Trustee to incur a borrowing if to do so would cause ESR-REIT's total borrowings and deferred payments (including deferred payments for assets whether to be settled in cash or in Units) to exceed any limit prescribed by the Property Funds Appendix or any other limit as may be specifically permitted by MAS.

In the absence of fraud, gross negligence, wilful default or breach of the ESR-REIT Trust Deed by the ESR-REIT Manager, the ESR-REIT Manager shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the ESR-REIT Trust Deed. In addition, the ESR-REIT Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as the ESR-REIT Manager, to have recourse to the Deposited Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, gross negligence, wilful default or breach of the ESR-REIT Trust Deed by the ESR-REIT Manager.

The ESR-REIT Manager manages ESR-REIT and performs its duties and obligations under the ESR-REIT Trust Deed.

Retirement and Removal of the ESR-REIT Manager

The ESR-REIT Manager shall have the power to retire in favour of a corporation approved by the ESR-REIT Trustee to act as the manager of ESR-REIT.

The ESR-REIT Manager may also be removed by notice given in writing by the ESR-REIT Trustee if:

- the ESR-REIT Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the ESR-REIT Trustee) or a receiver is appointed over its assets or a judicial manager is appointed in respect of the ESR-REIT Manager;

- the ESR-REIT Manager ceases to carry on business;

- the ESR-REIT Manager fails or neglects after reasonable notice from the ESR-REIT Trustee to carry out or satisfy any material obligation imposed on the ESR-REIT Manager by the ESR-REIT Trust Deed;

- the Unitholders, by a resolution duly passed by 50.0% or more of the total number of votes represented by all the Units in issue entitled to vote on the matter at a Unitholders' meeting duly convened and held in accordance with the provisions of the ESR-REIT Trust Deed, shall so decide;

- for good and sufficient reason, the ESR-REIT Trustee is of the opinion, and states so in writing, that a change of the ESR-REIT Manager is desirable in the interests of the Unitholders;

- MAS directs the ESR-REIT Trustee to remove the ESR-REIT Manager; or

- MAS revokes its authorisation of ESR-REIT as an authorised scheme under Section 286 of the SFA or revokes its authorisation of the ESR-REIT Manager under the Property Funds Appendix.

Where the ESR-REIT Manager is removed on the basis that a change of the ESR-REIT Manager is desirable in the interests of the Unitholders, the ESR-REIT Manager has a right under the ESR-REIT Trust Deed to refer the matter to arbitration. Any decision made pursuant to such arbitration proceedings is binding upon the ESR-REIT Manager, the ESR-REIT Trustee and all Unitholders.

Management of the Property Manager

The key management of the Property Manager as at the date of this Information Memorandum comprises the following:

Name	Designation
Mr Steven Leow Chye Teck	Head of Property Services

Experience and Expertise of the Property Manager's Management

Information on the working experience of the key management team as at the date of this Information Memorandum is set out below:

Mr Steven Leow Chye Teck
Head of Property Services

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

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

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

Services provided by the Property Manager

The ESR-REIT Manager, the ESR-REIT Trustee and the Property Manager, as well as the VT Manager, the VT Trustee and the Property Manager, have entered into two separate Property Management Agreements, respectively, under which the Property Manager will provide the following services for the properties of ESR-REIT, subject to the overall management and supervision of the ESR-REIT Manager and the VT Manager:

- *Property management services*. These include recommending third party contracts for provision of property maintenance services, recommending third party contracts for the provision of property management services (including parking facilities management), maintenance services, supervising the performance of service providers and contractors and ensuring compliance with building and safety regulations;

- *Lease management services*. These include coordinating tenants' fitting-out requirements, administrating rental collection, managing rental arrears, administrating all property tax matters, initiating lease renewals and negotiating the terms of leases;

- *Marketing and marketing co-ordination services*. These include acting as non-exclusive marketing agent for the marketing and letting out of properties; and

- *Project management services*. These relate to development or redevelopment (unless otherwise prohibited by the Property Funds Appendix or any other laws or regulations), the refurbishment, retrofitting and renovation of the properties of ESR-REIT, including recommendation of project budget and project consultants, and supervision and implementation of the project.

Removal of the Property Manager

The ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager may terminate the appointment of the Property Manager in relation to all the properties of ESR-REIT under the management of the Property Manager on the occurrence of certain specified events, which include the liquidation or cessation of business of the Property Manager.

The ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager may also terminate the appointment of the Property Manager specifically in relation to a property under its management in the event of the sale of such property, but the relevant Property Management Agreements will continue to apply with respect to the remaining properties managed by the Property Manager under the terms of the relevant Property Management Agreements.

In addition, if the Property Manager, within 90 days of receipt of written notice, fails to remedy any breach (which is capable of remedy) of its obligations in relation to a property, the ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager may terminate the appointment of the Property Manager in relation only to such property in respect of which the breach relates, upon giving 30 days' written notice to the Property Manager.

If the ESR-REIT Manager or, as the case may be, the VT Manager, is of the view that the Property Manager has not been achieving certain key performance indicators set out in the relevant Property Management Agreements despite receiving notices in writing from the ESR-REIT Manager, or as the case may be, the VT Manager, specifying the key performance indicators which the Property Manager has failed to achieve, then the ESR-REIT Trustee or the ESR-REIT Manager or, as the case may be, the VT Trustee or the VT Manager, shall have the right to terminate the relevant Property Management Agreements in relation only to the property in respect of which the Property Manager's failure to achieve the key performance indicator relates, subject to and in accordance with the relevant Property Management Agreements.

On the termination of the appointment of the Property Manager, the ESR-REIT Manager or, as the case may be, the VT Manager shall, as soon as practicable, procure the appointment of a replacement property manager for the affected property.

3. ESR-REIT MANAGER'S STRATEGIES

The principal investment strategy of the ESR-REIT Manager is to invest, directly or indirectly, in income-producing real estate and real estate-related assets which are used mainly for industrial purposes. The ESR-REIT Manager's key objectives are to optimise returns through the delivery of stable returns to Unitholders and the creation of long-term capital growth.

The ESR-REIT Manager's three-pronged approach that leverages on its expertise and on synergies with ESR-REIT's strong sponsor, the ESR Group, to achieve the objectives below:

- Achieving Organic Growth;
- Active Acquisition and Development Growth; and
- Exercising Prudent Capital Management.

The ESR-REIT Manager intends to implement the investment strategy of ESR-REIT in accordance with the following guidelines:

- Undertake asset enhancement initiatives ("**AEIs**") and portfolio rejuvenation while balancing portfolio risk and returns;

- Investment portfolio will primarily comprise real estate used mainly for industrial purposes (including investments in real estate related assets and/or other related value enhancing assets or instruments); and

- Investments will be made in Singapore and "Pan-Asian" markets and will be for the long-term, with the current focus on the countries where ESR has an established footprint, depending on investment opportunities and market conditions.

(i) Achieving Organic Growth

The ESR-REIT Manager, together with the Property Manager, actively manages ESR-REIT's properties to maximise returns through prudent control of property outgoings, active marketing and leasing of any vacant tenancies or tenancies whose leases are expiring and asset enhancement projects to maintain competitive positioning of the assets.

In addition, the ESR-REIT Manager, together with the Property Manager, works closely with the tenants of ESR-REIT's properties to establish strong relationships necessary for maintaining high tenant retention levels and minimising vacancy levels.

The ESR-REIT Manager, together with the Property Manager, proactively seeks to maximise returns on ESR-REIT's properties through the following strategies:

Leverage on Real Estate Supply and Demand Trends

Global manufacturing slowdown and rising trade tensions continue to weaken business sentiments and have lowered Singapore's growth outlook. In light of the modest growth outlook, the Government has trimmed industrial supply in its 2H 2019 Industrial Government Land Sales confirmed list. Lean supply pipeline and limited speculation is expected to stabilise the industrial market and support ESR-REIT's potential to achieve higher average rentals. The Business Park sector's potential supply is expected to see a surge in 2020 followed by tapering of supply in the next two years.[1] A number of the potential completions are BTS solutions for single-owner occupiers[2].

As at 30 June 2019, the Business Park and High-Specs sectors comprise approximately 44.5% by rental income of ESR-REIT's portfolio. These, in particular, have favourable demand-supply dynamics and have generally demanded the highest rents[3] among industrial properties. This positions ESR-REIT to ride on the potential demand and rental upside, thus providing additional flexibility for AEIs to be conducted on ESR-REIT's existing identified assets. The near optimal proportion of multi-tenanted assets to single-tenanted assets within ESR-REIT's portfolio also provides additional flexibility for ESR-REIT to capture rental upside during rising market.

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1 Based on JTC 2Q 2019 Industrial Property Markets Statistics.

2 Based on JTC 2Q 2019 Industrial Property Markets Statistics.

3 Based on 1H2019 data from Colliers International, 2Q2019 data from JTC. Average monthly rents for Business Park and High-Specs sectors were S$4.00 and S$2.93 psf pm, respectively, while the average monthly rents for Logistics/Warehouse was between S$1.20 and S$1.58 psf pm. Average monthly rents for General Industrial sectors was between S$1.23 and S$1.57 psf pm.

Operational Synergies and Economies of Scale

The ESR-REIT Manager aims to cluster assets by region for better on-site management which is expected to provide a faster response time and better service quality to tenants. In the interest of saving costs, the ESR-REIT Manager also intends to move towards the direct self-management model, whereby third-party integrated facility management contracts at selected properties will not be renewed. Following the Merger, the enlarged portfolio of ESR-REIT also enjoys economies of scale and stronger bargaining power with service providers, to reduce operational maintenance costs.

Flexibility to Optimise Assets through AEIs

In order to ensure that the Properties remain relevant and contemporary to existing and potential tenants and enable ESR-REIT to optimise its occupancy and rental rates, the ESR-REIT Manager adopts a proactive asset management strategy where it actively evaluates the Properties together with the Property Manager. As at the Latest Practicable Date, up to seven (7) properties have been identified for AEIs over the next three (3) years. Subject to compliance with prevailing planning and other relevant regulations, this allows ESR-REIT to unlock value from the unutilised plot ratio within the portfolio and undertake rejuvenation of its assets, which includes the upgrading and improvement of building specifications, change of building use to align with current market trends and the redevelopment and amalgamation of adjacent sites to enjoy economies of scale, thus enhancing rental yield and capital value. With these initiatives, ESR-REIT remains well-poised to leverage on the Government's Industry 4.0 initiatives[1].

Leverage on Capabilities of the ESR Group

The ESR-REIT Manager is leveraging and will continue to leverage on the capabilities of the ESR Group, by tapping onto its regional expertise and strong network of strategic relationships with leading global e-commerce companies, retailers, logistic service providers and manufacturers, to enhance ESR-REIT's tenant quality and diversify its tenant base.

Leverage on Existing Relationship with Tenants

The ESR-REIT Manager continues to leverage on existing relationships with tenants to manage lease renewals and create partnership prospects for asset acquisitions and leasing opportunities as these tenants expand in Singapore and in the Asia-Pacific region. Regular feedback is also obtained from tenants to foster close landlord-tenant relationships.

Employ Proactive Leasing and Marketing Initiatives

The ESR-REIT Manager aims to maintain a high occupancy rate by actively working with the Property Manager in managing lease renewals through proactive negotiations with tenants and sub-tenants or pursuing new leasing opportunities to attract value-added tenants well in advance of the expiry of their respective leases and sub-leases. The ESR-REIT Manager's leasing and sub-leasing strategy will target new and existing anchor tenants, sub-tenants and licensees that can enhance the quality of the tenant base and overall yield of the properties held by ESR-REIT.

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[1] A new trend of automation and data exchange in manufacturing technologies which sees end-users embracing technologies such as big data and data analytics, augmented reality and additive manufacturing.

Improve Operational Efficiency to Reduce Operating Cost

The ESR-REIT Manager will seek to control expenses at each of ESR-REIT's properties without compromising the quality of services to tenants. The ESR-REIT Manager intends to leverage on the size of the ESR-REIT's portfolio of properties to achieve economies of scale and cost savings in providing services to tenants.

(ii) Active Acquisition and Development Growth

Within the limits of the Property Funds Appendix, the ESR-REIT Manager will undertake pro-active capital recycling from divestments of low-yielding non-core assets to selectively acquire assets that are yield-accretive and value-enhancing with scalable long-term growth prospects. The ESR-REIT Manager will also embark on AEI projects or Build-to-Suit ("**BTS**") to rejuvenate and further diversify ESR-REIT's existing portfolio to meet tenants and market demands. The ESR-REIT Manager also intends to extract value from the ESR Group's pipeline of assets in an increasingly asset scarce environment for quality logistics assets, and ESR-REIT's potential overseas exposure will focus on scalability in markets where the ESR Group has a presence, which allows ESR-REIT to leverage on ESR Group's established operating platform and local property knowledge in these countries. The ESR-REIT Manager will continue to monitor economic and property market trends in potential target markets in the Asia-Pacific region to pursue accretive investment opportunities.

Acquisitions

In evaluating acquisition and development opportunities, the ESR-REIT Manager will focus primarily on the following investment criteria:

- Pursuing strategic growth opportunities that complement the ESR-REIT's portfolio and enhance ESR-REIT's capacity for long-term growth.

- Impact on distributions – properties with income yields that will deliver accretion to ESR-REIT's distribution.

- Choice of location – properties which are located in close proximity to, and have convenient access to, major infrastructure and transportation hubs and within established industrial precincts/zones.

- Building and facilities specifications – properties with building and facilities specifications that can be used by a wide range of tenants so as to enhance the tenant mix and occupancy levels. Some of these specifications may include, but are not limited to, floor load capacity, good floor to ceiling heights, regular floor plates and power provision.

- Tenant credit quality and diversification – properties which have (a) tenants with good credit quality, (b) a diversified tenant mix for multi-tenanted properties and (c) established and reputable tenants. The ESR-REIT Manager will evaluate the credit quality of tenants and, when considered prudent, carry out relevant enquiries. The ESR-REIT Manager will aim to have a diversified tenant base in order to diminish tenant concentration risk.

- Land lease tenure expiry profile – properties with longer underlying land lease tenure.

- Lease expiry profile – properties that improve the weighted average lease to expiry profile of the properties held by ESR-REIT and/or provide added diversification to the lease expiry profile to minimise ESR-REIT's exposure to lease expiry in any one year.

- Asset enhancement and repositioning potential – properties with potential for adding value through capital expenditure especially through unused available plot ratio and/or repositioning potential.

Acquisition with Regional Diversification

The ESR-REIT Manager's medium and longer term strategy is to evaluate and pursue yield-accretive, value-enhancing and risk diversification acquisition opportunities in Singapore and within the Asia Pacific region in order to enhance the geographical spread and improve the profile of land lease expiries and tenant base of properties held by ESR-REIT. Any expansion outside of Singapore will focus on scalability in markets where ESR has a presence, which allows ESR-REIT to leverage on ESR's established operating platform and local property knowledge in these countries.

However, in assessing overseas acquisitions, the ESR-REIT Manager will consider a number of additional factors in its acquisition criteria, including but not limited to:

- Ownership risks (e.g. form of land title, requirement for local partner);

- Country risks (e.g. political stability, business environment, law and order);

- Currency and tax risks (e.g. currency volatility and difference in tax regime);

- Market risks (e.g. property price and rental yield volatility, industry regulation and infrastructure); and

- Asset-specific risks (e.g. land tenure, tenant and building specifications).

Property Development

ESR-REIT will selectively evaluate development opportunities (including ESR's potential pipeline of assets) in which it may participate either individually or as part of a joint venture with the ESR Group. These development projects (which may also come from ESR-REIT's existing portfolio as part of ESR-REIT's asset rejuvenation strategies) will provide upside benefits, while protection against downside risks will come from proceeds of stable income-generating assets. The ESR-REIT Manager will give specific focus to BTS developments which can cater to prospective tenants' operational requirements and specifications as such developments are usually associated with long-term leases which will help to extend the lease expiry profile of the properties held by ESR-REIT. In carrying out any development activities, the ESR-REIT Manager will consider, among other things, development risks, construction risks, and other financial and general risk criteria.

ESR-REIT will also leverage on ESR's proven track record as a developer of build-to-suit warehousing and distribution facilities for leading global e-commerce companies.

(iii) Exercising Prudent Capital Management

The ESR-REIT Manager aims to optimise ESR-REIT's capital structure and cost of capital within the borrowing limits set out in the Property Funds Appendix and intends to continue to use a combination of debt and equity instruments, including perpetual securities, to fund acquisitions, developments and asset enhancement of its property portfolio. The ESR-REIT

Manager will also strive to reduce the Group's financial risks by hedging a significant proportion of its debt for an optimal duration while undertaking regular engagement with its banking partners in order to broaden and strengthen relationships. ESR-REIT enjoys strong banking support, reflected by the fact that as at the Latest Practicable Date, all of ESR-REIT's debt is on an unsecured basis with competitive margins.

Capital Management

The objectives of the ESR-REIT Manager in relation to ESR-REIT's capital management strategy are to:

- maintain a strong balance sheet;
- employ an appropriate mix of debt and equity instruments in financing acquisitions, developments and AEIs;
- diversify funding sources from both financial institutions and capital markets;
- maintain a well-staggered debt expiry profile and a long term debt-to-total assets target range of 30% to 40%;
- achieve a balanced overall cost of debt financing commensurate with the overall debt tenor;
- manage the exposure arising from adverse market movements in interest rates through appropriate use of hedging instruments and an appropriate level of hedging; and
- prudent capital and risk management initiatives.

Interest rate hedging strategy

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

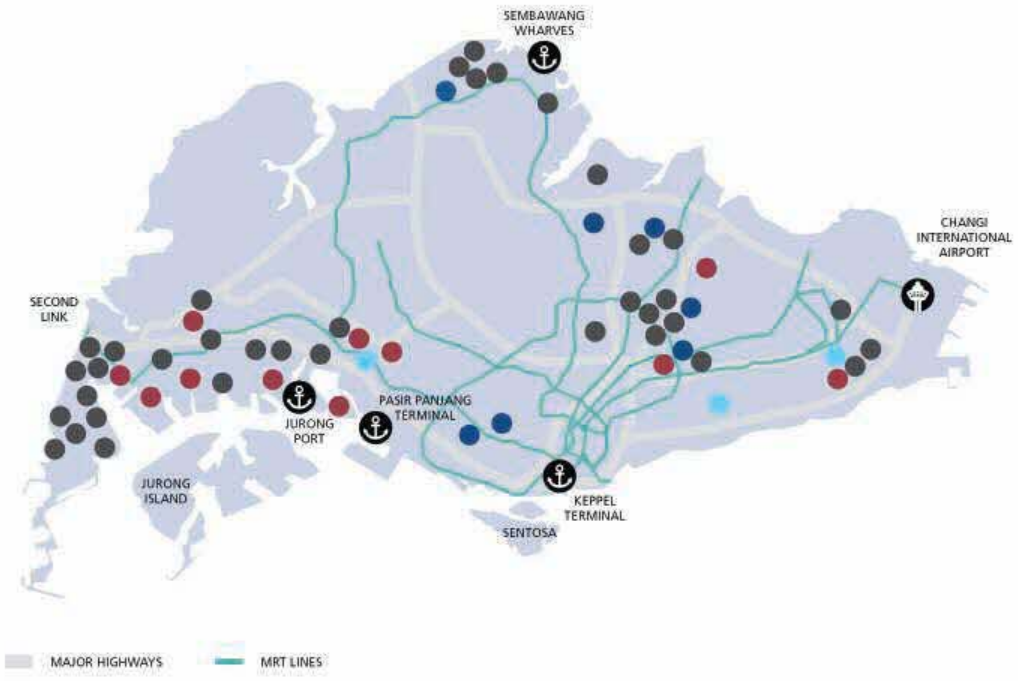
4. COMPETITIVE STRENGTHS OF ESR-REIT

The ESR-REIT Manager believes that ESR-REIT and the Properties enjoy the following competitive strengths:

- Strategically Located Properties

  Most of the Properties are strategically located in close proximity to amenities, major highways, major transportation hubs and key industrial zones across Singapore.

The map below depicts the locations of the Properties in Singapore as at the Latest Practicable Date.



- Diverse Property Portfolio

  ESR-REIT has four (4) sub-asset classes in its portfolio, which reduces ESR-REIT's tenant concentration risk, making it more resilient to market cycles. These Properties serve the spatial requirements of various segments of the economy, and enables ESR-REIT to capture a larger tenant base. As at 30 June 2019, the Business Park and High-Specs sectors make up approximately 28.9% and 15.6% by rental income of ESR-REIT's portfolio, respectively. These sectors are attractive and in high demand as they have consistently demanded the highest rents[1] among industrial properties and have favourable supply-demand dynamics. A brief description of the property types is set out below:

  – Logistics and Warehousing: Single or multi-storey distribution, logistics and warehouse facilities catering to tenants that are third-party logistics/supply chain management providers or trading companies with predominant use of storage space for raw material, semi-finished or finished goods. Such properties come with vehicular ramp access and/or heavy-duty cargo lift access.

  – General Industrial: Single or multi-storey facilities for both light industrial and general and heavy manufacturing or factory activities. Such spaces also have a small percentage of the usable space which can be set aside for office use.

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

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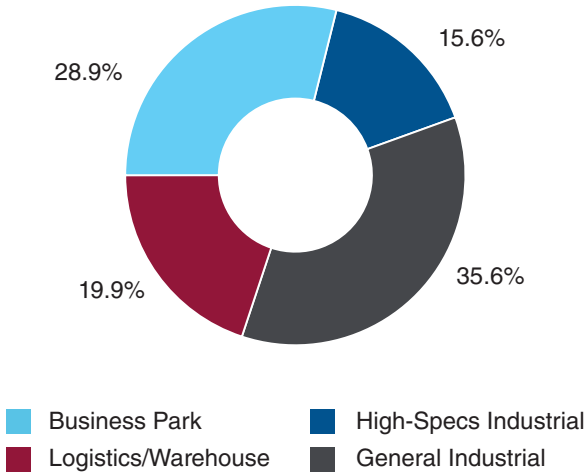
[1] Based on 1H2019 data from Colliers International, 2Q2019 data from JTC. Median gross rent for Business Park was S$4.00 psf pm while average monthly gross rent for High-Specs sectors was S$2.93 psf pm. The average monthly rents for Logistics/Warehouse and Factory were S$1.24 and S$1.68 psf pm, respectively.

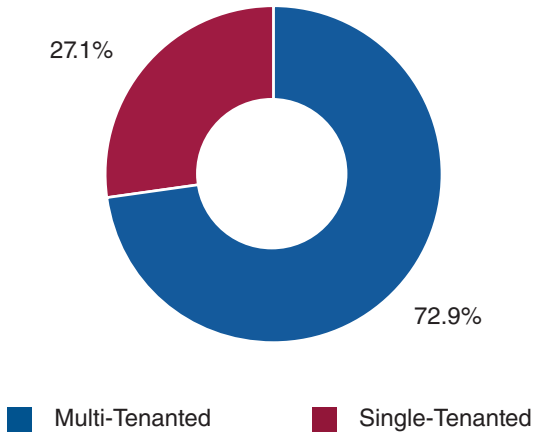
– High-Specs Industrial: High-Specs Industrial facilities are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These buildings typically have facilities such as air-conditioned units and sufficient floorboard, ceiling height and electrical power capacities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

The pie charts below provide a breakdown of the property types, tenant, occupancy and portfolio rent profiles, each as at 30 June 2019.

Profile of ESR-REIT's Properties by Rental Income



Profile of Single-Tenanted Properties vs Multi-Tenanted Properties (as a percentage of Rental Income)

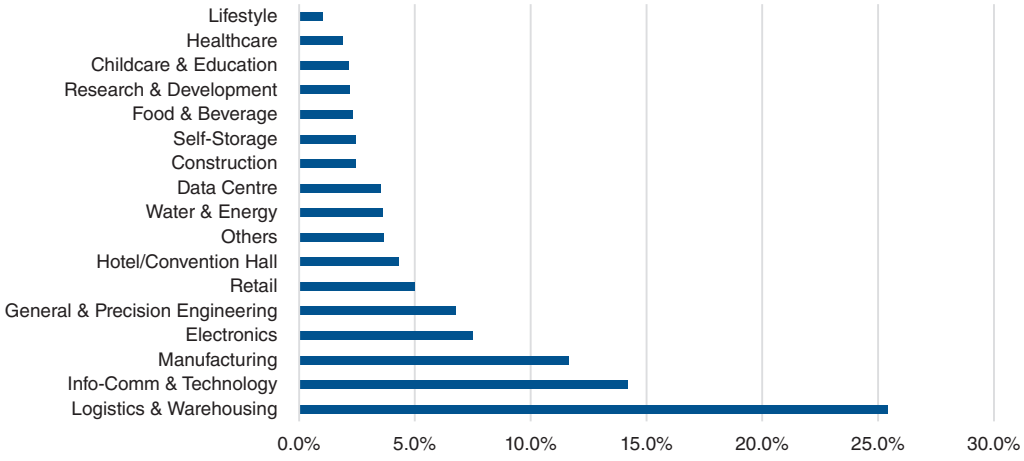


- Diversified Tenant Base

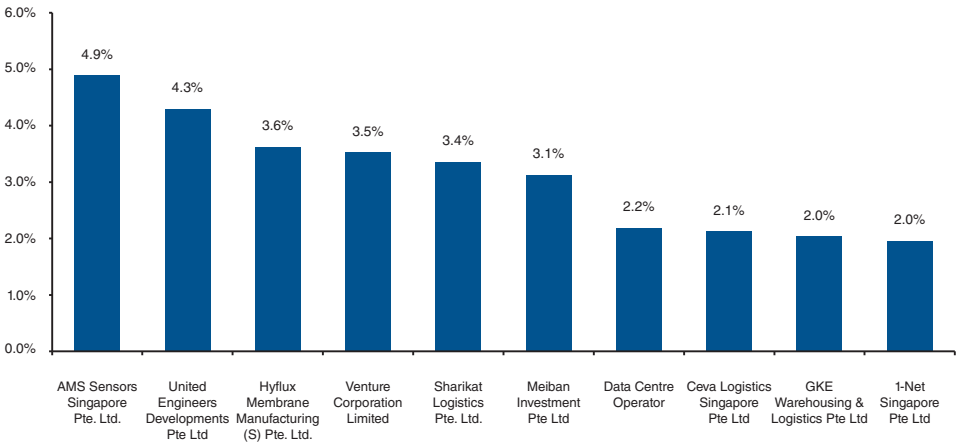
The tenants of the Properties are engaged in diverse trade sectors so that there is no reliance on any particular sector. Amongst others the trade sectors include, on a broad basis, manufacturing, info-comm and technology, engineering, services, logistics and warehousing.

Consistent with the ESR-REIT Manager's strategy of maintaining a diversified tenancy portfolio to spread income risk, as at 30 June 2019, no individual trade sector accounts for more than 30% of ESR-REIT's rental income. The tenant trade sector mix as at 30 June 2019 and the top ten tenants by gross rent contribution as at 30 June 2019 are illustrated in the charts below:

Trade Sector Analysis of ESR-REIT's Properties



Top Ten Tenants by Rental Income Contribution

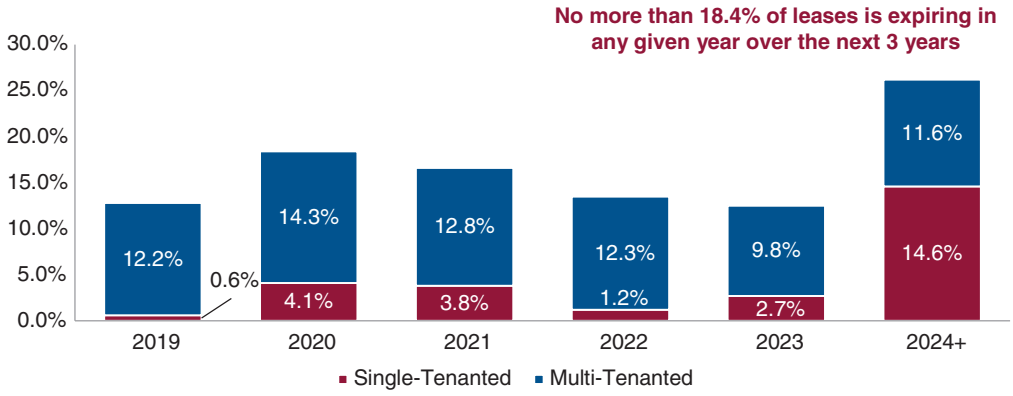


As at 30 June 2019, the top ten tenants together accounted for approximately 31.1% of rental income.

- Mixture of Medium and Long Term Leases

As at 30 June 2019, the weighted average lease expiry for the portfolio was 3.6 years. With a well-staggered lease expiry profile, ESR-REIT's portfolio enjoys stability of income, reducing ESR-REIT's exposure to near term lease expiries. The weighted average lease term reflects a good mix of medium and long-term leases. The long term leases provide certainty and allows for built-in rental escalations, thus providing a stable growth of income stream for the Properties. The leases expiring in short to medium term allow the opportunity for ESR-REIT to reposition its portfolio according to volatile market conditions and offer potentially positive rental reversions and growth potential. The chart below shows the lease expiry profile of the portfolio as at 30 June 2019.

Lease Expiry Profile (expiring leases as a percentage of rental income)



- Generic Assets with High Building Specifications

The majority of the Properties have building technical specifications which feature high floor loading, good ceiling height and wide column span. These specifications translate to more flexibility in space planning, better storage capacity and a wide range of usage, thus making the Properties potentially attractive to a wide range of tenants.

- Robust Occupancy

The ESR-REIT Manager has a proven track record of maintaining near full occupancy, above JTC average occupancy rates and rates in all of ESR-REIT's Properties. The following table shows ESR-REIT's portfolio occupancy rate over the last five (5) years:

As at year end	Portfolio Occupancy
2018	93.0%
2017	93.0%
2016	94.7%
2015	94.3%
2014	96.0%

The near full occupancy rates are indicators of the consistent demand for industrial space in each of the Properties, attributable to their strategic locations as well as proactive lease management policies with respect to the renewal and replacement of tenants. As at 30 June 2019, ESR-REIT enjoys a portfolio occupancy of 91.0%, above JTC's average of 89.3%[1].

- Proactive Asset Management Resulting in Optimisation of Unitholder's Return and Capital Growth

  Proactive asset management through prudent control of property outgoings, active marketing and leasing of any vacant properties or properties whose leases are expiring and asset enhancement projects has contributed to return and capital growth for Unitholders.

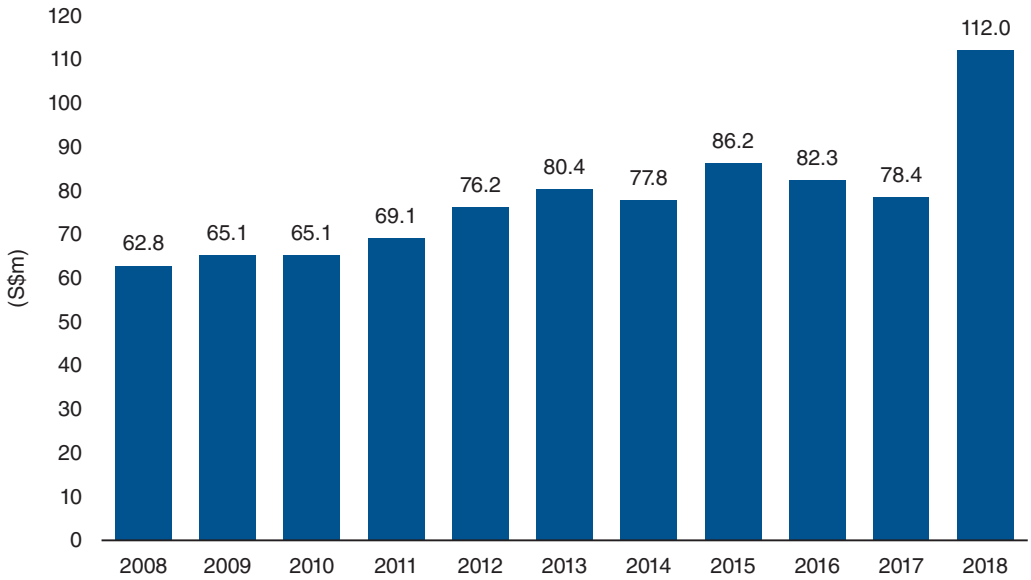
- Managed by an Experienced and Professional Management Team

  The properties held by ESR-REIT are managed by a management team that has extensive experience in fund management and compliance, as well as asset and property management in Singapore and the region. The management of ESR-REIT has collective experience of more than 60 years in the real estate and financial services industry.

  Please see the section titled "Structure of ESR-REIT – Experience and Expertise of the ESR-REIT Manager's Management" for details.

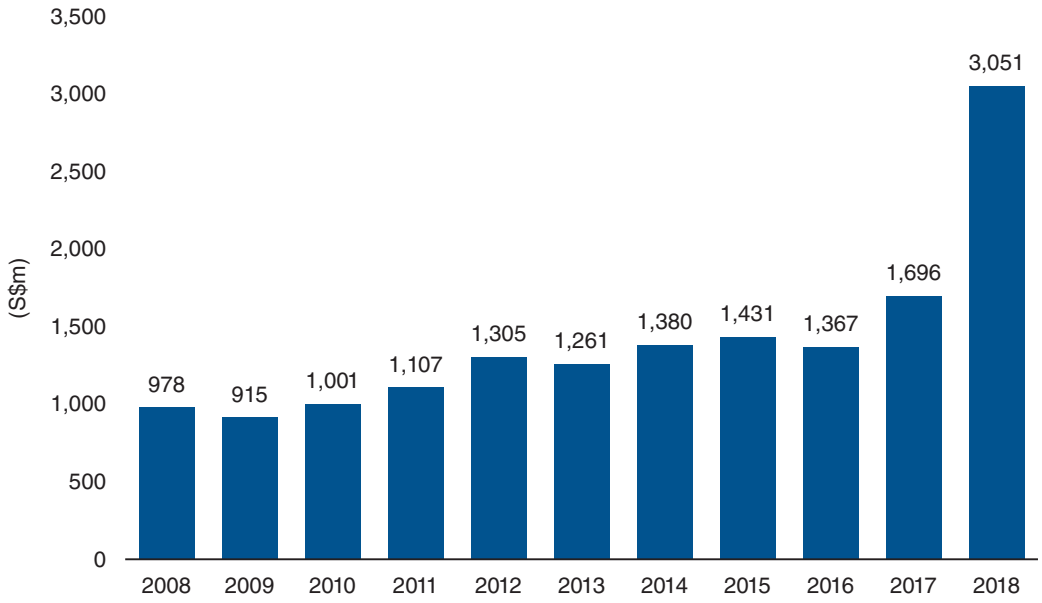
  Since the Listing Date, ESR-REIT's net property income and assets under management have generally increased as illustrated in the charts below:

  Net Property Income of ESR-REIT



[1] Based on JTC 2Q2019 Industrial Property Markets Statistics.

Total Assets under Management



- Prudent Capital Management

The ESR-REIT Manager monitors its financial market risk and capital structure actively as prudent capital management is key for sustainable business. The ESR-REIT Manager ensures that there is diversity in terms of source of funds, a well-staggered debt maturity profile, and a gearing ratio within its target range, to appropriately manage its financial risk.

ESR-REIT's balance sheet and capital structure are well proportioned. The following table illustrates the key capital management indicators of ESR-REIT as at 30 June 2019:

Key Capital Management Indicators (as at 30 June 2019)

√	Weighted Average Debt Expiry and Weighted Average Fixed Debt Expiry are at 3.1 and 2.9 years respectively
√	89.2% of interest rates fixed for the next 2.9 years
√	100% unencumbered investment properties valued at S$3.02[1] billion

	As at 30 June 2019
Total Gross Debt (S$ million)	1,193.6
Gearing Ratio (%)	39.0[2]
Weighted Average All-in Cost of Debt (%) p.a.	3.98
Weighted Average Debt Expiry (years)	3.1
Interest Coverage Ratio (times)	3.5

[1] This is the enlarged portfolio after the merger of ESR-REIT with VT (where VT is currently a sub-trust under ESR-REIT). Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest and excludes the effects arising from the adoption of FRS 116 *Leases* which became effective on 1 January 2019. This also excludes 48 Pandan Road as the acquisition was only completed on 7 August 2019.

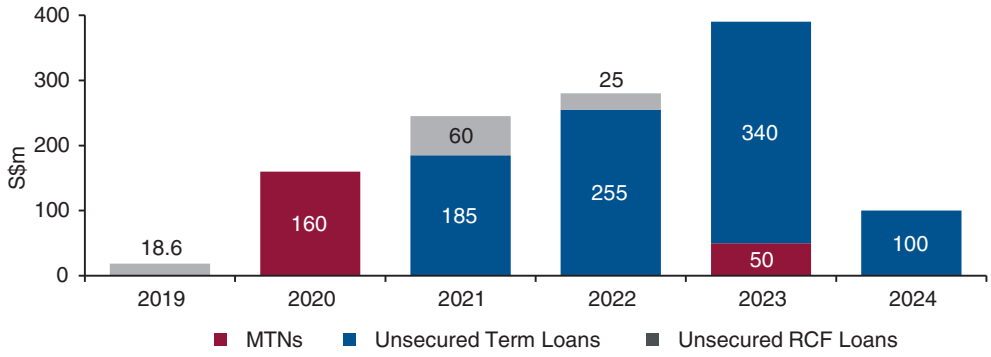
[2] Excludes the effects arising from the adoption of FRS 116 *Leases* which became effective on 1 January 2019.

	As at 30 June 2019
Interest Rate Exposure Fixed (%)	89.2
Weighted Average Fixed Debt Expiry (years)	2.9
Proportion of Unencumbered Investment Properties (%)	100
Gearing Headroom (S$ million)	333.9
Undrawn Available Committed Facilities (S$ million)	140.0

Diversified Debt Maturity Profile

- √ Successfully raised S$100.0 million from the private placement on 26 June 2019 (please see the section "*Recent Developments*" for further details)
- √ No more than 32.7% of debt expiring in each year as at 30 June 2019
- √ No major refinancing requirements due in 2019

The following chart illustrates the debt maturity profile of ESR-REIT as at 30 June 2019:



% of Debt Expiring	1.5	13.4	20.5	23.5	32.7	8.4

In line with ESR-REIT's hedging policy, the ESR-REIT Manager has ensured that the majority of its interest rate exposure is fixed. This provides stability of distributions to Unitholders.

- Strong Sponsor with Visible Pipeline of Assets with An Established Asian Footprint

ESR is the largest Asia-Pacific focused logistics real estate platform by GFA and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's pre-eminent partners including APG, SK Holdings, JD.com, Goldman Sachs, CPPIB, Ping An, Allianz Real Estate and CSOBOR Funds. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2018, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US$16 billion, and the GFA of properties completed and under development, as well as GFA to be built on land held for future development stood at over 12 million square metres in total.

5. PROPERTY STATISTICS AND DETAILS

- Properties and Property Types

The table below sets out certain information on the Properties as at 31 December 2018. This table excludes 48 Pandan Road as the acquisition was only completed on 7 August 2019.

It also excludes 31 Kian Teck Way as the divestment of 31 Kian Teck Way was completed on 28 June 2019 – please see the section "*Recent Developments*" for further details.

	Address	Tenants	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry	Acquisition Date	Occupancy (%) as at 31 Dec 18	Valuation (S$' million) as at 31 Dec 18
BUSINESS PARK								
1.	16 International Business Park	Exyte Singapore Pte. Ltd.	69,258	30 + 30	31 July 2056	19 December 2014	100	31.3
2.	750-750E Chai Chee Road	Multi-tenanted	1,134,067	60	31 March 2031	15 October 2018	82	322.8
				43	28 February 2031			
3.	2 & 4 Changi Business Park Ave 1 – Business Park 6 & 8 Changi Business Park Ave 1 – Hotel	Multi-tenanted	654,353	30 + 30	31 January 2068	15 October 2018	92	531
HIGH-SPECS INDUSTRIAL								
4.	2 Jalan Kilang Barat	Multi-tenanted	67,667	99	30 June 2062	25 July 2006	77	27.4
5.	11 Chang Charn Road	Multi-tenanted	73,745	99	31 December 2056	31 March 2014	80	29.8

	Address	Tenants	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry	Acquisition Date	Occupancy (%) as at 31 Dec 18	Valuation (S$' million) as at 31 Dec 18
6.	12 Ang Mo Kio Street 65	Multi-tenanted	166,124	30 + 30	15 October 2050	13 September 2014	64	38.2
7.	16 Tai Seng Street	Multi-tenanted	182,729	30 + 30	3 July 2067	29 May 2012	100	58.5
8.	21/23 Ubi Road 1	Multi-tenanted	148,055	30 + 30	31 January 2057	25 July 2006	87	36.7
9.	30 Marsiling Industrial Estate Road 8	Multi-tenanted	190,365	30 + 30	30 November 2049	24 October 2012	100	47.5
10.	7000 Ang Mo Kio Avenue 5	Multi-tenanted	819,323	32+30	29 January 2057	13 December 2017	94	305.4[1]
LOGISTICS AND WAREHOUSING								
11.	1 Third Lok Yang Road and 4 Fourth Lok Yang Road	YCH DistriPark (Pte) Ltd	114,111	30	15 December 2031	25 July 2006	100	11.4
12.	6 Chin Bee Avenue	Sharikat Logistics Pte. Ltd.	324,166	30	15 October 2043	15 October 2018	100	94.3
13.	25 Changi South Avenue 2	Wan Tai and Company (Private) Limited	72,998	30 + 30	15 October 2054	25 July 2006	100	12.6
14.	30 Pioneer Road	GKE Warehousing & Logistics Pte Ltd	281,101	30	15 February 2037	15 October 2018	100	54.0
15.	160 Kallang Way	StorHub Kallang Pte. Ltd.	322,604	30 + 30	15 February 2033	25 July 2006	100	26.3
16.	3 Pioneer Sector 3	Multi-tenanted	645,499	30 + 30	15 December 2050	25 July 2006	100	95.8

[1] 7000 Ang Mo Kio Avenue 5 is on a 100% basis which includes a 20% non-controlling interest

	Address	Tenants	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry	Acquisition Date	Occupancy (%) as at 31 Dec 18	Valuation (S$' million) as at 31 Dec 18
17.	3C Toh Guan Road East	Multi-tenanted	173,102	30 + 30	15 February 2051	30 January 2012	77	30.5
18.	4/6 Clementi Loop	Multi-tenanted	255,560	30 + 30	30 September 2053	13 June 2011	67	44.1
19.	15 Greenwich Drive	Multi-tenanted	453,006	30	15 December 2041	25 October 2018	100	98.0
20.	24 Jurong Port Road	Multi-tenanted	737,817	30 + 12	28 February 2037	25 July 2006	95	91.7
GENERAL INDUSTRIAL								
21.	1 Changi North St 2	ETLA Limited	125,870	30 + 30	28 February 2061	19 October 2010	100	22.0
	2 Changi North St 2			30 + 30	22 November 2065			
22.	2 Tuas South Avenue 2	Soon Wing Investments Pte. Ltd.	217,351	60	3 January 2059	25 July 2006	100	36.3
23.	3 Tuas South Avenue 4	Strides Pharma Global Pte. Limited	315,522	30 + 30	30 April 2059	19 March 2013/ 20 March 2015[(1)]	100	43.0
24.	5/7 Gul Street 1	Precise Industries Pte. Ltd.	98,864	29.5	30 September 2037	15 July 2011	100	14.3
25.	8 Tuas South Lane	Hyflux Membrane Manufacturing (S) Pte. Ltd.	768,201	30 + 16	31 March 2054	13 December 2017	100	115.0

(1) 40% of 3 Tuas South Avenue 4 was acquired separately on 20 March 2015.

	Address	Tenants	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry	Acquisition Date	Occupancy (%) as at 31 Dec 18	Valuation (S$' million) as at 31 Dec 18
26.	9 Tuas View Crescent	C M R (Far East) Pte Ltd	71,581	30 + 30	15 July 2058	25 July 2006	100	10.0
27.	11 Woodlands Walk	NTS Components Singapore Pte. Ltd.	96,625	30 + 30	15 October 2055	29 October 2012	100	17.4
28.	11 Ubi Road 1	Meiban Investment Pte Ltd	253,058	Plot 1: 30 + 30 Plot 2: 21 + 30	31 August 2055	15 October 2018	100	84.0
29.	11 Lorong 3 Toa Payoh	Multi-tenanted	348,103	60	15 May 2029	15 October 2018	86	63.0
30.	11 Serangoon North Avenue 5	Multi-tenanted	112,601	30 + 30	15 April 2057	25 July 2006	90	20.0
31.	13 Jalan Terusan	HG Metal Manufacturing Limited	245,172	28	24 March 2035	30 January 2013	100	36.9
32.	19 Tai Seng Avenue	Home-Fix D.I.Y Pte Ltd	120,556	30 + 30	10 September 2067	15 October 2018	100	47.8
33.	21B Senoko Loop	Keito Engineering & Construction Pte. Ltd.	195,823	30 + 30	31 January 2053	28 January 2008	100	25.6
34.	22 Chin Bee Drive	Deluge Fire Protection (S.E.A) Pte Ltd	120,653	30	15 September 2035	28 September 2010	100	14.9
35.	25 Pioneer Crescent	Voestalpine Specialty Metals Pte. Ltd.	76,003	30 + 28	31 January 2067	29 March 2012	100	16.4
36.	28 Senoko Drive	Tat Seng Packaging Group Ltd	159,338	30 + 30	15 December 2039	25 June 2007	100	13.6
37.	28 Woodlands Loop	Sanwa Plastic Industry Pte. Ltd.	131,859	30 + 30	15 October 2055	25 July 2006	100	17.3
38.	29 Tai Seng Street	Jackson Global Pte. Ltd.	85,070	30 + 30	30 April 2067	15 October 2018	100	33.4

	Address	Tenants	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry	Acquisition Date	Occupancy (%) as at 31 Dec 18	Valuation (S$' million) as at 31 Dec 18
39.	30 Teban Gardens Crescent	Eurosports Auto Pte Ltd	139,525	10 + 22	31 May 2039	17 March 2014	100	39.3
40.	30 Toh Guan Road	Multi-tenanted	292,944	30 + 30	15 August 2055	25 July 2006	85	61.0
41.	31 Changi South Avenue 2	Presscrete Engineering Pte Ltd	59,697	30 + 30	28 February 2055	27 July 2007	100	12.0
42.	31 Tuas Avenue 11	Virogreen (Singapore) Pte Ltd	75,579	30 + 30	31 March 2054	25 July 2006	100	12.1
43.	43 Tuas View Circuit	Q'son Precision Engineering Pte Ltd	122,836	30	31 January 2038	21 September 2012	100	16.4
44.	45 Changi South Avenue 2	Multi-tenanted	63,530	30 + 30	31 August 2055	25 July 2006	65	12.2
45.	54 Serangoon North Ave 4	Multi-tenanted	116,761	30 + 30	15 June 2056	1 March 2013	70	23.2
46.	60 Tuas South Street 1	TUV SUD PSB Pte. Ltd.	44,675	30	15 March 2035	29 June 2011	100	4.3
47.	70 Seletar Aerospace View	Air Transport Training College Pte Ltd	53,729	30	15 October 2041	22 November 2012	100	9.2
48.	79 Tuas South Street 5	Vacant	67,942	30 + 30	31 January 2060	30 April 2008	0	11.4
49.	81 Tuas Bay Drive	Mauser Singapore Pte Ltd	107,567	60	18 July 2066	15 October 2018	100	28.0
50.	86/88 International Road	Multi-tenanted	237,229	30 + 30	15 December 2054	25 July 2006	90	44.7
51.	130 Joo Seng Road	Multi-tenanted	89,627	30 + 30	30 November 2051	25 July 2006	86	15.2

	Address	Tenants	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry	Acquisition Date	Occupancy (%) as at 31 Dec 18	Valuation (S$' million) as at 31 Dec 18
52.	120 Pioneer Road	Multi-tenanted	219,781	30 + 28	15 February 2055	24 October 2007	75	40.3
53.	128 Joo Seng Road	Multi-tenanted	73,760	30 + 30	30 April 2052	25 June 2007	100	11.8
54.	160A Gul Circle	Unicable Pte. Ltd.	86,075	27	29 September 2040	13 May 2015	100	18.0
55.	136 Joo Seng Road	Multi-tenanted	78,189	30 + 30	30 September 2050	25 July 2006	76	12.8
56.	513 Yishun Industrial Park A	Multi-tenanted	200,562	30 + 30	30 November 2053	30 November 2010	84	26.1
	511 Yishun Industrial Park A			29 + 30	31 May 2054			

Valuation of the Properties

The Properties were last valued as at 31 December 2018 by independent valuers, Savills Valuation and Professional Services (S) Pte Ltd ("**Savills**"), Edmund Tie & Company (SEA) Pte Ltd ("**ETC**") and CBRE Pte Ltd ("**CBRE**").

Savills valued 9 properties, being: 6 Chin Bee Avenue, 30 Pioneer Road, 19 Tai Seng Avenue, 11 Ubi Road 1, 29 Tai Seng Street, 11 Lorong 3 Toa Payoh, 81 Tuas Bay Drive, 750 to 750E Chai Chee Road and 2, 4, 6 & 8 Changi Business Park Avenue 1.

ETC valued 23 properties, being: 160 Kallang Way, 3C Toh Guan Road East, 24 Jurong Port Road, 3 Pioneer Sector 3, 70 Seletar Aerospace View, 11 Serangoon North Avenue 5, 79 Tuas South Street 5, 1/2 Changi North Street 2, 31 Changi South Avenue 2, 22 Chin Bee Drive, 2 Tuas South Avenue 2, 21B Senoko Loop, 60 Tuas South Street 1, 43 Tuas View Circuit, 13 Jalan Terusan, 160A Gul Circle, 8 Tuas South Lane, 120 Pioneer Road, 45 Changi South Avenue 2, 511/513 Yishun Industrial Park A, 2 Jalan Kilang Barat, 11 Chang Charn Road and 16 International Business Park.

CBRE valued 24 properties, being: 1 Third Lok Yang Road & 4 Fourth Lok Yang Road, 25 Changi South Avenue 2, 4/6 Clementi Loop, 15 Greenwich Drive, 30 Teban Gardens Crescent, 16 Tai Seng Street, 30 Toh Guan Road, 128 Joo Seng Road, 130 Joo Seng Road, 136 Joo Seng Road, 31 Tuas Avenue 11, 9 Tuas View Crescent, 28 Senoko Drive, 5/7 Gul Street 1, 28 Woodlands Loop, 25 Pioneer Crescent, 11 Woodlands Walk, 3 Tuas South Avenue 4, 86/88 International Road, 21/23 Ubi Road 1, 54 Serangoon North Avenue 4, 12 Ang Mo Kio Street 65, 7000 Ang Mo Kio Avenue 5 and 30 Marsiling Industrial Estate Road 8.

- AEI

  AEI remains an important aspect of the ESR-REIT Manager's proactive asset management strategy for ESR-REIT. This enables the ESR-REIT Manager to unlock additional value for ESR-REIT through the maximisation of the permissible gross plot ratio and/or re-positioning of ESR-REIT's portfolio. The ESR-REIT Manager intends to continue engaging with various stakeholders, including the surrounding communities of the relevant properties, to identify potential further AEI opportunities that will enable it to put forth plans for land lease extensions closer to the date of land lease expiry, and where such plans will maximise land use and achieve the objectives of the various stakeholders.

  The table below sets out the AEIs completed in the last three years:

	Property Name	Description of AEI	Contract Cost (S$' million)	Completion Date
1	30 Marsiling Industrial Estate Road 8	Conversion from General Industrial to High-Specs	11.5	1Q FY2019
2	120 Pioneer Road	Facade upgrading, installation of passenger/ cargo lifts, toilet refurbishment, fire safety code compliance	5.0	3Q FY2017
3	86 International Road	Facade/upgrading, widening of driveway and relocation of sprinkler pump room	2.0	1Q FY2016

Apart from the aforementioned completed AEIs, ESR-REIT has plans to conduct AEIs on two (2) existing assets in its portfolio. This includes utilising untapped plot ratio to develop a modern high-specification industrial facility on the site of 7000 Ang Mo Kio Avenue 5 as part of the ESR-REIT Manager's strategy to unlock value in its portfolio, and rejuvenation works to UE BizHub East to enhance its "work-live-play" factor to attract quality tenants in the Changi Business Park region. Both AEIs are estimated to cost approximately S$45.7 million and are expected to provide an estimated yield on cost of up to 9.0%.

- **Recent Developments**

  (i) Entry into S$155.0 million unsecured loan facility and S$150.0 million unsecured loan facility

  On 5 March 2019, the ESR-REIT Trustee entered into a S$155.0 million unsecured loan facility agreement with (a) Australia and New Zealand Banking Group Limited, Singapore branch, CTBC Bank Co., Ltd., acting through its Singapore branch and Standard Chartered Bank, Singapore branch, as lenders and (b) Australia and New Zealand Banking Group Limited, as facility agent. The S$155.0 million unsecured loan facility consists of a S$75.0 million term loan facility and a S$80.0 million term loan facility (collectively, the "**S$155.0 million Facilities**").

  On 29 May 2019, the ESR-REIT Trustee also entered into a S$150.0 million unsecured loan facility agreement with CIMB Bank Berhad, Singapore branch, as lender. The S$150.0 million unsecured loan facility consists of a S$100.0 million term loan facility and a S$50.0 million revolving loan facility (collectively, the "**S$150.0 million Facilities**").

  The proceeds of the S$155.0 million Facilities and the S$150.0 million Facilities will be applied towards general corporate funding purposes, including but not limited to (a) the refinancing of existing indebtedness, (b) funding further asset acquisitions, enhancements and improvement of assets owned by ESR-REIT and its subsidiaries for the time being, and (c) other general working capital purposes.

  As at 30 June 2019, ESR-REIT's Debt to Total Assets is at 39.0%[1], with a weighted average debt expiry of 3.1 years, and approximately 89.2% of interest rate exposure is fixed for the next 2.9 years. As at 30 June 2019, the portfolio remains 100% unencumbered while maintaining a well-staggered debt maturity profile, and ESR-REIT has no major refinancing requirements due in 2019.

  (ii) Entry into joint venture and acquisition of 48 Pandan Road

  On 17 June 2019, the ESR-REIT Trustee entered into a joint venture ("**Joint Venture**") through a limited liability partnership in Singapore known as PTC Logistics Hub LLP ("**LLP**") with Poh Tiong Choon Logistics Limited ("**PTC**"). As at the Latest Practicable Date, ESR-REIT holds 49.0% of the partnership interests in the LLP and PTC holds the remaining 51.0%.

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[1] Excludes the effects of FRS 116 *Leases* which became effective on 1 January 2019.

Further to the Joint Venture, the LLP had on 17 June 2019 entered into a put and call option agreement with PTC to acquire the leasehold interest over a property situated at 48 Pandan Road, Singapore 609289 ("**48 Pandan Road**"). The LLP completed the acquisition of 48 Pandan Road on 7 August 2019 for a purchase price of S$225.0 million. The total acquisition cost attributable to ESR-REIT is approximately S$44.4 million.

Following completion of the acquisition of 48 Pandan Road, 48 Pandan Road was leased back to PTC for a term of ten years with fixed escalation per annum. This provides stable and growing income to ESR-REIT.

The LLP is also a strategic partnership between ESR-REIT and PTC, for which ESR-REIT may be able to provide real estate solutions for PTC's business expansion and logistics real estate needs in Singapore and the region.

(iii) Equity fundraising to raise gross proceeds of approximately S$150.0 million

On 17 June 2019, the ESR-REIT Manager launched an equity fundraising exercise ("**Equity Fund Raising**") to raise gross proceeds of up to S$150.0 million comprising a private placement ("**Private Placement**") and a non-renounceable preferential offering ("**Preferential Offering**") of new ESR-REIT Units ("**New Units**") to fully finance the total acquisition costs attributable to ESR-REIT for the acquisition of 48 Pandan Road, the proposed AEIs at 7000 Ang Mo Kio Avenue 5 and UE BizHub EAST and partially repay existing loan facilities.

As announced by the ESR-REIT Manager on 26 June 2019, approximately 194.2 million New Units were issued under the Private Placement at an issue price of S$0.515 per New Unit, to raise gross proceeds of approximately S$100.0 million. The ESR-REIT Manager has no intention of raising aggregate gross proceeds from the Equity Fund Raising in excess of approximately S$150.0 million. As gross proceeds of approximately S$100.0 million have been raised from the Private Placement, the gross proceeds from the Preferential Offering will accordingly be not more than approximately S$50.0 million.

To demonstrate its support for ESR-REIT and the Equity Fund Raising, the Sponsor, ESR, undertook that it will (a) accept, or procure the acceptance, in full of the provisional allocation of New Units under the Preferential Offering based on its entitlement; and (b) (subject to approval of the whitewash resolution) apply, or procure the application, for such number of excess New Units, to the extent they remain unsubscribed after satisfaction of all applications (if any) for excess New Units by ESR-REIT Unitholders (other than the Sponsor), provided that the Sponsor's and the ESR-REIT Manager's total subscription under the Preferential Offering will not exceed S$50.0 million.

The structure of and time schedule for the Preferential Offering and the issue price of the New Units under the Preferential Offering have not been determined as at the Latest Practicable Date.

(iv) Divestment of 31 Kian Teck Way

On 28 June 2019, the ESR-REIT Trustee completed the divestment of 31 Kian Teck Way for approximately S$5.8 million (excluding divestment costs and applicable goods and services tax) (the "**Sale Consideration**"). The Sale Consideration of S$5.8 million represents a premium of 1.7% above the book value of 31 Kian Teck Way of S$5.7 million[1]. The divestment of 31 Kian Teck Way, which has a remaining land lease tenure of approximately 23.3 years, is not expected to have any material impact on ESR-REIT's net property income for the financial year ending 31 December 2019. The net proceeds from the divestment will be deployed to repay outstanding borrowings and/or fund general working capital needs.

The divestment is in line with the ESR-REIT Manager's proactive asset management strategy to rejuvenate ESR-REIT's portfolio by recycling capital from divesting lower-capital non-core properties. The divestment will allow the ESR-REIT to improve the quality of its portfolio and optimise returns for Unitholders.

(v) Securing new lease for 8 Tuas South Lane

As announced on 5 September 2019, P-Way Construction & Engineering Pte Ltd has leased approximately 168,846 square feet at 8 Tuas South Lane to supply steel fabrication works, store railway equipment and parts and provide dormitory services for their employees. 8 Tuas South Lane now comprises three tenants including Hyflux Membrane Manufacturing (S) Pte. Ltd. This is part of ESR-REIT manager's proactive asset management to diversify the tenant concertation risks and improve tenant mix and quality.

(vi) Extraordinary general meeting on 12 September 2019

As announced on 21 August 2019, an extraordinary general meeting of ESR-REIT Unitholders ("**EGM**") is planned to take place on 12 September 2019 at 10.00 a.m.. The proposed resolutions of the EGM were as follows:

(a) Proposed whitewash resolution to obtain approval from independent ESR-REIT Unitholders for a waiver of their right to receive a mandatory offer from the concert parties group arising from the Preferential Offering;

(b) Proposed development management supplement payable to the ESR-REIT Manager and authority to issue ESR-REIT Units in payment of the development management fee;

(c) Proposed amendment and restatement of the ESR-REIT Trust Deed; and

(d) Authority to issue ESR-REIT Units in payment of property management fees to the Property Manager.

Please refer to the circular to ESR-REIT Unitholders dated 21 August 2019 for more information on the EGM.

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[1] Based on valuation by ETC as at 31 December 2018.

6. INSURANCE

The Properties are insured in accordance with industry practice in Singapore. Insurance policies cover buildings from physical loss, damage and destruction and consequential loss arising from business interruption, terrorism and public liability. There are no significant or unusual excess or deductible amounts required under these policies.

There are, however, certain types of risk that are not covered by such insurance policies, including acts of war, environmental damage and breaches of environmental laws and regulations. Master lessors are also required to take up insurance against loss of rents and public liability insurance.

THE ESR-REIT TRUSTEE

The trustee of ESR-REIT is RBC Investor Services Trust Singapore Limited. RBC Investor Services Trust Singapore Limited is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore. It is approved to act as a trustee for authorised collective investment schemes under the SFA. As at the Latest Practicable Date, RBC Investor Services Trust Singapore Limited has a paid-up capital of S$6.0 million RBC Investor Services Trust Singapore Limited's registered office is located in Singapore at 8 Marina View, #26-01 Asia Square Tower 1, Singapore 018960.

The ESR-REIT Trustee is independent of the ESR-REIT Manager.

Powers, Duties and Obligations of the ESR-REIT Trustee

The ESR-REIT Trustee's powers, duties and obligations are set out in the ESR-REIT Trust Deed. The powers and duties of the ESR-REIT Trustee include:

- acting as trustee of ESR-REIT and, in such capacity, safeguarding the rights and interests of the Unitholders;

- holding the assets of ESR-REIT on the trusts contained in the ESR-REIT Trust Deed for the benefit of the Unitholders; and

- exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of ESR-REIT.

The ESR-REIT Trustee has covenanted in the ESR-REIT Trust Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unitholders.

In the exercise of its powers, the ESR-REIT Trustee may (on the recommendation of the ESR-REIT Manager) and subject to the provisions of the ESR-REIT Trust Deed, acquire or dispose of any real property, borrow and encumber any asset.

The ESR-REIT Trustee may, subject to the provisions of the ESR-REIT Trust Deed, appoint and engage:

- a person or entity to exercise any of its powers or perform its obligations; and

- on the recommendation of the ESR-REIT Manager, any real estate agents or managers, including a related party of the ESR-REIT Manager, in relation to the management, development, leasing, purchase or sale of any real estate assets and real estate-related assets.

Although the ESR-REIT Trustee may borrow money and obtain other financial accommodation for the purposes of ESR-REIT, both on a secured and unsecured basis, the ESR-REIT Manager must not direct the ESR-REIT Trustee to incur a liability if to do so would mean that ESR-REIT's total borrowings and deferred payments (including deferred payments for assets whether to be settled in cash or in Units) would exceed the limit stipulated by MAS based on the value of Deposited Property at the time the borrowing is incurred.

The ESR-REIT Trustee must carry out its functions and duties and comply with all the obligations imposed on it and set out in the ESR-REIT Trust Deed, the Listing Manual, the SFA, the CIS Code (including the Property Funds Appendix), the Singapore Code on Take-overs and Mergers, any tax ruling and all other relevant laws. It must retain ESR-REIT's assets, or cause ESR-REIT's assets to be retained, in safe custody and cause ESR-REIT's accounts to be audited. It may appoint valuers to value the real estate assets and real estate-related assets of ESR-REIT.

The ESR-REIT Trustee is not personally liable to a Unitholder in connection with the office of the ESR-REIT Trustee except in respect of its own fraud, gross negligence, wilful default or breach of trust. Any liability incurred and any indemnity to be given by the ESR-REIT Trustee shall be limited to the assets of ESR-REIT over which the ESR-REIT Trustee has recourse, provided that the ESR-REIT Trustee has acted without fraud, gross negligence, wilful default or breach of the ESR-REIT Trust Deed. The ESR-REIT Trust Deed contains certain indemnities in favour of the ESR-REIT Trustee under which it will be indemnified out of the assets of ESR-REIT for liability arising in connection with certain acts or omissions. These indemnities are subject to any applicable laws.

Retirement and Removal of the ESR-REIT Trustee

The ESR-REIT Trustee may retire or be removed under the following circumstances:

- the ESR-REIT Trustee shall not be entitled to retire voluntarily except upon the appointment of a new ESR-REIT Trustee (such appointment to be made in accordance with the provisions of the ESR-REIT Trust Deed); and

- the ESR-REIT Trustee may be removed by notice in writing to the ESR-REIT Trustee by the ESR-REIT Manager:

  – if the ESR-REIT Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the ESR-REIT Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the ESR-REIT Trustee;

  – if the ESR-REIT Trustee ceases to carry on business;

  – if the ESR-REIT Trustee fails or neglects after reasonable notice from the ESR-REIT Manager to carry out or satisfy any material obligation imposed on the ESR-REIT Trustee by the ESR-REIT Trust Deed;

  – if the Unitholders by extraordinary resolution duly passed at a meeting of Unitholders held in accordance with the provisions of the ESR-REIT Trust Deed, and of which at least 21 days' notice has been given to the ESR-REIT Trustee and the ESR-REIT Manager, shall so decide; or

  – if MAS directs that the ESR-REIT Trustee be removed.

THE ESR-REIT MANAGER

ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited), was incorporated in Singapore under the Companies Act on 14 September 2005. As at the Latest Practicable Date, it has an issued capital of S$64.7 million and its registered office is located at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946.

Shareholding

As at the Latest Practicable Date, the shareholders of the ESR-REIT Manager are ESR (holding a 67.3% interest in the ESR-REIT Manager through its subsidiary, ESR Investment Management Pte. Ltd. (formerly known as Cambridge Real Estate Investment Management Pte. Ltd.)), Shanghai Summit Pte. Ltd. (holding a 25.0% direct interest in the ESR-REIT Manager) and Mitsui & Co., Ltd (holding the remaining 7.7% direct interest in the ESR-REIT Manager).

(i) ESR

ESR is the largest Asia-Pacific focused logistics real estate platform by GFA and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's pre-eminent partners including APG, SK Holdings, JD.com, Goldman Sachs, CPPIB, Ping An, Allianz Real Estate and CSOBOR Funds. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2018, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US$16 billion, and the GFA of properties completed and under development, as well as GFA to be built on land held for future development stood at over 12 million square metres in total.

(ii) Shanghai Summit Pte. Ltd.

Shanghai Summit Pte. Ltd. is an investment holding company that is wholly-owned and controlled by Mr Tong Jinquan.

(iii) Mitsui & Co., Ltd

Mitsui & Co., Ltd is one of the largest corporate conglomerates in Japan and is listed on the Tokyo Stock Exchange. Mitsui & Co., Ltd also developed Japan Logistics Fund Inc., a publicly-listed REIT in Japan dedicated to investing in distribution facilities.

Board of Directors

The Board of Directors of the ESR-REIT Manager as at the date of this Information Memorandum comprises the following:

Name	Designation
Mr Ooi Eng Peng	Independent Chairman, Member of the Audit, Risk Management and Compliance Committee, Chairman of the Nominating and Remuneration Committee and Chairman of the Executive Committee
Mr Bruce Kendle Berry	Independent Non-Executive Director and Chairman of the Audit, Risk Management and Compliance Committee
Dr. Leong Horn Kee	Independent Non-Executive Director and Member of the Audit, Risk Management and Compliance Committee
Mr Ronald Lim Cheng Aun	Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee and Member of the Nominating and Remuneration Committee
Ms Stefanie Yuen Thio	Independent Non-Executive Director and Member of the Audit, Risk Management and Compliance Committee
Mr Philip John Pearce	Non-Executive Director and Member of the Executive Committee
Mr Jeffrey David Perlman	Non-Executive Director, Member of the Nominating and Remuneration Committee and Member of the Executive Committee
Mr Tong Jinquan	Non-Executive Director
Mr Wilson Ang Poh Seong	Non-Executive Director
Mr Adrian Chui Wai Yin	CEO and Executive Director and Member of the Executive Committee

Experience and Expertise of the Board of Directors

The Board of the ESR-REIT Manager comprises ten (10) directors (five (5) independent and four (4) non-independent) and one (1) executive director. Together, they bring to the Board of the ESR-REIT Manager a wide range of industry experience, expertise and knowledge in real estate, asset management, legal, finance and banking and strategic planning. The Board of the ESR-REIT Manager is committed to ensuring that the highest standards of corporate governance are practiced in the management of the ESR-REIT Manager and ESR-REIT. A fundamental part of its responsibility is to protect and enhance Unitholders' value and interests.

Information on the business and working experience of the Directors as at the date of this Information Memorandum is set out below:

Mr Ooi Eng Peng
Independent Chairman, Member of the Audit, Risk Management and Compliance Committee, Chairman of the Nominating and Remuneration Committee and Chairman of the Executive Committee

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

Mr Bruce Kendle Berry
Independent Non-Executive Director and Chairman of the Audit, Risk Management and Compliance Committee

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

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

Dr. Leong Horn Kee
Independent Non-Executive Director and Member of the Audit, Risk Management and Compliance Committee

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

Mr Ronald Lim Cheng Aun
Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee and Member of the Nominating and Remuneration Committee

Mr Lim has more than 36 years of experience in the banking and finance industry. Mr Lim was previously the Advisor to RGE Pte Ltd, a resource-based and manufacturing group in the paper and pulp, palm oil and oil and gas industries from November 2009 to October 2011. Mr Lim was with United Overseas Bank Limited from March 1973 to November 2009 where he held leadership and senior management positions, serving as Executive Director and Division Head of Commercial Banking, Head of Branches Division and Head of Human Resources.

Ms Stefanie Yuen Thio
Independent Non-Executive Director and Member of the Audit, Risk Management and Compliance Committee

Ms Yuen Thio has over 25 years of legal experience in mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. Ms Yuen Thio is the Joint Managing Partner of TSMP Law Corporation and heads its corporate practice. She was admitted to the Singapore Bar in 1994. Her clients include logistics companies, REITs and REIT managers. She is regularly named by legal journals as a leading practitioner in her areas of specialisation. Prior to her appointment, she served on the board of ARA Trust Management (CACHE) Limited, manager of Cache Logistics Trust.

Ms Yuen Thio was appointed by the Monetary Authority of Singapore to the Corporate Governance Council in 2017 to review the Code of Corporate Governance and is a Fellow of the Singapore Institute of Directors. From 2014 to 2017, she was a member of the Expert Panel, Centre for Cross-Border Commercial Law in Asia. She was also a member of the Singapore Governance and Transparency Index ("**SGTI**") Advisory Panel from June 2016 to May 2018.

Mr Philip John Pearce
Non-Executive Director and Member of the Executive Committee

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

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

Mr Jeffrey David Perlman
Non-Executive Director, Member of the Nominating and Remuneration Committee and Member of the Executive Committee

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

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

Mr Tong Jinquan
Non-Executive Director

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

Mr Wilson Ang Poh Seong
Non-Executive Director

Mr Ang has extensive experience in real estate investment trust management, industrial property investment and consultancy services. He was previously the co-founder of Viva Industrial Trust Management Pte. Ltd. ("**VITM**"), the manager of Viva Industrial Trust ("**VIT**") from 2012 to 2018. In his capacity as CEO and Executive Director of VITM, he also held directorships with Viva iTrust MTN Pte. Ltd., Viva Investment Management Pte. Ltd. and Maxi Capital Pte. Ltd.

Prior to his roles with VIT, Mr Ang was with Cambridge Industrial Trust Management Limited ("**CITM**"), the manager of Cambridge Industrial Trust ("**CIT**") from 2005 to 2009, serving as the Managing Director (Investment) and later CEO. Prior to co-founding CITM, Mr Ang was the Executive Director and Head of the Industrial Division at Colliers International (Singapore) Pte. Ltd.

Mr Adrian Chui Wai Yin
CEO and Executive Director and Member of the Executive Committee

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

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

THE PROPERTY MANAGER

ESR Property Management (S) Pte Ltd (formerly known as Cambridge Industrial Property Management Pte. Ltd.) was incorporated in Singapore under the Companies Act on 4 November 2005. As at the Latest Practicable Date, it has an issued capital of S$250,000 and its registered office is located at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946.

As at the Latest Practicable Date, ESR holds an indirect interest of 100% in the Property Manager.

Board of Directors

The Board of Directors of the Property Manager as at the date of this Information Memorandum comprise the following:

Name	Designation
Mr Jeffrey David Perlman	Director
Mr Jeffrey Shen Jinchu	Director
Mr Cho Wee Peng	Director
Mr Steven Leow Chye Teck	Director

Experience and Expertise of the Board of Directors

Information on the business and working experience of Mr Jeffrey David Perlman is set out in the section titled "The ESR-REIT Manager – Experience and Expertise of the Board of Directors" and Mr Steven Leow Chye Teck is set out in the section titled "ESR-REIT – Experience and Expertise of the Property Manager's Management".

Mr Jeffrey Shen Jinchu
Non-Executive Director

Mr Shen has over 20 years of industrial real estate experience in China. Prior to co-founding ESR in June 2011, Mr Shen held a variety of roles, including Senior Vice President, at GLP Investment Management (China) Co., Ltd. (全球物流资产公司(中国)) (formerly known as Prologis China) from January 2004 to September 2010, overseeing the Eastern China area. Mr Shen was the deputy director in DTZ Debenham Tie Leung International Property Advisers from June 2001 to December 2003 and prior to this, he was the assistant general manager of marketing at Shanghai Waigaoqiao Free Trade Zone Xin Development Co., Ltd from July 1995 to November 2000. Mr Shen was also a director of ESR-REIT Manager, from January 2017 to January 2019.

Mr Cho Wee Peng
Non-Executive Director

Mr Cho has over 25 years of experience in finance in international and regional companies in Asia. Mr Cho was the CFO at SATS Ltd. (Stock Code: S58) and Hyflux Ltd. (Stock Code: 600), both listed on the Singapore Exchange, from July 2013 to November 2016 and from January 2011 to May 2013, respectively. Mr Cho joined Hyflux Ltd in early 2007 as Senior VP Group Treasurer and Investment Director and was promoted to Group EVP and Chief Investment Officer in December 2008. He held various treasury roles with Dow Chemical in the USA and Asia Pacific, including Finance Risk Manager (Asia Pacific) and Corporate Finance Manager, from May 1998 to February 2007.

PURPOSE OF THE PROGRAMME AND USE OF PROCEEDS

The net proceeds arising from the issue of the Securities under the Programme (after deducting issue expenses) will be used for the purpose of refinancing the existing borrowings of the Group, financing or refinancing the acquisitions and/or investments of ESR-REIT and any development and asset enhancement works initiated by ESR-REIT, financing general working capital and capital expenditure requirements of the Group, or such other purpose as may be specified in the relevant Pricing Supplement.

CLEARING AND SETTLEMENT

Clearance and Settlement under the Depository System

In respect of Securities which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Securities that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Securities which are accepted for clearance by CDP, the entire issue of the Securities is to be held by CDP in the form of a Global Security for persons holding the Securities in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Securities between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Securities through the Depository System may be effected through securities sub-accounts held with corporate depositors ("**Depository Agents"**). Depositors holding the Securities in direct securities accounts with CDP, and who wish to trade the Securities through the Depository System, must transfer the Securities to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest, distribution and repayment of principal on behalf of issuers of debt securities. Although CDP has established procedures to facilitate transfers of interests in the Securities in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Guarantor, the Issuing and Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Clearance and Settlement under Euroclear and/or Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

SINGAPORE TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by MAS and IRAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and no assurance can be given that the relevant tax authorities or the courts will agree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective Securityholders are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the subscription for, or purchase, ownership or disposal of, the Securities, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuers, the Arranger, the Guarantor and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, or purchase, ownership or disposal of, the Securities.

1. Taxation Relating to Payments on the Notes

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness which is: (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0% final withholding tax described below) to non-resident persons (other than non-resident individuals) is the prevailing corporate tax rate, currently 17.0%, and the applicable rate for non-resident individuals is currently 22.0%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0%. The rate of 15.0% may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

The terms "**break cost**", "**prepayment fee**" and "**redemption premium**" are defined in the ITA as follows:

"**break cost**", in relation to debt securities, qualifying debt securities and qualifying project debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"**prepayment fee**", in relation to debt securities, qualifying debt securities and qualifying project debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"**redemption premium**", in relation to debt securities, qualifying debt securities and qualifying project debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore taxation disclosure have the same meaning as defined in the ITA.

From the time of establishment of the Programme to 30 March 2016, the Programme as a whole was arranged by Australia and New Zealand Banking Group Limited (Singapore Branch), which was a Financial Sector Incentive (Bond Market) ("**FSI-BM**") Company (as defined in the ITA) at such time. Australia and New Zealand Banking Group Limited (Singapore Branch) has resigned as the arranger under such Programme with effect from 30 March 2016, and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch has been appointed as the sole arranger under the Programme and is a Financial Sector Incentive (Capital Market) ("**FSI-CM**") Company, Financial Sector Incentive (Standard Tier) ("**FSI-ST**") Company or FSI-BM Company (as defined in the ITA) at such time.

On the basis that the Programme as a whole was arranged by an FSI-BM Company prior to 1 January 2014 and by an FSI-BM, FSI-CM or FSI-ST Company thereafter, any tranche of the Notes ("**Relevant Notes**") issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2023 would be qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(1) subject to certain prescribed conditions having been fulfilled (including the furnishing to the MAS by the relevant Issuer, or such other person as the MAS may direct, of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes

as the MAS may require and the inclusion by the relevant Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for QDS shall not apply if the non-resident person acquires the Relevant Notes using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Relevant Notes paid by the relevant Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(2) subject to certain conditions having been fulfilled (including the furnishing to the MAS by the relevant Issuer, or such other person as the MAS may direct, of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require), Qualifying Income from the Relevant Notes paid by the relevant Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore, other than any non-resident who qualifies for the tax exemption as described in paragraph (1) above, is subject to income tax at a concessionary rate of 10.0% (except for holders who have been granted the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(3) subject to:

(aa) the relevant Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

(bb) the furnishing to the MAS by the relevant Issuer, or such other person as the MAS may direct, of a return on debt securities for the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the relevant Issuer.

Notwithstanding the foregoing:

(A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50.0% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer or the ESR-REIT Manager, such Relevant Notes would not qualify as QDS; and

(B) even though a particular tranche of Relevant Notes is QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50.0% or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer or the ESR-REIT Manager, Qualifying Income derived from such Relevant Notes held by:

(I) any related party of the relevant Issuer or the ESR-REIT Manager; or

(II) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the relevant Issuer or the ESR-REIT Manager,

shall not be eligible for the tax exemption or concessionary rate of tax of 10.0% as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds of such person's operations through a permanent establishment in Singapore.

Notwithstanding that the relevant Issuer is permitted to make payments of Qualifying Income in respect of the Relevant Notes without deduction or withholding of tax under Section 45 or 45A of the ITA, any person whose Qualifying Income derived from such Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

2. Taxation Relating to Payments on the Perpetual Securities

Singapore Tax Classification of Hybrid Instruments

The ITA does not contain specific provisions on how financial instruments that exhibit both debt-like and equity-like features, i.e. hybrid instruments, should be treated for income tax purposes. However, the IRAS has published an e-Tax Guide: Income Tax Treatment of Hybrid Instruments on 19 May 2014 (the "**Hybrid Instruments e-Tax Guide**") which sets out the income tax treatment of hybrid instruments, including the factors that the IRAS will generally use to determine whether such instruments are debt or equity instruments for income tax purposes.

Among others, the IRAS has stated in the Hybrid Instruments e-Tax Guide that:

(a) whether or not a hybrid instrument will be treated as debt or equity security for income tax purposes will firstly depend on its legal form, to be determined based on an examination of the legal rights and obligations attached to the instrument;

(b) a hybrid instrument is generally characterised as equity if the legal terms of the instrument indicate ownership interests in the issuer. If the legal form of a hybrid instrument is not indicative of or does not reflect the legal rights and obligations, the

facts and circumstances surrounding the instrument and a combination of factors, not limited to the following, would have to be examined to ascertain the nature of the instrument for income tax purposes.

These factors include (but are not limited to):

(i) nature of interest acquired;

(ii) investor's right to participate in issuer's business;

(iii) voting rights conferred by the instrument;

(iv) obligation to repay the principal amount;

(v) payout;

(vi) investor's right to enforce payment;

(vii) classification by other regulatory authority; and

(viii) ranking for repayment in the event of liquidation or dissolution;

(c) if a hybrid instrument is characterised as a debt instrument for income tax purposes, distributions from the issuer to the investors are regarded as interest; and

(d) if a hybrid instrument issued by a company is characterised as an equity instrument for income tax purposes, distributions from the issuer to the investors are regarded as dividends.

Tax Treatment if the Perpetual Securities are Characterised as Debt Instruments

In the event that any tranche of the Perpetual Securities (the "**Relevant Tranche of Perpetual Securities**") issued by the ESR-REIT Issuer is regarded as debt instruments for Singapore income tax purposes, payment of distributions (including Optional Distributions and Arrears of Distribution) in respect of the Relevant Tranche of Perpetual Securities (hereafter referred to as "**Distributions**") and Additional Distribution Amounts should be regarded as interest payments and the disclosure above under "*1. Taxation Relating to Payments on the Notes*" summarises the income tax treatment that may be applicable on the Distributions and Additional Distribution Amounts. For the purposes of such application, all references to "Notes" and "Relevant Notes" in the disclosure under "*1. Taxation Relating to Payments on Notes*" shall be construed as references to "Perpetual Securities" and "Relevant Perpetual Securities", all references to "Qualifying Income" in the aforesaid disclosure shall include Distributions and the statements for inclusion in all offering documents reflected therein shall be applicable to the Relevant Tranche of Perpetual Securities.

Tax Treatment if the Perpetual Securities are Characterised as Equity Instruments

Distributions from Perpetual Securities by the ESR-REIT Issuer

In the event that the Relevant Tranche of Perpetual Securities issued by the ESR-REIT Issuer is characterised as equity instruments for Singapore income tax purposes and the Distributions are to be treated as capital distributions in the hands of Securityholders, the payment of Distributions will not be subject to withholding of tax, irrespective of the profile of Securityholders. The amount of such Distributions therefrom will be treated as a return of

capital in the hands of Securityholders and will be applied to reduce the cost of their investment in the Perpetual Securities for Singapore income tax purposes. Where Securityholders, based on their own circumstances, are subject to Singapore income tax on gains from the disposal of the Perpetual Securities, the reduced cost of their investments will be used for the purposes of computing such gains. If the amount of Distributions exceeds the cost (or reduced cost, as the case may be) of their investment in the Perpetual Securities, the excess will be subject to tax and the sale proceeds from the subsequent sale of the Perpetual Securities will be fully taxable.

In the event that the Relevant Tranche of Perpetual Securities issued by the ESR-REIT Issuer is characterised as equity instruments for Singapore income tax purposes but the Distributions are to be treated in the same manner as distributions on ordinary units of ESR-REIT, Securityholders may be subject to income tax on such Distributions, in whole or part, currently at the rate of 10.0% or 17.0%. The ESR-REIT Trustee and the ESR-REIT Manager may also be obliged to withhold or deduct tax from the payment of such Distributions, in whole or part, currently at the rate of 10.0% or 17.0%, to certain Securityholders and for this purpose, Securityholders may, as in the case of Unitholders, be required to declare certain information relating to their status to the ESR-REIT Trustee and the ESR-REIT Manager prior to the making of each Distribution. The disclosure under "*Taxation of Distributions on Ordinary Units*", which summarises the income tax treatment currently applicable to distributions made on ordinary units of ESR-REIT, will be applicable to the Distributions if the payment of such Distributions is to be treated in the same manner as distributions on ordinary units of ESR-REIT.

Additional Distribution Amounts from Perpetual Securities

Additional Distribution Amounts, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, may be subject to withholding tax in Singapore on the basis that such amounts are interest in nature. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0% final withholding tax described below) to non-resident persons (other than non-resident individuals) is the prevailing corporate tax rate, currently 17.0%. The applicable rate for non-resident individuals is currently 22.0%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0%. The rate of 15.0% may be reduced by applicable tax treaties.

Taxation of Distributions on Ordinary Units

Distributions on ordinary units of ESR-REIT may comprise all, or a combination, of the following types of distributions:

(a) taxable income distribution; and

(b) other gains distribution.

The tax treatment of each type of distribution differs and may depend on the profile of the beneficial owner of the distributions. Prospective holders of the Relevant Tranche of Perpetual Securities are advised to consult their own professional tax advisers as to the tax consequences that they may be subject to, in particular on the Distributions on the relevant tranche of Perpetual Securities, where such Distributions are treated in the same manner as distributions on ordinary units of ESR-REIT. The statements below provide a summary of the tax treatment of distributions on ordinary units of ESR-REIT.

Taxable income distribution

Withholding tax

The ESR-REIT Trustee and the ESR-REIT Manager are required to withhold or deduct tax from taxable income distributions unless such distributions are made to an individual or a "**Qualifying Unitholder**" who submits a declaration in a prescribed form within a stipulated time limit.

A "**Qualifying Unitholder**" is a Unitholder who is:

(a) a company incorporated and resident in Singapore;

(b) a Singapore branch of a company incorporated outside Singapore;

(c) a body of persons incorporated or registered in Singapore, including a charity registered under the Charities Act (Chapter 37 of Singapore) or established by any written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Chapter 62 of Singapore) or a trade union registered under the Trade Unions Act (Chapter 333 of Singapore);

(d) 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 (Chapter 145 of Singapore); or

(e) a real estate investment trust exchange-traded funds which have been accorded the tax transparency treatment.

In all other cases, the ESR-REIT Trustee and the ESR-REIT Manager will withhold or deduct tax, currently at the rate of 17.0%, from taxable income distributions. This rate is reduced to 10.0% for distributions made on or before 31 December 2025 to a foreign non-individual. A foreign non-individual is a person (other than an individual) who is not a resident of Singapore for income tax purposes and:

(a) who does not have any permanent establishment in Singapore; or

(b) who carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the Units are not obtained from that operation.

The rate of 10.0% also applies to distributions made from 1 July 2019 to 31 December 2025 to non-resident funds qualifying for tax exemption under Section 13CA, 13X or 13Y of the ITA ("**Qualifying Non-Resident Fund(s)**") and:

(a) who does not have any permanent establishment in Singapore (other than a fund manager in Singapore); or

(b) who carries on any operation through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used by the Qualifying Non-Resident Fund to acquire the Units are not obtained from that operation.

Where the Units are held in the name of a nominee, the ESR-REIT Trustee and the ESR-REIT Manager will withhold or deduct tax, currently at the rate of 17.0%, unless the beneficial owner of the Units is an individual or a Qualifying Unitholder and provided that the nominee submits a declaration (containing certain particulars of the beneficial owner) in a

prescribed form within a stipulated time limit to the ESR-REIT Trustee and the ESR-REIT Manager. Where the beneficial owner is a foreign non-individual or Qualifying Non-Resident Fund as described above and provided the aforesaid declaration is submitted by the nominee, tax will be withheld or deducted at the rate of 10.0% for distributions made on or before 31 December 2025.

Tax deducted at source on taxable income distributions

The tax deducted at the prevailing tax rate, currently at the rate of 17.0%, by the ESR-REIT Trustee and the ESR-REIT Manager is not a final tax. A Unitholder can use this tax deducted as a set-off against its Singapore income tax liability, including the tax liability on the gross amount of taxable income distributions.

The tax deducted at the reduced rate of 10.0% on taxable income distributions made on or before 31 December 2025 to foreign non-individuals is a final tax imposed on the gross amount of distributions. Similarly, the tax deducted at the reduced rate of 10.0% on taxable income distributions made to Qualifying Non-Resident Funds during the period from 1 July 2019 to 31 December 2025 is a final tax imposed on the gross amount of distributions.

Taxation in the hands of Unitholders

Unless otherwise exempt, Unitholders are liable to Singapore income tax on the gross amount of taxable income distributions (i.e. the amount of distribution before tax deduction at source, if any).

Taxable income distributions received by individuals, irrespective of their nationality or tax residence status, are exempt from tax unless such distributions are derived by the individual through a partnership in Singapore or from the carrying on of a trade, business or profession. Individuals who do not qualify for this tax exemption are subject to Singapore income tax on the gross amount of taxable income distributions at their own applicable tax rates, i.e. even if they have received the distributions without tax deduction at source.

Unless exempt from income tax because of their own specific circumstances, Qualifying Unitholders are subject to Singapore income tax on the gross amount of taxable income distributions, i.e. even if they have received the distributions without tax deduction at source.

Other non-individual Unitholders are subject to Singapore income tax on the gross amount of taxable income distributions at their own applicable tax rates. Where the Unitholders are foreign non-individuals or Qualifying Non-Resident Funds, tax at a reduced rate of 10.0% will be imposed on taxable income distributions made on or before 31 December 2025.

Other gains distribution

Other gains distributions are not taxable in the hands of Unitholders and are not subject to withholding of tax.

Application for Tax Ruling

The ESR-REIT Issuer may, at its discretion, seek an advance tax ruling from the IRAS to confirm the classification of a Relevant Tranche of Perpetual Securities for Singapore income tax purposes and the Singapore tax treatment of the payment of Distributions thereon.

If such an application is made, the ESR-REIT Issuer will provide relevant details of the tax ruling issued by the IRAS on ESR-REIT website www.esr-reit.com.sg or via an announcement shortly after the receipt of the tax ruling.

3. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Securities will not be taxable in Singapore. However, any gains derived by any person from the sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Securities who apply or are required to apply Singapore Financial Reporting Standard 39 ("**FRS 39**"), Financial Reporting Standard 109 – Financial Instruments ("**FRS 109**") or Singapore Financial Reporting Standard (International) 9 (Financial Instruments) ("**SFRS(I) 9**") (as the case may be) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Securities, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "*Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes*".

4. Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes

Subject to certain "opt-out" provisions, Section 34A of the ITA requires taxpayers who adopt or are required to adopt FRS 39 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 39, subject to certain exceptions provided in that section. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement" to provide guidance on the Singapore income tax treatment of financial instruments.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who adopt or who are required to adopt FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions provided in that section. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Securities who may be subject to the tax treatment under the FRS 39 tax regime, FRS 109 tax regime or the SFRS(I) 9 tax regime should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Securities.

5. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Securities to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Relevant Issuer and the relevant Dealer(s). The Relevant Issuer may also from time to time agree with the relevant Dealer(s) that the Relevant Issuer may pay certain third party commissions (including, without limitation, rebates to private bank investors in the Securities.) The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe for or procure subscribers for Securities from the Relevant Issuer pursuant to the Programme Agreement.

United States

The Securities and the Guarantee have not been and will not be registered under the Securities Act, and the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Securities are a part, as determined and certified to the Issuing and Paying Agent by such Dealer (or, in the case of an identifiable tranche of Securities sold to or through more than one Dealer, by each of such Dealers with respect to Securities of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Securities, an offer or sale of Securities within the United States by any dealer that is not participating in the offering of such Securities may violate the registration requirements of the Securities Act.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (the "**C(WUMP)O**") of Hong Kong or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer acknowledges that this Information Memorandum has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

General

The selling restrictions herein contained may be modified, varied or amended by agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification or supplement to the selling restrictions will be set out in the Pricing Supplement to be issued in respect of the issue of the Securities to which it relates or in a supplement to this Information Memorandum.

Each Dealer acknowledges and understands that no action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of this Information Memorandum or any other document or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Securities or any interest therein or rights in respect thereof or has in its possession or distributes this Information Memorandum or any other document or any Pricing Supplement. Other persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Issuers and the Dealers to comply with all relevant laws, regulations and directives in each country or jurisdiction in or from which they purchase, offer, sell or deliver Securities or possess, distribute or publish this Information Memorandum or any Pricing Supplement or any related offering material, in all cases at their own expense.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Securities or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. No Director of EMPL or the ESR-REIT Manager is or was involved in any of the following events:

(a) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer;

(b) a conviction of any offence, other than a traffic offence, or judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or being a named subject to any pending proceedings which may lead to such a conviction or judgment, or so far as such person is aware, any criminal investigation pending against him; or

(c) the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

2. As at the date of this Information Memorandum, no option to subscribe for shares in, or debentures of, EMPL has been granted to, or was exercised by, any Director of EMPL.

3. As at the date of this Information Memorandum, no option to subscribe for shares in, or debentures of, ESR-REIT has been granted to, or was exercised by, any Director of the ESR-REIT Manager.

4. (a) No Director of EMPL is interested, directly or indirectly, in the promotion of any assets acquired or disposed of by or leased to, EMPL or any of its subsidiaries, within the two years preceding the date of this Information Memorandum.

(b) Save as disclosed in Appendices II, III and IV of this Information Memorandum, no Director of the ESR-REIT Manager is interested, directly or indirectly, in the promotion of any assets acquired or disposed of by or leased to, ESR-REIT or any of its subsidiaries, within the two years preceding the date of this Information Memorandum (other than for any transaction the value of which is below S$100,000).

5. As at the date of this Information Memorandum, EMPL is a wholly-owned subsidiary of ESR-REIT.

SHARE CAPITAL

6. (a) As at the date of this Information Memorandum, there is only one class of ordinary shares in EMPL. The rights and privileges attached to the Shares are stated in the Constitution of EMPL.

(b) As at the date of this Information Memorandum, there is only one class of units in ESR-REIT. The rights and privileges attached to the units of ESR-REIT are stated in the ESR-REIT Trust Deed.

7. The issued share capital of EMPL as at the date of this Information Memorandum are as follows:

Class of Share	Issued Share Capital (Number)	Issued Share Capital (S$)
Ordinary Shares	1	1

BORROWINGS

8. As at 31 December 2018, all the borrowings or indebtedness in the nature of borrowings of ESR-REIT are as disclosed in Appendix III to this Information Memorandum.

WORKING CAPITAL

9. EMPL and the ESR-REIT Manager are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Securities, ESR-REIT will have adequate working capital for its present requirements.

CHANGES IN ACCOUNTING POLICIES

10. The Group has adopted all the new and revised Financial Reporting Standards ("**FRS**") that are effective for the annual period beginning on 1 January 2019. Other than the adoption of FRS 116 *Leases* ("**FRS 116**"), the adoption of these new and revised FRSs did not have any material effect on the financial statements of the Group. The Group adopted FRS 116 on a modified retrospective basis on 1 January 2019 and did not adjust its comparatives for the effects arising from the adoption of this new FRS. With the adoption of FRS 116, the Group is required to recognise land leases on its statement of financial position to reflect the right to use the leasehold land and the associated obligation for the lease payments, i.e. lease liabilities. Due to the adoption of FRS 116, the Group recognised the right-of-use of leasehold land of S$226.4 million and lease liabilities of the same amount for its leases previously classified as operating land leases on its statement of financial position as at 1 January 2019. For further details on the adoption of FRS 116, please refer to note (d) under section 1(a) of the Group's Unaudited Financial Statements for the six months ended 30 June 2019 as set out on page 355 in this Information Memorandum.

11. Save as mentioned above, there has been no significant change in the accounting policies of ESR-REIT since its audited consolidated financial statements for FY 2018.

LITIGATION

12. There are no legal or arbitration proceedings pending or, so far as EMPL and the ESR-REIT Manager are aware, threatened against the Issuers, the Guarantor, ESR-REIT or any of their respective subsidiaries the outcome of which, in the opinion of EMPL and the ESR-REIT Manager, may have or have had during the 12 months prior to the date of this Information Memorandum a material adverse effect on the financial position of the Issuers, ESR-REIT or the Group.

MATERIAL ADVERSE CHANGE

13. Save as disclosed in this Information Memorandum, there has been no material adverse change in the financial condition or business of EMPL since 31 December 2018, or the financial condition or business of ESR-REIT or the Group since 31 December 2018.

DOCUMENTS AVAILABLE FOR INSPECTION

14. Copies of the following documents may be inspected, with prior appointments, at the registered office of EMPL and the ESR-REIT Manager during normal business hours for a period of six months from the date of this Information Memorandum:

(a) the Constitution of EMPL;

(b) the ESR-REIT Trust Deed;

(c) the Trust Deed;

(d) the audited financial statements of ESR-REIT for the financial year ended 31 December 2017;

(e) the audited financial statements of ESR-REIT for the financial year ended 31 December 2018; and

(f) the unaudited financial statements of ESR-REIT for the six months ended 30 June 2019.

15. Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant (as defined in the Trust Deed) are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

16. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

AUDITED FINANCIAL STATEMENTS OF ESR-REIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The information in this Appendix II has been extracted and reproduced from the audited financial statements of ESR-REIT for the financial year ended 31 December 2017 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.

For the financial year ended 31 December 2017
To the Members of ESR-REIT

UNITHOLDERS

ESR-REIT

Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated investment properties portfolio statement of the Group and the statement of financial position and investment properties portfolio statement of the Trust as at 31 December 2017, 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 statements and statements 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 100 to 159.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statements and statements of movements in unitholders' funds of the Trust are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts*" issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the consolidated financial position and consolidated portfolio holdings of the Group and the financial position and portfolio holdings of the Trust as at 31 December 2017 and the consolidated financial performance, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the financial performance and movements in unitholders' funds of the Trust for the year then ended on that date.

Basis for opinion

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

Key audit matters

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

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

For the financial year ended 31 December 2017
To the Members of ESR-REIT

UNITHOLDERS

ESR-REIT

Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

Valuation of investment properties

As at 31 December 2017, the carrying values of investment properties amounted to $1.68 billion. These investment properties are stated at their values based on independent external valuations and represent the single largest asset category of the Group.

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

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

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

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

Contingent tax exposure

In a previous financial year, the Trust disposed an investment property. The gain measured against the initial acquisition cost of the property was $66.8 million. The Manager of the Trust is of the view that the gain of $66.8 million is capital in nature and should not be subject to income tax. During the current financial year, the Trust disposed three investment properties and the gains measured against the initial acquisition cost was $3.7 million. Similarly, the Manager of the Trust has assessed this gain to be capital in nature.

The treatment of the abovementioned gain on disposal as a capital gain not subject to tax is subject to agreement by the Inland Revenue Authority of Singapore ("IRAS"). The tax affairs of the Trust for the relevant year of assessment have not been finalised by IRAS. The contingent tax exposure arising from the disposal of investment properties is significant to our audit because it entails significant management judgement on the nature of the gains on the disposal.

Amongst other audit procedures, we inspected and reviewed correspondence between the tax authorities and the Trust. In addition, we reviewed the information and facts presented by the Manager and held discussions with the Manager to understand the basis for their assessment and views that the gain on the disposal is capital and should not be subject to income tax. We assessed the information presented and the reasonableness of the stance taken by the Manager with the assistance of our tax specialists.

We further reviewed the appropriateness of the disclosures in Note 20 to the financial statements.

Other Matter

The financial statements of the Group and Trust for the financial year ended 31 December 2016 were audited by another auditor, who expressed an unmodified opinion on these financial statements on 17 March 2017.

For the financial year ended 31 December 2017
To the Members of ESR-REIT

UNITHOLDERS

ESR-REIT

Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

Other Information

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

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

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

Responsibilities of the Manager for the financial statements

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

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

For the financial year ended 31 December 2017
To the Members of ESR-REIT

UNITHOLDERS

ESR-REIT

Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

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

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

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 law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nagaraj Sivaram.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
14 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Trust	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets					
Non-current assets					
Investment properties	4	1,652,200	1,332,000	1,349,200	1,292,000
Investments in subsidiaries	5	–	–	215,463	25,206
Loan to a subsidiary	6	–	–	50,500	–
		1,652,200	1,332,000	1,615,163	1,317,206
Current assets					
Investment properties held for divestment	4	23,600	22,000	23,600	22,000
Trade and other receivables	7	8,374	9,278	6,999	9,867
Cash and cash equivalents		11,651	3,699	8,156	2,517
		43,625	34,977	38,755	34,384
Total assets		1,695,825	1,366,977	1,653,918	1,351,590
Liabilities					
Current liabilities					
Trade and other payables	8	28,647	21,464	21,987	21,384
Interest-bearing borrowings	9	154,895	–	154,895	–
Amount due to non-controlling interest	10	60,600	–	–	–
		244,142	21,464	176,882	21,384
Non-current liabilities					
Trade and other payables	8	6,783	8,894	5,715	8,664
Amount due to a subsidiary	11	–	–	40,247	–
Interest-bearing borrowings	9	514,896	509,590	514,896	509,590
		521,679	518,484	560,858	518,254
Total liabilities		765,821	539,948	737,740	539,638
Net assets		930,004	827,029	916,178	811,952
Represented by:					
Unitholders' funds		778,889	827,029	765,063	811,952
Perpetual securities holders' funds	12	151,115	–	151,115	–
		930,004	827,029	916,178	811,952
Units in issue ('000)	13	1,313,623	1,304,434	1,313,623	1,304,434
Net asset value per unit (cents)		59.3	63.4	58.2	62.2

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

STATEMENTS OF TOTAL RETURN

For the financial year ended 31 December 2017

	Note	Group		Trust	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Gross revenue	14	109,700	112,087	106,615	109,427
Property expenses	15	(31,255)	(29,814)	(31,052)	(29,716)
Net property income		78,445	82,273	75,563	79,711
Management fees	16	(6,989)	(7,060)	(6,989)	(7,060)
Trust expenses	17	(2,176)	(1,870)	(2,140)	(1,833)
Interest income		113	47	113	47
Borrowing costs	18	(20,439)	(21,147)	(20,439)	(21,142)
Net income		48,954	52,243	46,108	49,723
Interest income from subsidiary		–	–	93	–
Distributable income from subsidiaries		–	–	2,071	1,731
Net income after distributable income from subsidiaries		48,954	52,243	48,272	51,454
Gain on disposal of investment properties	19	221	1,231	221	1,231
Change in fair value of financial derivatives		–	(493)	–	(493)
Change in fair value of investment properties	4	(47,779)	(45,894)	(46,628)	(46,774)
Total return for the year before income tax		1,396	7,087	1,865	5,418
Income tax expense	20	–*	–*	–	–
Total return for the year after income tax		1,396	7,087	1,865	5,418
Attributable to:					
Unitholders of the Trust and perpetual securities holders		614	7,087	1,865	5,418
Non-controlling interest		782	–	–	–
Total return for the year		1,396	7,087	1,865	5,418
Earnings per unit (cents)					
Basic and diluted	21	(0.038)	0.544	0.057	0.416
Distribution per unit (cents)	21	3.853	4.173	3.853	4.173

* Less than $1,000

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

DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2017

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Total return after income tax, before distribution for the year	614	7,087	1,865	5,418
Add: Distribution adjustments (Note A)	50,891	47,389	49,640	49,058
Net income available for distribution to Unitholders	51,505	54,476	51,505	54,476
Amount reserved for distribution to perpetual securities holders	(1,115)	–	(1,115)	–
Total amount available for distribution	50,390	54,476	50,390	54,476
Less: Distributions (Note B)	(38,179)	(41,442)	(38,179)	(41,442)
Net amount available for distribution to Unitholders as at 31 December	12,211	13,034	12,211	13,034

Note A – Distribution adjustments	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Non-tax deductible items and other adjustments:				
Trustee's fees	379	384	379	384
Amortisation of transaction costs relating to debt facilities	1,936	2,488	1,936	2,483
Change in fair value of investment properties	48,379	45,894	46,628	46,774
Change in fair value of financial derivatives	–	493	–	493
Legal and professional fees	533	343	533	327
Adjustment for straight line rent and lease incentives	(1,127)	(1,729)	(617)	(909)
Dividend income from a subsidiary	(718)	–	(718)	–
Returns attributable to perpetual securities holders	1,115	–	1,115	–
Miscellaneous expenses	615	747	605	737
	51,112	48,620	49,861	50,289
Income not subject to tax:				
Gain on disposal of investment properties	(221)	(1,231)	(221)	(1,231)
Net effect of distribution adjustments	50,891	47,389	49,640	49,058

Note B – Distributions	Group	
	2017 $'000	2016 $'000
Distributions to Unitholders during the financial year comprise:		
Distribution of 0.964 cents per unit for the period from 1/7/2017 to 30/9/2017	12,612	–
Distribution of 0.956 cents per unit for the period from 1/4/2017 to 30/6/2017	12,470	–
Distribution of 1.004 cents per unit for the period from 1/1/2017 to 31/3/2017	13,097	–
Distribution of 0.987 cents per unit for the period from 1/7/2016 to 30/9/2016	–	12,875
Distribution of 1.078 cents per unit for the period from 1/4/2016 to 30/6/2016	–	14,062
Distribution of 1.112 cents per unit for the period from 1/1/2016 to 31/3/2016	–	14,505
	38,179	41,442
Distribution of 0.996 cents per unit for the period from 1/10/2016 to 31/12/2016	12,992	–
Distribution of 1.139 cents per unit for the period from 1/10/2015 to 31/12/2015	–	14,782
Total Distributions to Unitholders during the financial year[1]	51,171	56,224

Note:

(1) Distributions were partly paid by ESR-REIT issuing an aggregate of 9.2 million units amounting to $5.2 million (2016: 6.7 million units amounting to $3.3 million), pursuant to the distribution reinvestment plan.

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2017

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unitholders' Funds				
Balance at beginning of the year	827,029	872,911	811,952	859,503
Operations				
Total return for the year after tax attributable to Unitholders and perpetual securities holders	614	7,087	1,865	5,418
Less: Amount reserved for distribution to perpetual securities holders	(1,115)	–	(1,115)	–
Net (decrease)/increase in net assets resulting from operations	(501)	7,087	750	5,418
Unitholders' transactions				
Units issued through Distribution Reinvestment Plan	5,173	3,288	5,173	3,288
Equity costs pursuant to: (Note 22)				
– Distribution Reinvestment Plan	(143)	(33)	(143)	(33)
– Perpetual securities	(1,498)	–	(1,498)	–
Distributions to Unitholders	(51,171)	(56,224)	(51,171)	(56,224)
Net decrease in Unitholders' funds resulting from Unitholders' transactions	(47,639)	(52,969)	(47,639)	(52,969)
Balance at end of the year	778,889	827,029	765,063	811,952
Perpetual Securities Holders' Funds				
Balance at beginning of the year	–	–	–	–
Issue of perpetual securities	150,000	–	150,000	–
Amount reserved for distribution to perpetual securities holders	1,115	–	1,115	–
Balance at end of the year	151,115	–	151,115	–
Total	**930,004**	**827,029**	**916,178**	**811,952**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Logistics/Warehousing Properties[1]				
	1 THIRD LOK YANG ROAD AND 4 FOURTH LOK YANG ROAD	Leasehold	30	14[6]	1 Third Lok Yang Road Singapore 627996 and 4 Fourth Lok Yang Road Singapore 629701
	31 TUAS AVENUE 11	Leasehold	30+30	36[7]	31 Tuas Avenue 11 Singapore 639105
	25 CHANGI SOUTH AVENUE 2	Leasehold	30+30	37[8]	25 Changi South Ave 2 Singapore 486594
	160 KALLANG WAY	Leasehold	60	15[9]	160 Kallang Way Singapore 349246
	3C TOH GUAN ROAD EAST	Leasehold	30+30	33[10]	3C Toh Guan Road East Singapore 608832
*	9 BUKIT BATOK STREET 22	Leasehold	30+30	35[11]	9 Bukit Batok Street 22 Singapore 659585
	4/6 CLEMENTI LOOP	Leasehold	30+30	36[12]	4/6 Clementi Loop Singapore 129810 and 129814
	24 JURONG PORT ROAD	Leasehold	30+12	19[13]	24 Jurong Port Road Singapore 619097
	3 PIONEER SECTOR 3	Leasehold	30+30	33[14]	3 Pioneer Sector 3 Singapore 628342

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	$'000	$'000	%	%
100	100	11,700	12,100	1.50	1.46
100	100	12,300	11,900	1.58	1.44
100	100	12,500	12,700	1.60	1.54
100	100	26,800	28,200	3.44	3.41
97	77	29,700	32,000	3.81	3.87
98	92	23,600	23,600	3.03	2.85
80	76	48,100	51,300	6.18	6.20
95	95	89,400	89,100	11.48	10.77
86	100	95,700	106,800	12.29	12.91
		349,800	**367,700**	**44.91**	**44.45**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Light Industrial Properties[2]				
	16 TAI SENG STREET	Leasehold	30+30	50[15]	16 Tai Seng Street Singapore 534138
	70 SELETAR AEROSPACE VIEW	Leasehold	30	24[16]	70 Seletar Aerospace View Singapore 797564
	30 TEBAN GARDENS CRESCENT	Leasehold	10+22	21[17]	30 Teban Gardens Crescent Singapore 608927
	30 TOH GUAN ROAD	Leasehold	30+30	38[18]	30 Toh Guan Road Singapore 608840
	128 JOO SENG ROAD	Leasehold	30+30	34[19]	128 Joo Seng Road Singapore 368356
	130 JOO SENG ROAD	Leasehold	30+30	34[20]	130 Joo Seng Road Singapore 368357
	136 JOO SENG ROAD	Leasehold	30+30	33[21]	136 Joo Seng Road Singapore 368360
	11 SERANGOON NORTH AVENUE 5	Leasehold	30+30	39[22]	11 Serangoon North Avenue 5 Singapore 554809
+	87 DEFU LANE 10	Leasehold	30+30	33[23]	87 Defu Lane 10 Singapore 539219
+	55 UBI AVENUE 3	Leasehold	30+30	39[24]	55 Ubi Avenue 3 Singapore 408864

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	$'000	$'000	%	%
100	100	60,500	73,200	7.77	8.85
100	100	9,200	9,200	1.18	1.11
100	100	38,900	39,800	4.99	4.81
84	99	59,700	59,700	7.66	7.22
91	86	12,000	12,000	1.54	1.45
93	100	15,600	16,100	2.00	1.95
100	100	12,800	13,400	1.64	1.62
94	94	20,000	19,700	2.57	2.38
–	100	–	17,400	–	2.10
–	62	–	22,000	–	2.66
		228,700	**282,500**	**29.35**	**34.15**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
General Industrial Properties[3]				
79 TUAS SOUTH STREET 5	Leasehold	30+30	42[25]	79 Tuas South Street 5 Singapore 637604
1/2 CHANGI NORTH STREET 2	Leasehold	30+30/30+30	43/48[26]	1/2 Changi North Street 2 Singapore 498808/498775
9 TUAS VIEW CRESCENT	Leasehold	30+30	41[27]	9 Tuas View Crescent Singapore 637612
28 SENOKO DRIVE	Leasehold	30+30	22[28]	28 Senoko Drive Singapore 758214
31 CHANGI SOUTH AVENUE 2	Leasehold	30+30	37[29]	31 Changi South Avenue 2 Singapore 486478
21B SENOKO LOOP	Leasehold	30+30	35[30]	21B Senoko Loop Singapore 758171
22 CHIN BEE DRIVE	Leasehold	30	18[31]	22 Chin Bee Drive Singapore 619870
31 KIAN TECK WAY	Leasehold	30+19	25[32]	31 Kian Teck Way Singapore 628751
2 TUAS SOUTH AVENUE 2	Leasehold	60	41[33]	2 Tuas South Ave 2 Singapore 637601
60 TUAS SOUTH STREET 1	Leasehold	30	17[34]	60 Tuas South Street 1 Singapore 639925
5/7 GUL STREET 1	Leasehold	29.5	20[35]	5/7 Gul Street 1 Singapore 629318/629320
28 WOODLANDS LOOP	Leasehold	30+30	38[36]	28 Woodlands Loop Singapore 738308

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	$'000	$'000	%	%
–	–	11,000	11,300	1.41	1.37
100	100	22,000	23,500	2.82	2.84
100	100	10,200	9,500	1.31	1.15
100	100	13,700	13,800	1.76	1.67
100	100	12,000	11,200	1.54	1.35
100	100	26,400	31,500	3.40	3.81
100	100	14,500	15,100	1.86	1.83
100	100	5,700	5,700	0.73	0.69
100	100	36,100	36,000	4.64	4.35
100	–	4,000	5,200	0.51	0.63
100	100	15,000	14,500	1.93	1.75
100	100	17,500	18,300	2.25	2.21
		188,100	**195,600**	**24.16**	**23.65**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Balance brought forward				
	General Industrial Properties (cont'd)				
	25 PIONEER CRESCENT	Leasehold	30+28	49[37]	25 Pioneer Crescent Singapore 628554
	11 WOODLANDS WALK	Leasehold	30+30	38[38]	11 Woodlands Walk Singapore 738265
	43 TUAS VIEW CIRCUIT	Leasehold	30	20[39]	43 Tuas View Circuit Singapore 637360
	15 JURONG PORT ROAD	Leasehold	28	17[40]	15 Jurong Port Road Singapore 619119
	160A GUL CIRCLE	Leasehold	27	23[41]	160A Gul Circle Singapore 629618
@	3 TUAS SOUTH AVENUE 4	Leasehold	30+30	41[42]	3 Tuas South Avenue 4 Singapore 637610
	8 TUAS SOUTH LANE	Leasehold	30+16	36[43]	8 Tuas South Lane Singapore 637302
	120 PIONEER ROAD	Leasehold	30+28	37[44]	120 Pioneer Road Singapore 639597
	30 MARSILING INDUSTRIAL ESTATE ROAD 8	Leasehold	30+30	32[45]	30 Marsiling Industrial Estate Road 8 Singapore 739193
	45 CHANGI SOUTH AVENUE 2	Leasehold	30+30	38[46]	45 Changi South Avenue 2 Singapore 486133
	511/513 YISHUN INDUSTRIAL PARK A	Leasehold	29+30/30+30	36/36[47]	511/513 Yishun Industrial Park A Singapore 768768/768736
	86/88 INTERNATIONAL ROAD	Leasehold	30+30	37[48]	86/88 International Road Singapore 629176/629177
+	23 WOODLANDS TERRACE	Leasehold	30+30	39[49]	23 Woodlands Terrace Singapore 738472

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	$'000	$'000	%	%
		188,100	**195,600**	**24.16**	**23.65**
100	100	16,300	16,400	2.09	1.98
100	100	17,200	17,400	2.21	2.10
100	100	16,000	16,500	2.05	2.00
100	100	37,500	39,500	4.81	4.78
100	100	18,200	19,500	2.34	2.36
100	100	42,900	40,000	5.51	4.84
100	–	115,000	–	14.76	–
36	53	40,600	37,000	5.21	4.47
82	85	36,600	38,000	4.70	4.60
92	92	12,100	13,200	1.56	1.60
84	56	26,100	26,000	3.35	3.14
90	90	43,000	41,100	5.52	4.97
–	76	–	17,200	–	2.08
		609,600	**517,400**	**78.27**	**62.57**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Hi-Specs Industrial Properties[4]				
	21/23 UBI ROAD 1	Leasehold	30+30	39[50]	21/23 Ubi Road 1 Singapore 408724/408725
	2 JALAN KILANG BARAT	Leasehold	99	44[51]	2 Jalan Kilang Barat Singapore 159346
	11 CHANG CHARN ROAD	Leasehold	99	39[52]	11 Chang Charn Road Singapore 159640
	54 SERANGOON NORTH AVENUE 4	Leasehold	30+30	39[53]	54 Serangoon North Avenue 4 Singapore 555854
	12 ANG MO KIO STREET 65	Leasehold	30+30	32[54]	12 Ang Mo Kio Street 65 Singapore 569060
	Business Park Properties[5]				
	16 INTERNATIONAL BUSINESS PARK	Leasehold	30+30	38[55]	16 International Business Park Singapore 609929
	Total properties held by the Trust				
	Property held by a subsidiary				
	Hi-Specs Industrial Properties[4]				
^	7000 Ang Mo Kio Avenue 5	Leasehold	32+30	39[56]	7000 Ang Mo Kio Avenue 5 Singapore 569877
	Property held by a subsidiary				
	Total properties held by the Group				

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
%	%	$'000	$'000	%	%
100	100	35,600	36,000	4.57	4.35
83	94	26,900	28,000	3.45	3.39
96	100	29,700	31,500	3.81	3.81
100	92	22,300	21,000	2.86	2.54
64	100	38,900	38,900	5.00	4.71
		153,400	**155,400**	**19.69**	**18.80**
100	100	31,300	31,000	4.02	3.75
		31,300	**31,000**	**4.02**	**3.75**
		1,372,800	**1,354,000**	**176.25**	**163.72**
92	–	303,000	–	38.90	–
		303,000	**–**	**38.90**	**–**
		303,000	**–**	**38.90**	**–**
		1,675,800	**1,354,000**	**215.15**	**163.72**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2017

	At Independent Valuation		Percentage of Net assets attributable to Unitholders	
	31/12/2017 $'000	31/12/2016 $'000	31/12/2017 %	31/12/2016 %
Trust				
Investment properties, at valuation	1,372,800	1,314,000	179.43	161.83
Other assets and liabilities (net)	(456,622)	(502,048)	(59.68)	(61.83)
Net assets of Trust	916,178	811,952	119.75	100.00
Perpetual securities holders' funds	(151,115)	–	(19.75)	–
Net assets attributable to Unitholders' Funds	765,063	811,952	100.00	100.00
Group				
Investment properties, at valuation	1,675,800	1,354,000	215.15	163.72
Other assets and liabilities (net)	(745,796)	(526,971)	(95.75)	(63.72)
Net assets of Group	930,004	827,029	119.40	100.00
Perpetual securities holders' funds	(151,115)	–	(19.40)	–
Net assets attributable to Unitholders' Funds	778,889	827,029	100.00	100.00

	At Independent Valuation	
	31/12/2017 $'000	31/12/2016 $'000
As disclosed in the Statement of Financial Position:		
Trust		
Investment properties – non current	1,349,200	1,292,000
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	23,600	22,000
Total investment properties	**1,372,800**	**1,314,000**
Group		
Investment properties – non current	1,652,200	1,332,000
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	23,600	22,000
Total investment properties	**1,675,800**	**1,354,000**

Notes

(1) Buildings classified as Logistics/Warehousing properties are typically equipped with high floor loading and also have a high floor-to-ceiling height. Such buildings can be either single-storey or multi-storey properties with vehicular ramp access and/or heavy-duty cargo lift access.
(2) Light Industrial properties are single or multi-storey spaces that can be used for light industrial and manufacturing activities, with a low percentage of the facility's usable space set aside for office use.
(3) General Industrial buildings can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory activities. Such spaces also have a low percentage of the usable space which can be set aside for office use.
(4) High-specs Industrial facilities are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These building typically have facilities such air-conditioned units and sufficient floorboard, ceiling height and electrical power capacities to enable both office and manufacturing functions to be carried out concurrently.
(5) Business Parks are clusters of buildings and offices typically dedicated to business activities relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors. Companies that take up space in Business Parks can engage in a range of light and clean uses such as technical support, information-communications, healthcare devices, product design, development and testing, service centres and back-end office functions.
(6) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2001.
(7) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 April 1994.
(8) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1994.
(9) ESR-REIT holds the remainder of a 60 year lease commencing from 16 February 1973.
(10) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1991.
(11) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.

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

As at 31 December 2017

(12) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1993.
(13) ESR-REIT holds the remainder of a 30+12 year lease commencing from 1 March 1995.
(14) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1990.
(15) ESR-REIT holds the remainder of a 30+30 year lease commencing from 4 July 2007.
(16) ESR-REIT holds the remainder of a 30 year lease commencing from 16 October 2011.
(17) ESR-REIT holds the remainder of a 10+22 year lease commencing from 1 June 2007.
(18) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 August 1995.
(19) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1992.
(20) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1991.
(21) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1990.
(22) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 April 1997.
(23) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 November 1990.
(24) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 July 1996.
(25) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 2000.
(26) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 2001 for 1 Changi North Street 2 and 30+30 year lease commencing from 23 November 2005 for 2 Changi North Street 2.
(27) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 July 1998.
(28) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1979.
(29) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 1995.
(30) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.
(31) ESR-REIT holds the remainder of a 30 year lease commencing from 16 September 2005.
(32) ESR-REIT holds the remainder of a 30+19 year lease commencing from 1 September 1993.
(33) ESR-REIT holds the remainder of a 60 year lease commencing from 4 January 1999.
(34) ESR-REIT holds the remainder of a 30 year lease commencing from 16 March 2005.
(35) ESR-REIT holds the remainder of a 29.5 year lease commencing from 1 April 2008.
(36) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
(37) ESR-REIT holds the remainder of a 30+28 year lease commencing from 1 February 2009.
(38) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
(39) ESR-REIT holds the remainder of a 30 year lease commencing from 1 February 2008.
(40) ESR-REIT holds the remainder of a 28 year lease commencing from 25 March 2007.
(41) ESR-REIT holds the remainder of a 27 year lease commencing from 30 September 2013.
(42) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1999.
(43) ESR-REIT holds the remainder of a 30+16 year lease commencing from 1 April 2008.
(44) ESR-REIT holds the remainder of a 30+28 year lease commencing from 16 February 1997.
(45) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1989.
(46) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 September 1995.
(47) ESR-REIT holds the remainder of a 29+30 year lease commencing from 1 June 1995 for 511 Yishun and 30+30 lease commencing from 1 December 1993 for 513 Yishun.
(48) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1994.
(49) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 November 1996.
(50) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1997.
(51) ESR-REIT holds the remainder of a 99 year lease commencing from 1 July 1963.
(52) ESR-REIT holds the remainder of a 99 year lease commencing from 1 January 1958.
(53) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 June 1996.
(54) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1990.
(55) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 August 1996.
(56) The subsidiary holds the remainder of a 30+32 year lease commencing from 30 January 1995.

\+ Properties disposed of during the financial year.
@ Property transferred from subsidiary to Trust during the financial year.
^ Property is on 100% basis which includes a 20% non-controlling interest.

Investment properties comprise a diverse portfolio of industrial properties that are leased to external tenants. All of the leases are structured under single-tenancy or multiple-tenancy and the tenancies range from one to twenty eight years for single tenancy and three months to ten years for multiple-tenancy.

An independent valuation exercise was conducted in December 2017 by Edmund Tie & Company on 41 properties, and by Savills Valuation and Professional Services (S) Pte Ltd on 7 properties. These firms are independent valuers having appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations for these properties were based on the direct comparison method, capitalisation approach and discounted cash flow analysis in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield, discount rate and average growth rate. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

As at 31 December 2017, the valuations adopted for investment properties amounted to $1.68 billion (2016: $1.35 billion). The net fair value loss on investment properties recognised in the Statement of Total Return is $41.8 million (2016: $44.2 million). The investment properties are fully unencumbered as at 31 December 2017 and 2016.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Group	
	2017	2016
	$'000	$'000
Cash flows from operating activities		
Total return after income tax for the year	1,396	7,087
Adjustments for:		
Borrowing costs	20,439	21,147
Change in fair value of financial derivatives	–	493
Change in fair value of investment properties	47,779	45,894
Gain on disposal of investment properties	(221)	(1,231)
Interest income	(113)	(47)
Operating income before working capital changes	69,280	73,343
Changes in working capital:		
Trade and other receivables	57	(1,320)
Trade and other payables	(331)	(2,220)
Cash generated from operating activities	69,006	69,803
Income tax paid	–	(54)
Net cash generated from operating activities	69,006	69,749
Cash flows from investing activities		
Interest received	113	47
Capital expenditure on investment properties	(9,768)	(5,595)
Net cash outflow on purchase of investment properties (including acquisition related costs) (Note A)	(110,462)	–
Proceeds from disposal of investment properties	57,318	27,000
Payment for divestment costs	(433)	(169)
Acquisition of subsidiary, net of cash acquired (Note B)	(237,712)	–
Payment for acquisition costs of subsidiary	(2,826)	–
Net cash (used in)/generated from investing activities	(303,770)	21,283
Cash flows from financing activities		
Proceeds from issuance of perpetual securities	150,000	–
Issue costs for perpetual securities	(1,227)	–
Borrowing costs paid	(19,415)	(20,908)
Equity issue costs paid	(144)	(145)
Proceeds from borrowings	206,000	111,000
Repayment of borrowings	(46,500)	(127,000)
Distributions paid to Unitholders (Note C)	(45,998)	(52,936)
Net cash generated from/(used in) financing activities	242,716	(89,989)
Net increase in cash and cash equivalents	**7,952**	**1,043**
Cash and cash equivalents at 1 January	**3,699**	**2,656**
Cash and cash equivalents at 31 December	**11,651**	**3,699**

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

For the financial year ended 31 December 2017

NOTES:

(A) Net cash outflow on purchase of investment properties (including acquisition costs)

Net cash outflow on purchase of investment properties (including acquisition costs) is set out below:

	Group	
	2017	**2016**
	$'000	**$'000**
Investment properties acquired	(106,094)	–
Acquisition related costs	(4,368)	–
Net cash outflow	(110,462)	–

(B) Net cash outflow on acquisition of a subsidiary

Net cash outflow on acquisition of a subsidiary is set out below:

	Group
	2017
	$'000
Investment property	(300,000)
Trade and other receivables	(5,093)
Cash and cash equivalents	(2,860)
Trade and other payables	7,953
Total purchase price	(300,000)
Less:	
Cash and cash equivalents of subsidiary	2,288
Non-controlling interest	60,000
Net cash outflow on acquisition net of cash acquired	(237,712)

(C) Distributions paid to Unitholders

Distributions for the year ended 31 December 2017 were partly paid by ESR-REIT issuing an aggregate of 9.2 million units (2016: 6.7 million units), amounting to $5.2 million (2016: $3.3 million), pursuant to the distribution reinvestment plan.

	Group	
	2017	**2016**
	$'000	**$'000**
Distributions paid to Unitholders	(51,171)	(56,224)
Distributions paid in units pursuant to distribution reinvestment plan	5,173	3,288
Net distributions paid to Unitholders in cash	(45,998)	(52,936)

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

1. GENERAL

ESR-REIT (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 31 March 2006 (as amended) entered into between ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited) (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"), and is governed by the laws of the Republic of Singapore ("Trust Deed"). On 31 March 2006, ESR-REIT was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

On 25 July 2006, ESR-REIT was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 3 April 2006, ESR-REIT was included under the Central Provident Fund ("CPF") Investment Scheme.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Trust and its subsidiaries (together referred to as the "Group").

The principal activity of ESR-REIT is to invest in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. The principal activity of the subsidiaries are set out in Note 5 to the financial statements.

With effect from 23 June 2017, the name of the Trust was changed from Cambridge Industrial Trust to ESR-REIT.

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

(A) Trustee's fees

Pursuant to the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of all the gross assets of ESR-REIT ("Deposited Property"), excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property.

(B) Management fees

Under the Trust Deed, the Manager is entitled to receive a base fee and performance fee as follows:

(a) base fee ("Base Fee") of 0.5% per annum of the value of the Deposited Property or such higher percentage as may be fixed by an Extraordinary Resolution of Meeting of Unitholders; and

(b) performance fee, computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year.

The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a performance fee was payable ("Highest DPU Threshold"). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Trust would have to outperform the adjusted Highest DPU Threshold.

For the purpose of calculation of the performance fee payable under the revised performance fee structure, the Highest DPU Threshold is initially set at 6.000 cents, or if the DPU achieved during the Performance Fee Waiver period is higher, then such higher DPU.

1. GENERAL (CONT'D)

(B) Management fees (cont'd)

The Performance Fee, whether payable in any combination of cash and Units or solely in cash or Units will be payable in arrears within 30 days after the last day of each financial year. If a trigger event occurs resulting in the Manager being removed, the Manager is entitled to payment of any Performance Fee in cash to which it might otherwise have been entitled for that financial year in cash, which shall be calculated, as if the end of the financial year was the date of occurrence of the trigger event, in accordance with the Trust Deed. If a trigger event occurs at a time when any accrued Performance Fee has not been paid, resulting in the Manager being removed, the Manager is entitled to payment of such accrued Performance Fee in cash.

Management fees (Base Fee and Performance Fee, including any accrued Performance Fee which have been carried forward from previous financial years but excluding any acquisition fee or disposal fee) to be paid to the Manager in respect of a financial year, whether in cash or in Units or a combination of cash and Units, are capped at an amount equivalent to 0.8% per annum of the value of Deposited Property as at the end of the financial year (referred to as the "annual fee cap".)

(C) Acquisition and disposal fees

The Manager is also entitled to receive the following fees:

(a) An acquisition fee of 1.0% of each of the following as is applicable, subject to there being no double-counting:

(i) the purchase price, excluding GST, of any real estate acquired, whether directly by ESR-REIT or indirectly through a special purpose vehicle;

(ii) the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate) where ESR-REIT invests in any class of real estate related assets, including any class of equity, equity-linked securities and/or securities issued in real estate securitisation, of any entity directly or indirectly owning or acquiring such real estate, provided that:

- ESR-REIT shall hold or invest in at least 50% of the equity of such entity; or
- if ESR-REIT holds or invests in 30% or more but less than 50% of the equity of such entity, ESR-REIT shall have management control of the underlying real estate and/or such entity;

(iii) the value of any shareholder's loan extended by ESR-REIT to the entity referred to in paragraph (ii) above, provided that the provision in paragraph (ii) is complied with; and

(iv) the value of any investment by ESR-REIT in any loan extended to, or in debt securities of, any property corporation or other special purpose vehicle owning or acquiring real estate, (where such investment does not fall within the ambit of paragraph (ii)) made with the prior consent of the Unitholders passed by ordinary resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

1. GENERAL (CONT'D)

(C) Acquisition and disposal fees (cont'd)

(b) A disposal fee of 0.5% of each of the following as is applicable, subject to there being no double-counting:

(i) the sale price, excluding GST, of any investment of the type referred to in paragraph (C)(a)(i) above for the acquisition fee;

(ii) in relation to an investment of the type referred to in paragraph (C)(a)(ii) above for the acquisition fee, the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate);

(iii) the proceeds of sale, repayment or (as the case may be) redemption of an investment in a loan referred to in paragraph (C)(a)(iii) above for the acquisition fee; and

(iv) the value of an investment referred to in paragraph (C)(a)(iv) above for the acquisition fee.

The Manager can opt to receive acquisition and disposal fees in the form of cash or Units or a combination as it may determine.

(D) Property manager's fees

ESR Property Management Pte. Ltd. (formerly known as Cambridge Industrial Property Management Pte. Ltd.) (the "Property Manager"), as property manager of all ESR-REIT's properties including the property held through 7000 AMK Pte. Ltd., is entitled to receive the following fees:

(a) A property management fee of 2.0% per annum of the gross revenue of the relevant property;

(b) A lease management fee of 1.0% per annum of the gross revenue of the relevant property;

(c) A marketing services commission equivalent to:

(i) one month's gross rent, inclusive of service charge, for securing a tenancy of three years or less;

(ii) two month's gross rent, inclusive of service charge, for securing a tenancy of more than three years;

(iii) half month's gross rent, inclusive of service charge, for securing a renewal of tenancy of three years or less; and

(iv) one month's gross rent, inclusive of service charge, for securing a renewal of tenancy of more than three years.

1. GENERAL (CONT'D)

(D) Property manager's fees (cont'd)

(d) A project management fee in relation to development or redevelopment (if not prohibited by the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code") or if otherwise permitted by the MAS), the refurbishment, retrofitting and renovation works on a property, as follows:

(i) where the construction costs are $2.0 million or less, a fee of 3.0% of the construction costs;

(ii) where the construction costs exceed $2.0 million but do not exceed $20.0 million, a fee of 2.0% of the construction costs;

(iii) where the construction costs exceed $20.0 million but do not exceed $50.0 million, a fee of 1.5% of the construction costs; and

(iv) where the construction costs exceed $50.0 million, a fee to be mutually agreed by the Manager, the Property Manager and the Trustee.

(e) A property tax services fee in respect of property tax objections submitted to the tax authority on any proposed annual value of a property if, as a result of such objections, the proposed annual value is reduced resulting in property tax savings for the relevant property:

(i) where the proposed annual value is $1.0 million or less, a fee of 7.5% of the property tax savings;

(ii) where the proposed annual value is more than $1.0 million but does not exceed $5.0 million, a fee of 5.5% of the property tax savings; and

(iii) where the proposed annual value is more than $5.0 million, a fee of 5.0% of the property tax savings.

The above-mentioned fee is a lump sum fixed fee based on the property tax savings calculated over a 12-month period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties, which are stated at fair value as described in Note 25.

As at 31 December 2017, the current liabilities of the Group and the Trust exceed their current assets by $200.5 million and $138.1 million respectively. This is primarily due to the medium term notes of $155.0 million which will be due for repayment within the next 12 months. Notwithstanding the net current liabilities position, based on the Group's and the Trust's existing financial resources and the proceeds from the equity fund raising announced in 1Q2018 that will raise $141.9 million, the Manager believes the Group and the Trust will be able to repay its medium term notes and meet their current obligations as and when they fall due.

2.3 Functional and presentation currency

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

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.5 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but are not yet effective.

Description	Effective for annual periods beginning on or
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

The nature of the impending changes in accounting policy on adoption of FRS115, FRS109 and FRS116 are described below.

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 115 *Revenue from Contracts with Customers*	
FRS 115 adopts a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard will supercede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.	The Group is in the business of holding investment properties for rental and this is not within the scope of FRS 115. In addition, the Group has other income which relates to carpark and utility income. The Group does not expect a significant change to the basis of revenue recognition. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 109 *Financial Instruments*	
FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.	The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. **Impairment** – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. On adoption of FRS 109, the Group does not expect an increase in the impairment loss allowance. **Transition** – The Group plans to adopt the new standard when it becomes effective in 2018 without restating comparative information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

Applicable to 2019 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	
FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low values' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.	The Group has performed a preliminary impact assessment of the adoption of FRS116 and expects that the adoption of FRS116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio. The Group plans to adopt the new standard on the required effective date by applying FRS116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Basis of consolidation

Subsidiaries

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

The accounting policies of the subsidiaries have been aligned with the policies adopted by the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly to the Group. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

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

Accounting for investments in subsidiaries in the Trust's financial statements

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

2.7 Investment properties

Investment properties are properties that are owned by the Group and held to earn rentals or for capital appreciation, or both but not for sale in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are accounted for as non-current assets, except if they meet the conditions to be classified as held for divestment (see Note 2.8 below). They are initially measured at cost, including transaction costs and at valuation thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

(i) in such manner and frequency required under the CIS code issued by MAS; and

(ii) at least once in each period of 12 months following the acquisition of each investment property

Any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investment properties (cont'd)

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

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly valued on the basis set out above.

2.8 Investment properties held for divestment

Investment properties that are expected to be recovered primarily through divestment rather than through continuing use, are classified as held for divestment and accounted for as current assets. These investment properties are measured at fair value and any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

Upon disposal, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

2.9 Leases

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16. Contingent rents are recognised as revenue in the period in which they are earned.

As lessee

Payments made under operating leases are recognised as an expense in the Statements of Total Return on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial assets at initial recognition.

When the financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the Statement of Total Return when the loans and receivables are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the Statement of Total Return.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through Statement of Total Return are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Total Return when the liabilities are de-recognised and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Total Return.

Netting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairments

(a) Financial assets carried at amortised cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Total Return and reflected in an allowance account against loan and receivables.

Impairment losses in respect of financial assets measured at amortised cost are reversed to the Statement of Total Return, if the subsequent increase in the carrying amount can be related objectively to an event occurring after the impairment loss was recognised.

The previously recognised impairment loss is reversed to the extent that the carrying amount of the asset do not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the Statement of Total Return.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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 groups of assets (the "cash-generating unit", or "CGU").

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairments (cont'd)

(b) Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Total Return.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Such reversal is recognised in the Statement of Total Return.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.14 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs, directly attributable to the issuance, offering and placement of Units or issuance of perpetual securities in the Trust are deducted directly against Unitholders' funds.

2.15 Perpetual securities

The perpetual securities confer a right to receive distributions at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears on a discretionary basis and will be non-cumulative.

The perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

Accordingly, the perpetual securities are classified as equity and the expenses relating to their issue are deducted directly against Unitholders' funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Revenue recognition

(a) ***Rental income from operating leases***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregated costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) ***Interest income***

Interest income is accrued using the effective interest method.

2.17 Expenses

(a) ***Property expenses***

Property expenses are recognised on an accrual basis. Included in property expenses are the Property Manager's fee which is based on the applicable rate stipulated in Note 1D.

(b) ***Management fees***

Management fees are recognised on an accrual basis based on the applicable rates stipulated in Note 1B.

(c) ***Trust expenses***

Trust expenses are recognised on an accrual basis. Included in trust expenses are the trustee's fees which are based on the applicable rate stipulated in Note 1A.

(d) ***Borrowing costs***

Borrowing costs comprise interest expense on borrowings, amortisation of related transaction costs which are recognised in the Statement of Total Return using the effective interest method over the period of borrowings.

2.18 Taxation

(a) ***Current tax and deferred tax***

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Taxation (cont'd)

(a) ***Current tax and deferred tax (cont'd)***

Deferred tax is not recognised for:

- temporary differences on the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investment in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of ESR-REIT and its Unitholders. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, the Trustee will not be assessed to tax on the taxable income of ESR-REIT on certain types of income. Instead, the Trustee and the Manager will deduct income tax (if required) at the prevailing corporate tax rate (currently 17.0%) from the distributions made to Unitholders that are made out of the taxable income of ESR-REIT in that financial year, except:

(i) where the beneficial owners are individuals or Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or

(ii) where the beneficial owners are foreign non-individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced tax rate of 10.0% for distributions made on or before 31 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Taxation (cont'd)

(a) ***Current tax and deferred tax (cont'd)***

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 Singapore constituted or registered entity (eg town councils, statutory boards, charitable organisations, 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; and
- 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).

A "foreign non-individual Unitholder" is one, not being an individual, which is not a resident of Singapore for income tax purposes and;

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

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

(b) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Distribution policy

The Group's distribution policy is to distribute at least 90% of its annual distributable income to Unitholders, comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion. Distributions are made on a quarterly basis at the discretion of the Manager.

2.20 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return for the period after tax by the weighted average number of units outstanding during the year. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of units outstanding and for the effects of all dilutive potential units.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by ESR-REIT's Chief Operating Decision Makers ("CODM"s) which comprise mainly the Chief Executive Officer, and Chief Operating Officer and Chief Financial Officer of the Manager, to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available.

2.22 Contingencies

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) A present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Use of estimates and judgements (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

In particular, information about critical judgements, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 4 – Acquisition of investment properties through subsidiary
- Note 20 – Assessment of income tax provision
- Note 25 – Valuation of investment properties

4. INVESTMENT PROPERTIES

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	1,354,000	1,418,000	1,314,000	1,379,700
Acquisition of investment properties	106,094	–	106,094	–
Additions through acquisition of a subsidiary	300,000	–	–	–
Transfer from subsidiary	–	–	40,000	–
Acquisition related costs	8,368	–	4,564	–
Capital expenditure incurred	5,833	5,799	5,833	5,799
Disposal of investment properties	(56,641)	(25,600)	(56,641)	(25,600)
	1,717,654	1,398,199	1,413,850	1,359,899
Change in fair value during the year*	(41,854)	(44,199)	(41,050)	(45,899)
At 31 December	1,675,800	1,354,000	1,372,800	1,314,000
Investment properties (non-current)	1,652,200	1,332,000	1,349,200	1,292,000
Investment properties held for divestment (current)	23,600	22,000	23,600	22,000
	1,675,800	1,354,000	1,372,800	1,314,000

* The fair value loss of $41.8 million (2016: $44.2 million) together with an adjustment for the effect of lease incentives and marketing fee amortisation of $5.9 million (2016: $1.7 million), aggregate to $47.7 million (2016: $45.9 million) as disclosed in the Statement of Total Return.

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating lease.

Transfer from subsidiary relates to the transfer of property at 3 Tuas South Avenue to the Trust from one of its subsidiaries during the year.

Investment properties are stated at fair value based on valuations performed by independent professional valuers as at 31 December 2017 and 31 December 2016. Information on the fair value assessment of investment properties is disclosed in Note 25.

4. INVESTMENT PROPERTIES (CONT'D)

Investment Properties held for Divestment

The Group is in advance stage of negotiation with the purchaser on the divestment of an investment property. The divestment is considered highly probable and is expected to be completed within the next 12 months from the reporting date. Accordingly, the investment property at a carrying value of $23.6 million (2016: $22.0 million) as at 31 December 2017, has been reclassified as an investment property held for divestment.

Subsequent to year end, the Group has completed the divestment of the investment property (see Note 31).

Security

All the investment properties are fully unencumbered as at 31 December 2017 and 2016.

Critical judgements made in accounting for acquisitions

In 4Q 2017, the Group acquired a subsidiary that owns a real estate. At the time of acquisition, the Group considered whether the acquisition represented the acquisition of business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Group considers whether significant processes such as strategic management and operational processes are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of a business. Where the acquisition of the subsidiary or real estate does not represent a business, it is accounted for as an acquisition of group of assets and liabilities.

The Group assessed and presented the acquisition of the subsidiary for the financial year as an acquisition of assets as no strategic management function and operational processes were acquired along with an investment property.

5. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2017	2016
	$'000	$'000
Unquoted equity investment, at cost	215,463	25,206

Composition of the Group

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2017	2016
			%	%
ESR-MTN Pte. Ltd.^ (formerly known as Cambridge-MTN Pte. Ltd.)	Provision of financial and treasury services	Singapore	100	100
Cambridge SPV1 LLP^	Investment, management, leasing and redevelopment of properties	Singapore	100	100
ESR-SPV2 Pte. Ltd.^ (formerly known as Cambridge SPV2 Pte. Ltd.)	Investment holding	Singapore	100	100
7000 AMK Pte. Ltd.+	Property investment and other related businesses	Singapore	80	–

^ Audited by Ernst & Young LLP in Singapore for the financial year ended 31 December 2017 (2016: KPMG LLP Singapore).
+ Audited by Nexia TS Public Accounting Corporation for the financial year ended 31 December 2017.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of a subsidiary

On 14 December 2017, ESR-REIT together with its wholly-owned subsidiary, ESR-SPV2 Pte. Ltd., acquired an 80% interest in a special purpose vehicle, 7000 AMK Pte. Ltd. which holds the industrial property at 7000 Ang Mo Kio Avenue 5. Upon the acquisition, 7000 AMK Pte. Ltd. became a subsidiary of the Group.

As part of the acquisition, ESR-REIT has granted a put option to the previous owner of the subsidiary that provides the latter the right to require ESR-REIT to purchase the remaining 20% non-controlling interest in the subsidiary. The put option contains an obligation for the Group to purchase its own equity instruments and is accounted for by the Group as a financial liability (Note 10) based on the present value of the redemption amount.

As at 31 December 2017, the put option remains unexercised and the profits of the subsidiary is allocated to the non-controlling interest. Upon the exercise of the put option, the amount recognised as the financial liability at that date will be extinguished by the payment made.

The fair value of the identifiable assets and liabilities of 7000 AMK Pte. Ltd. as at the acquisition date were:

	Fair value recognised on acquisition $'000
Investment property	300,000
Trade and other receivables	5,093
Cash and cash equivalents	2,860
	307,953
Trade and other payables	(7,953)
Total identifiable net assets at fair value	300,000
Non-controlling interest	(60,000)
	240,000
Cash consideration for the acquisition	240,000
Effect of the acquisition of 7000 AMK Pte. Ltd. on cash flows:	
Cash consideration	240,000
Less: Cash and cash equivalents of subsidiary acquired	(2,288)
	237,712

6. LOAN TO A SUBSIDIARY (TRUST)

The loan to a subsidiary is unsecured and interest bearing at a rate of ESR-REIT's all-in cost per annum for borrowing. Interest is payable in arrears in cash on a quarterly basis within 45 days from each quarter end.

The loan tenure is for an initial term of 12 months commencing on 15 December 2017 which can be further extended at the agreement of the parties.

7. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables (gross)				
– Subsidiaries	2,461	2,595	2,787	2,595
– Non related parties	2,787	–	–	–
	5,248	2,595	2,787	2,595
Impairment losses	(1,163)	(1,163)	(1,163)	(1,163)
Trade receivables (net)	4,085	1,432	1,624	1,432
Deposits	1,870	1,415	1,324	1,415
Other receivables				
– Subsidiaries	–	–	3,818	–
– Non related parties	2,333	1,351	153	2,266
Loans and receivables	8,288	4,198	6,919	5,113
Prepayments	86	5,080	80	4,754
Total trade and other receivables	8,374	9,278	6,999	9,867

Trade receivables are non-interest bearing and are generally on 14 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables due from subsidiaries are non-trade related, non-interest bearing and repayable on demand.

The Group's primary exposure to credit risk arises from its trade and other receivables. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Concentration of credit risk relating to trade receivables is limited due to the Group's large number and diverse range of tenants. The maximum exposure to credit risk for trade and other receivables is represented by the carrying amount at the reporting date.

7. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Gross receivables 2017 $'000	Impairment losses 2017 $'000	Gross receivables 2016 $'000	Impairment losses 2016 $'000
Group				
Past due 0 – 30 days	3,096	–	715	–
Past due 31 – 120 days	786	–	705	–
More than 120 days past due	1,366	1,163	1,175	1,163
	5,248	1,163	2,595	1,163
Trust				
Past due 0 – 30 days	861	–	715	–
Past due 31 – 120 days	555	–	705	–
More than 120 days past due	1,371	1,163	1,175	1,163
	2,787	1,163	2,595	1,163

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

	Group and Trust	
	2017 $'000	2016 $'000
At 1 January	1,163	1,372
Impairment loss utilised	–	(209)
At 31 December	1,163	1,163

Trade receivables are individually assessed for impairment on an ongoing basis. The impairment loss to date relates to a debtor that had defaulted on payment.

The Manager believes that no additional allowance is necessary in respect of the remaining trade receivables as these receivables are mainly due from tenants that have good payment records and sufficient securities in the form of bankers' guarantees, insurance bonds or cash security deposits as collaterals.

The Group and the Trust's exposure to credit risk related to trade and other receivables are disclosed in Note 26.

8. TRADE AND OTHER PAYABLES

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current liabilities				
Trade payables and accrued operating expenses	15,781	9,959	10,210	9,880
Amounts due to related parties (trade):				
– the Manager	702	1,865	702	1,865
– the Property Manager	60	432	60	431
– the Trustee	101	95	101	95
Amount due to a subsidiary (non-trade)	–	–	1,640	1,640
Interest and loan commitment fee payable	2,548	2,251	909	611
Security deposits	5,936	3,765	5,928	3,765
Rent received in advance	1,862	615	1,833	615
Retention sums	454	2,200	454	2,200
Other payables	1,203	282	150	282
	28,647	21,464	21,987	21,384
Non-current liabilities				
Security deposits	6,783	8,894	5,715	8,664
Total trade and other payables	35,430	30,358	27,702	30,048

The amounts due to related parties and the amount due to a subsidiary are unsecured, non-interest bearing and repayable on demand. Transactions with related parties are priced on terms agreed between the parties.

Retention sums relate to certain investment properties acquired in prior years.

The Group and the Trust's exposure to liquidity risk related to trade and other payables are disclosed in Note 26.

9. INTEREST-BEARING BORROWINGS

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current liabilities				
Fixed rate notes (unsecured)	155,000	–	–	–
Loan from a subsidiary (unsecured)	–	–	155,000	–
Unamortised loan transaction costs	(105)	–	(105)	–
	154,895	–	154,895	–
Non-current liabilities				
Unsecured loans	307,000	147,500	307,000	147,500
Fixed rate notes (unsecured)	210,000	365,000	50,000	50,000
Loan from a subsidiary (unsecured)	–	–	160,000	315,000
Unamortised loan transaction costs	(2,104)	(2,910)	(2,104)	(2,910)
	514,896	509,590	514,896	509,590
Total interest-bearing borrowings	669,791	509,590	669,791	509,590

The weighted average all in cost of debt as at 31 December 2017 was 3.6% per annum (2016: 3.7% per annum).

9. INTEREST-BEARING BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			‹------- 2017 -------›		‹------- 2016 -------›	
	Nominal interest rate %	Year of maturity	Face value $'000	Gross carrying amount $'000	Face value $'000	Gross carrying amount $'000
Group						
Unsecured						
Term loan facilities	3.60%/ SOR* + margin	2019 to 2021	125,000	123,838	125,000	123,330
Revolving credit facilities	SOR* + margin	2019 to 2021	182,000	181,752	22,500	22,500
Medium Term Notes	3.50% to 4.10%	2018 to 2023	365,000	364,201	365,000	363,760
			672,000	669,791	512,500	509,590
Trust						
Unsecured						
Term loan facilities	3.60%/ SOR* + margin	2019 to 2021	125,000	123,838	125,000	123,330
Revolving credit facilities	SOR* + margin	2019 to 2021	182,000	181,752	22,500	22,500
Medium Term Note	3.95%	2023	50,000	49,775	50,000	49,733
Loans from a subsidiary	3.50% to 4.10%	2018 to 2020	315,000	314,426	315,000	314,027
			672,000	669,791	512,500	509,590

* Swap Offer Rate.

The nominal interest rate for the S$ floating rate loans is determined by a margin plus SOR per annum.

As at the reporting date, the Group has in place unsecured borrowings comprising:

(a) Term loans and revolving credit facilities

(i) 4-year loan facility from CIMB maturing in June 2019 ("TLF1") consisting of:

- Facility A: $100 million term loan facility at a fixed rate of 3.6% per annum for 3.5 years from the date of loan drawn down; and
- Facility B: $50 million revolving credit facility at an interest rate of margin plus swap offer rate.

(ii) 4.75-year loan facility from HSBC maturing in June 2021 ("TLF2") consisting of:

- Facility A: $25 million term loan facility at an interest rate of margin plus swap offer rate for 4.75 years from the date of loan drawn down; and
- Facility B: $175 million revolving credit facility at an interest rate of margin plus swap offer rate. Facility B was increased from $75 million to $175 million in December 2017.

As at 31 December 2017, the total amount outstanding under the term loan and revolving credit facilities were $125.0 million and $182.0 million respectively.

9. INTEREST-BEARING BORROWINGS (CONT'D)

(b) Unsecured Medium Term Notes

On 2 February 2012, ESR-REIT, through its wholly owned subsidiary, ESR-MTN Pte. Ltd. (formerly known as Cambridge-MTN Pte. Ltd. or the "Issuer"), established a $500 million multi-currency medium term note programme (the "MTN Programme"). The MTN Programme was modified and renamed as $750 million multi-currency debt issuance programme (the "Debt Issuance Programme") in March 2016 to allow the issue of medium term notes (the "Notes") and/or perpetual securities (the "Perps") by either the Trust and/or the Issuer.

Under the Debt Issuance Programme, the Trust and/or the Issuer may, subject to compliance with all relevant laws, regulations, and directives, from time to time issue the Notes/Perps denominated in Singapore dollars and/or any other currencies.

The payment of all amounts payable in respect of the Notes/Perps are unconditionally and irrevocably guaranteed by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "Guarantor").

The Notes/Perps may be issued in series having one or more issue dates and the same maturity date, and on identical terms.

The Group has issued the following Notes under its Debt Issuance Programme:

- $30 million 6-year Fixed Rate Notes issued in April 2014, bearing a fixed interest rate of 4.10% per annum payable semi-annually in arrears which will mature in April 2020.
- $155 million 4-year Fixed Rate Notes comprising Tranche 1 $100 million issued in November 2014 and Tranche 2 $55 million issued in January 2015, bearing a fixed interest rate of 3.50% per annum payable semi-annually in arrears which will mature in November 2018.
- $130 million 5-year Fixed Rate Notes issued in May 2015, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2020.
- $50 million 7-year Fixed Rate Notes issued in May 2016, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2023.

The Issuer has on-lent the net proceeds from the issuance of the Notes to the Trust, which in turn, had used such proceeds to finance property acquisitions and/or repayment of existing loans.

10. AMOUNT DUE TO NON-CONTROLLING INTEREST

The amount due to non-controlling interest relates to the put option that has been irrevocably granted to the previous owner of 7000 AMK Pte. Ltd. in connection with the remaining 20% interest in 7000 AMK Pte. Ltd. that is not owned by ESR-REIT (see Note 5).

11. AMOUNT DUE TO A SUBSIDIARY (TRUST)

The amount due to a subsidiary relates to the transfer of property at 3 Tuas South Avenue to ESR-REIT from one of its subsidiaries during the financial year.

12. PERPETUAL SECURITIES

In November 2017, ESR-REIT issued $150.0 million perpetual securities. The key terms and conditions are as follows:

- the perpetual securities confer a right to receive distribution at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter;
- distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative;
- the perpetual securities constitute direct, unsecured and subordinated obligations of ESR-REIT and rank pari passu and without any preference among themselves and with any Party Obligations (as defined in the conditions of the issuance) of the issuer; and
- the perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

The perpetual securities are classified as equity instruments and recorded in equity in the Statement of Financial Position. The $151.1 million (2016: Nil) presented in the Statement of Financial Position represents the carrying value of the $150.0 million perpetual securities issued and the total return attributable to the perpetual securities holders. The issue costs were deducted from the Unitholders' funds.

13. UNITS IN ISSUE

	Trust	
	2017 Number of units '000	**2016 Number of units '000**
Units in issue:		
At 1 January	1,304,434	1,297,775
Units created:		
– Distribution Reinvestment Plan	9,189	6,659
Total issued and issuable units at 31 December	1,313,623	1,304,434

13. UNITS IN ISSUE (CONT'D)

Distribution Reinvestment Plan

During the financial year, the Trust issued a total of 9.2 million Units (2016: 6.7 million Units) in lieu of distribution payments pursuant to a Distribution Reinvestment Plan ("DRP"), whereby the Unitholders have the option to receive their distribution payment in units instead of cash or a combination of Units and cash as follows:

Date of Issue	Number of Units issued	Issue price per Unit ($)	Period relating to
2017			
31 August 2017	3,873,670	0.5713	1 April 2017 to 30 June 2017
24 November 2017	5,315,228	0.5568	1 July 2017 to 30 September 2017
2016			
29 February 2016	6,659,229	0.4937	1 October 2015 to 31 December 2015

Units issued in lieu of distribution payment pursuant to DRP rank pari passu in all respects with the Units in issue which include the entitlement to all future distributions.

Unitholders' rights

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

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

The limitations on a Unitholder's rights include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his units while the units are listed on the SGX-ST.

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

14. GROSS REVENUE

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Property rental income	109,358	111,839	106,274	109,179
Other income	342	248	341	248
	109,700	112,087	106,615	109,427

15. PROPERTY EXPENSES

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Land rental	8,756	8,618	8,756	8,618
Property tax	6,944	6,984	6,859	6,984
Repair and maintenance expenses	8,373	7,228	8,272	7,227
Property and lease management fees	5,433	5,163	5,379	5,093
Other property operating expenses	1,749	1,821	1,786	1,794
	31,255	29,814	31,052	29,716

16. MANAGEMENT FEES

The Manager has elected to receive its management fees in cash for FY2017 and FY2016.

There is no performance fee payable for the financial year as the Trust has not outperformed the initial Highest DPU Threshold of 6.000 cents for the financial year ended 31 December 2017. Please see Note 1B(b) for more details on the performance fee structure.

17. TRUST EXPENSES

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Auditor's remuneration				
– audit fees	151	179	135	159
– non-audit fees	79	78	57	45
Trustee's fees	379	384	379	384
Valuation fees	110	125	108	123
Professional fees	803	376	772	363
Other expenses	654	728	689	759
	2,176	1,870	2,140	1,833

18. BORROWING COSTS

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Borrowing costs paid and payable:				
– bank loans	5,695	6,329	5,695	6,329
– financial derivatives	–	(173)	–	(173)
– fixed rate notes	13,765	13,105	1,975	1,282
– loan from a subsidiary	–	–	11,790	11,823
Amortisation of transaction costs relating to debt facilities	979	1,886	979	1,881
	20,439	21,147	20,439	21,142

19. GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

The gain on disposal of investment properties represents the excess of net proceeds from disposal over the carrying value of properties disposed of during the financial year.

20. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2017 and 2016 is as follows:

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Reconciliation of effective tax rate				
Total return for the year before income tax	1,396	7,087	1,865	5,418
Income tax using Singapore tax rate of 17% (2016: 17%)	237	1,205	317	921
Income not subject to tax	(38)	(209)	(38)	(209)
Non-tax deductible items	8,689	8,265	8,476	8,549
Tax transparency	(8,888)	(9,261)	(8,755)	(9,261)
Income tax expense	–*	–*	–	–

In a previous financial year, the Group recorded a gain from the disposal of the Trust's interest in the 63 Hillview property. The gain measured against the initial acquisition cost of the property was $66.8 million. The Manager is of the view that the gain is capital in nature and should not be subject to income tax. No provision has been made for the contingent tax. If the gain is taxable, income tax payable on the gain, based on management's estimate, would be approximately $11.4 million.

During the current financial year, the Trust disposed three investment properties and the gains measured against the initial acquisition cost was $3.7 million. Similarly, the Manager of the Trust has assessed this gain to be capital in nature.

* Less than $1,000

21. EARNINGS AND DISTRIBUTION PER UNIT

(a) *Basic earnings per unit*

The calculation of basic earnings per unit is based on the total return after tax and the weighted average number of units in issue for the financial year.

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Total return after income tax	614	7,087	1,865	5,418
Less:				
Income tax expense	–*	–*	–	–
Amount reserved for distribution to perpetual securities holders	(1,115)	–	(1,115)	–
Total (loss)/return attributable to Unitholders	(501)	7,087	750	5,418

* Less than $1,000

	Group and Trust Number of units	
	2017 '000	2016 '000
Weighted average number of Units:		
– Units issued at beginning of year	1,304,434	1,297,775
Effect of issue of new Units:		
– Distribution Reinvestment Plan	1,859	5,586
	1,306,293	1,303,361

	Group		Trust	
	2017	2016	2017	2016
Basic earnings per unit (cents)	(0.038)	0.544	0.057	0.416

(b) *Diluted earnings per unit*

Diluted earnings per unit is equivalent to the basic earnings per unit as there were no dilutive instruments in issue during the current and previous financial year.

21. EARNINGS AND DISTRIBUTION PER UNIT (CONT'D)

(c) ***Distribution per unit***

The calculation of distribution per unit is based on the total amount available for distribution for the financial year and the applicable number of units in issue during the financial year.

	Group and Trust	
	2017	2016
	$'000	$'000
Total amount available for distribution	51,505	54,476
Less: Amount reserved to perpetual securities holders	(1,115)	–
Amount available for distributions to Unitholders	50,390	54,476

	Number of units	
	2017	2016
	$000	'000
Applicable number of units for the calculation of DPU	1,313,623	1,304,434
Distribution per unit (cents)	3.853	4.173

22. EQUITY ISSUE COSTS

	Group and Trust	
	2017	2016
	$000	$000
Equity issue cost:		
– Distribution Reinvestment Plan	143	33
– Perpetual securities	1,498	–
	1,641	33

The equity issue costs are deducted directly against Unitholders' funds.

23. COMMITMENTS

(a) *Operating lease commitments (as lessor)*

ESR-REIT's investment properties are leased under the operating lease agreements. Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Receivable:				
– Within 1 year	102,818	103,844	84,367	101,854
– After 1 year but within 5 years	215,360	186,784	147,250	176,749
– After 5 years	159,091	165,879	140,250	120,627
	477,269	456,507	371,867	399,230

(b) *Operating lease commitments (as lessee)*

ESR-REIT is required to pay annual land rent to Jurong Town Corporation ("JTC"), Housing & Development Board ("HDB") and Ascendas Land (Singapore) Pte Ltd ("Ascendas") for 33 properties (2016: 33 properties).

The annual land rent payable is based on market land rent for the relevant year and any increase in annual land rent from year to year shall not exceed 5.5% of the annual land rent for the respective properties for the immediate preceding year. The land rent paid/payable to JTC, HDB and Ascendas based on prevailing rental rates was $8.8 million (2016: $8.6 million for 33 properties).

(c) *Capital commitments*

As at the reporting date, the Group had $1.3 million (2016: $5.6 million) of capital expenditure commitments relating to asset enhancement initiatives and capital expenditure for investment properties that had been authorised and contracted for but not provided for in the consolidated financial statements. These capital projects are targeted to be completed in 2018.

24. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Manager or the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common significant influence. Related parties may be individuals or other entities. The Manager and the Property Manager are indirect subsidiaries of a significant unitholder of the Trust.

Other than as disclosed elsewhere in the financial statements, there were the following significant related party transactions carried out in the normal course of business on terms agreed between the parties:

	Group	
	2017	2016
	$'000	$'000
ESR Funds Management (S) Limited (the Manager)		
Management fees paid and payable	6,989	7,060
Acquisition fees paid	3,461	–
Disposal fees paid	287	135
ESR Property Management Pte. Ltd. (Subsidiary of immediate holding company of the Manager)		
Property manager's fees paid and payable	3,220	3,294
Lease marketing services commission paid and payable	1,137	1,708
Project management fees paid and payable	93	84
RBC Investor Services Trust Singapore Limited (the Trustee)		
Trustee fees paid and payable	379	384

25. FAIR VALUE MEASUREMENT

Valuation processes applied by the Group

The Group has an established control framework with respect to the measurement of fair values. This framework includes a real estate team that reports directly to the Chief Executive Officer of the Manager, and has an overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Manager's Board.

(a) ***Fair value hierarchy***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to entire measurement (with Level 3 being the lowest).

The Group recognises any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no such transfers during the current and previous financial year.

25. FAIR VALUE MEASUREMENT (CONT'D)

(b) ***Assets measured at fair value***

The table below analyses non-financial assets carried at fair value.

	Level 3 $'000
Group	
31 December 2017	
Investment properties (including investment properties held for divestment)	1,675,800
31 December 2016	
Investment properties (including investment properties held for divestment)	1,354,000
Trust	
31 December 2017	
Investment properties (including investment properties held for divestment)	1,372,800
31 December 2016	
Investment properties (including investment properties held for divestment)	1,314,000

(c) ***Level 3 fair value measurements***

Information about significant unobservable inputs used in Level 3 fair value measurement

Investment properties and investment properties held for divestment

Investment properties are stated at fair value based on valuations as at 31 December 2017 performed by independent professional valuers, having appropriate recognised professional qualifications and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties. Any change in the fair value is recorded in the Statement of Total Return.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date between a willing seller in an arm's length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

In determining the fair values, the valuers have used valuation methods including direct comparison method, capitalisation approach and discounted cash flows in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach capitalise an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flows method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair value of investment properties of the Group and the Trust was $1.68 billion (2016: $1.35 billion) and $1.37 billion (2016: $1.31 billion) as at 31 December 2017 respectively.

The above fair value has been classified as a Level 3 fair value based on the inputs to the valuation techniques used.

25. FAIR VALUE MEASUREMENT (CONT'D)

(c) ***Level 3 fair value measurements (cont'd)***

The following table shows the key unobservable inputs used in the valuation model:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties and investment properties held for divestment		
Discounted cash flow approach and capitalisation approach	• Market rental growth of 3.0% to 3.5% (2016: 3:0%) per annum • Risk-adjusted discount rates of 8% (2016: 8:0%) • Capitalisation rates from 5.75% to 7.0% (2016: 5.75% to 7.0%) • Terminal yield rates from 6.0% to 7.5% (2016: 6.0% to 7.5%)	The estimated fair value would increase/(decrease) if: • expected market rental growth were higher/(lower); • the risk-adjusted discount rates were lower/(higher); • the capitalisation rates were lower/(higher); or • the terminal yield rates were lower/(higher).

Key unobservable inputs correspond to:

- Market rental growth, capitalisation and terminal yield rates derived from specialised publications from the industrial market and recent sales in the industrial sector.

- Discount rates, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class.

The reconciliation of investment properties for the financial year for Level 3 fair value measurements is shown in Note 4.

25. FAIR VALUE MEASUREMENT (CONT'D)

(d) ***Assets and liabilities not measured at fair value, for which fair value is disclosed***

The following table shows an analysis of the Group and the Trust's other non-current assets and liabilities not measured at fair value, for which fair value is disclosed:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2017				
Fixed rate loan	–	–	100,047	100,047
Fixed rate notes	–	–	365,285	365,285
	–	–	465,332	465,332
31 December 2016				
Fixed rate loan	–	–	100,000	100,000
Fixed rate notes	–	–	364,991	364,991
	–	–	464,991	464,991
Trust				
31 December 2017				
Fixed rate loan	–	–	100,047	100,047
Fixed rate notes	–	–	50,094	50,094
Loans from a subsidiary	–	–	315,191	315,191
	–	–	465,332	465,332
31 December 2016				
Fixed rate loan	–	–	100,000	100,000
Fixed rate notes	–	–	49,998	49,998
Loans from a subsidiary	–	–	314,993	314,993
	–	–	464,991	464,991

Fixed rate loan and notes

The fair value of the fixed rate loan and notes are calculated based on the present value of future principal and interest cash flows, discounted at market interest rate at the reporting period.

(e) ***Fair value of financial instruments by classes that are not carried at fair value and whose amounts are reasonable approximation of fair value.***

The carrying amount of the Group and the Trust's current financial assets and liabilities approximated their fair value due to their short-term nature. The fair value of the Group and the Trust's non-current borrowings with floating interest rate approximate their fair value.

25. FAIR VALUE MEASUREMENT (CONT'D)

(f) *Classification of financial instruments*

The classification of financial assets and liabilities, shown in the Statement of Financial Position, are as follows:

	Note	Loans and receivables $'000	Fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
Group						
31 December 2017						
Trade and other receivables*	7	8,288	–	–	8,288	8,288
Cash and cash equivalents		11,651	–	–	11,651	11,651
Loans and borrowings	9	–	–	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	–	–	(30,660)	(30,660)	(30,660)
		19,939	–	(700,451)	(680,512)	(675,025)
31 December 2016						
Trade and other receivables*	7	4,198	–	–	4,198	4,198
Cash and cash equivalents		3,699	–	–	3,699	3,699
Loans and borrowings	9	–	–	(509,590)	(509,590)	(511,545)
Trade and other payables^	8	–	–	(29,743)	(29,743)	(29,743)
		7,897	–	(539,333)	(531,436)	(533,391)
Trust						
31 December 2017						
Trade and other receivables*	7	6,919	–	–	6,919	6,919
Cash and cash equivalents		8,156	–	–	8,156	8,156
Loans and borrowings	9	–	–	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	–	–	(23,155)	(23,155)	(23,155)
		15,075	–	(692,946)	(677,871)	(672,384)
31 December 2016						
Trade and other receivables*	7	5,113	–	–	5,113	5,113
Cash and cash equivalents		2,517	–	–	2,517	2,517
Loans and borrowings	9	–	–	(509,590)	(509,590)	(511,545)
Trade and other payables^	8	–	–	(29,434)	(29,434)	(29,434)
		7,630	–	(539,024)	(531,394)	(533,349)

* Excludes prepayments.
^ Excludes rent received in advance and GST payables.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to credit risk, liquidity risk and interest rate risk.

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Audit, Risk Management and Compliance Committee ("ARCC") oversees how management monitors compliance with the Trust's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust. The ARCC is assisted in its oversight role by Internal Audit. Internal Audit, which is outsourced to a public accounting firm, undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARCC.

The following sections provide details regarding the Group's and Trust's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Credit risk***

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

The Manager has established credit limits for tenants and monitors amounts receivable on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with the lessees. In addition, the Group and the Trust require the lessees to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to the Group and the Trust. For cash and cash equivalents, the Group and the Trust minimise credit risk by dealing exclusively with high credit rating counterparts.

The Manager establishes an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. The main component of this allowance is estimated losses that relate to specific tenants or counterparties.

Credit risk concentration profile

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statement of Financial Position.

(i) *Financial assets that are neither past due nor impaired*
Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions.

(ii) *Financial assets that are either past due or impaired*
Information regarding financial assets that are either past due or impaired is disclosed in Note 7 (Trade and other receivables). As at 31 December 2017 and 31 December 2016, the Group and the Trust had no other financial assets which it had determined to be impaired and there are no allowances for impairment provided for.

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Trust's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities.

The Manager monitors the liquidity risk of the Group and the Trust and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Trust's operations. Typically, the Group and the Trust ensures that it has sufficient cash on demand and committed revolving credit facilities to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Analysis of financial instruments by remaining contracted maturities.

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Within 1 year $'000	Between 2 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
2017				
Non-derivative financial liabilities				
Term loan facilities	(4,070)	(128,207)	–	(132,277)
Revolving credit facilities	(4,967)	(194,846)	–	(199,813)
Medium Term Notes	(166,838)	(177,447)	(50,980)	(395,265)
Trade and other payables*	(23,877)	(6,783)	–	(30,660)
Amount due to non-controlling interest	(60,600)	–	–	(60,600)
	(260,352)	(507,283)	(50,980)	(818,615)
2016				
Non-derivative financial liabilities				
Term loan facilities	(4,056)	(132,159)	–	(136,215)
Revolving credit facility	(606)	(24,699)	–	(25,305)
Medium Term Notes	(11,838)	(344,237)	(52,955)	(409,030)
Trade and other payables*	(20,849)	(8,894)	–	(29,743)
Amount due to non-controlling interest	–	–	–	–
	(37,349)	(509,989)	(52,955)	(600,293)
Trust				
2017				
Non-derivative financial liabilities				
Term loan facilities	(4,070)	(128,207)	–	(132,277)
Revolving credit facilities	(4,967)	(194,846)	–	(199,813)
Medium Term Notes	(1,688)	(7,905)	(50,980)	(60,573)
Loans from a subsidiary	(165,150)	(169,542)	–	(334,692)
Trade and other payables*	(21,824)	(5,715)	–	(27,539)
	(197,699)	(506,215)	(50,980)	(754,894)
2016				
Non-derivative financial liabilities				
Term loan facilities	(4,056)	(132,159)	–	(136,215)
Revolving credit facility	(606)	(24,699)	–	(25,305)
Medium Term Notes	(1,688)	(7,905)	(52,955)	(62,548)
Loans from a subsidiary	(10,150)	(336,332)	–	(346,482)
Trade and other payables*	(20,770)	(8,664)	–	(29,434)
	(37,270)	(509,759)	(52,955)	(599,984)

* Trade and other payables exclude rent received in advance and GST payables.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Interest rate risk*

Interest rate risk that the fair value or future cash flows of the Group's and the Trust's financial instruments will fluctuate because of changes in market interest rates.

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

Sensitivity analysis for variable rate instruments

As at 31 December 2017 and 2016, a change of 100 basis points in interest rates would have increased/ (decreased) Unitholders' funds and total return by the amounts shown below:

	Total Return		Unitholders' Funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 December 2017				
Variable rate instruments				
– Interest expense	(1,821)	1,840	(1,821)	1,840
31 December 2016				
Variable rate instruments				
– Interest expense	(475)	481	(475)	481

27. CAPITAL MANAGEMENT

The Group's objective when managing capital is to optimise Unitholders' value through the mix of available capital sources which include debt, equity and other financial instruments, whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest service coverage and other ratios within approved limits.

The Group is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the CIS code. The CIS code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property. As at the reporting date, the Aggregate Leverage of the Group is 39.6%. (2016: 37.5%) which is in compliance with the Aggregate Leverage limit of 45.0%.

The Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As part of its finance policy, the Board of the Manager (the "Board") proactively reviews the Trust's capital and debt management regularly so as to optimise the Trust's funding structure to meet its investment opportunities. The Board also monitors the Group's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

28. SEGMENT REPORTING

Segment information is presented based on the information reviewed by ESR-REIT's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation.

As each investment property is mainly used for industrial (including warehousing) purposes, these investment properties are similar in terms of economic characteristics, nature of services and type of customers. The CODMs are of the view that the Group has only one reportable segment – Leasing of investment properties. This forms the basis of identifying the operating segments of ESR-REIT under FRS 108 *Operating Segments*. No geographical segment information has been prepared as all of the Group's investment properties are located in Singapore.

29. FINANCIAL RATIOS

	2017 %	2016 %
Expenses to weighted average net assets[1]	1.11	1.03
Portfolio turnover rate[2]	6.97	3.10

(1) The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of ESR-REIT, excluding property related expenses, borrowing costs and income tax expense.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of ESR-REIT expressed as a percentage of daily average net asset value.

30. COMPARATIVE FIGURES

Prior year's comparative figures were audited by a firm of Certified Public Accountants other than Ernst & Young LLP.

31. SUBSEQUENT EVENTS

(a) ***Equity Fund raising***

In 1Q2018, ESR-REIT is undertaking an equity fund raising to rebalance its capital structure. It is proposed to issue up to 262.8 million new units to raise gross proceeds of up to approximately $141.9 million via non-renounceable preferential offering to existing unitholders on a pro-rata basis.

The Trust's sponsor, ESR Cayman Limited will undertake to subscribe for its full entitlement and any unsubscribed units under the preferential offering up to a total amount not exceeding $125.0 million.

(b) ***Proposed merger with Viva Industrial Trust***

The Manager of ESR-REIT has announced a proposed merger of all the issued and paid-up stapled securities of Viva Industrial Trust ("VIT") held by the stapled securityholders of VIT and the units in ESR-REIT held by the unitholders ("Proposed Merger").

The Proposal contemplates that:

(i) The proposed merger will be effected through the acquisition by ESR-REIT of all the Stapled Securities held by the Stapled Securityholders by way of a trust scheme of arrangement (the" Scheme") in accordance with the Singapore Code on Take-overs and Mergers; and

(ii) The consideration under the Scheme for the Stapled Securities will be satisfied by the allotment and issue by ESR-REIT of new ESR-REIT units to the Stapled Securityholders.

There is no certainty or assurance that any definitive agreements will be entered into or that any transaction will materialise from the current discussions.

(c) ***Property divestment***

Subsequent to the financial year end, the Group entered into an Option to Purchase with a vendor for the divestment of 9 Bukit Batok Street 22 for a sale consideration of $23.9 million. The divestment was completed on 5 March 2018.

32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 14 March 2018.

AUDITED FINANCIAL STATEMENTS OF ESR-REIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The information in this Appendix III has been extracted and reproduced from the audited financial statements of ESR-REIT for the financial year ended 31 December 2018 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

UNITHOLDERS OF ESR-REIT

Constituted in the Republic of Singapore pursuant to the trust deed dated 31 March 2006 (as amended)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated investment properties portfolio statement of the Group and the statement of financial position and investment properties portfolio statement of the Trust as at 31 December 2018, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust are properly drawn up in accordance with the *recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the consolidated financial position and consolidated portfolio holdings of the Group and the financial position and portfolio holdings of the Trust as at 31 December 2018 and the consolidated financial performance, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the financial performance and movements in unitholders' funds of the Trust for the year then ended on that date.

Basis for opinion

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Key audit matters

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

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

Valuation of investment properties

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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

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

Other Information

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

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

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

Responsibilities of the Manager for the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

The engagement partner on the audit resulting in this independent auditor's report is Nagaraj Sivaram.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
18 March 2019

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

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

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

STATEMENTS OF TOTAL RETURN

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Trust	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gross revenue	15	156,916	109,700	107,951	106,615
Property expenses	16	(44,880)	(31,255)	(34,360)	(31,052)
Net property income		112,036	78,445	73,591	75,563
Management fees	17	(9,805)	(6,989)	(8,424)	(6,989)
Trust expenses	18	(1,891)	(2,176)	(1,603)	(2,140)
Interest income		48	113	46	113
Borrowing costs	19	(27,442)	(20,439)	(27,096)	(20,439)
Net income		72,946	48,954	36,514	46,108
Interest income from subsidiaries		–	–	5,292	93
Distributable income from subsidiaries		–	–	31,705	2,071
Net income after distributable income from subsidiaries		72,946	48,954	73,511	48,272
Gain on disposal of investment properties		128	221	128	221
Change in fair value of financial derivatives		(16,200)	–	(16,200)	–
Change in fair value of investment properties	4	(1,954)	(47,779)	(3,860)	(46,628)
Fair value adjustments relating to the Merger		(283,219)	–	–	–
Total (loss)/return for the year before income tax		(228,299)	1,396	53,579	1,865
Income tax expense	20	(97)	–*	(16)	–
Total (loss)/return for the year after income tax		(228,396)	1,396	53,563	1,865
Attributable to:					
Unitholders of the Trust and perpetual securities holders		(232,562)	614	53,563	1,865
Non-controlling interest		4,166	782	–	–
Total (loss)/return for the year		(228,396)	1,396	53,563	1,865
Earnings per unit (cents)					
Basic and diluted	21	(12.938)	(0.038)	2.521	0.057
Distribution per unit (cents)	21	3.857	3.853	3.857	3.853

* Less than $1,000

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

DISTRIBUTION STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Total (loss)/return after income tax, before distribution for the year	(232,562)	614	53,563	1,865
Add: Distribution adjustments (Note A)	307,889	50,891	21,764	49,640
	75,327	51,505	75,327	51,505
Amount reserved for distribution to perpetual securities holders	(6,900)	(1,115)	(6,900)	(1,115)
Net income available for distribution to Unitholders	68,427	50,390	68,427	50,390
Distribution from other gains (Note B)	6,039	–	6,039	–
Total amount available for distribution	74,466	50,390	74,466	50,390
Less: Distributions (Note C)	(47,764)	(38,179)	(47,764)	(38,179)
Net amount available for distribution to Unitholders as at 31 December	26,702	12,211	26,702	12,211

Note A – Distribution adjustments

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-tax deductible items and other adjustments:				
Management fees payable in units	2,557	–	2,557	–
Trustee's fees	469	379	429	379
Amortisation of transaction costs relating to debt facilities	4,322	1,936	4,322	1,936
Fair value adjustments relating to the Merger	283,219	–	–	–
Change in fair value of investment properties	2,428	48,379	3,860	46,628
Change in fair value of financial derivatives	16,200	–	16,200	–
Legal and professional fees	256	533	120	533
Adjustment for straight line rent and lease incentives	(1,638)	(1,127)	(2,087)	(617)
Utilisation of allowance for doubtful debts	(1,163)	–	(1,163)	–
Dividend income from subsidiaries	519	(718)	(3,163)	(718)
Returns attributable to perpetual securities holders	–	1,115	–	1,115
Miscellaneous expenses	848	615	817	605
	308,017	51,112	21,892	49,861
Income not subject to tax:				
Gain on disposal of investment properties	(128)	(221)	(128)	(221)
Net effect of distribution adjustments	307,889	50,891	21,764	49,640

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

DISTRIBUTION STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note B – Distributions from other gains

During the year, distribution from other gains represent partial payout of total $6.3 million ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.

Note C – Distributions

	Group and Trust	
	2018	**2017**
	$'000	**$'000**
Distributions to Unitholders during the financial year comprise:		
Distribution of 1.169 cents per unit for the period from 1/7/2018 to 15/10/2018	18,497	–
Distribution of 1.001 cents per unit for the period from 1/4/2018 to 30/6/2018	15,853	–
Distribution of 0.847 cents per unit for the period from 1/1/2018 to 31/3/2018	13,414	–
Distribution of 0.964 cents per unit for the period from 1/7/2017 to 30/9/2017	–	12,612
Distribution of 0.956 cents per unit for the period from 1/4/2017 to 30/6/2017	–	12,470
Distribution of 1.004 cents per unit for the period from 1/1/2017 to 31/3/2017	–	13,097
	47,764	38,179
Distribution of 0.929 cents per unit for the period from 1/10/2017 to 31/12/2017	12,204	–
Distribution of 0.996 cents per unit for the period from 1/10/2016 to 31/12/2016	–	12,992
Total Distributions to Unitholders during the financial year[1]	59,968	51,171

Note:

(1) Distributions were partly paid by ESR-REIT issuing an aggregate of 7.2 million units amounting to $4.0 million (2017: 9.2 million units amounting to $5.2 million), pursuant to the distribution reinvestment plan.

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unitholders' Funds				
Balance at beginning of the year	778,889	827,029	765,063	811,952
Operations				
Total (loss)/return for the year after tax attributable to Unitholders and perpetual securities holders	(232,562)	614	53,563	1,865
Less: Amount reserved for distribution to perpetual securities holders	(6,900)	(1,115)	(6,900)	(1,115)
Net (decrease)/increase in net assets resulting from operations	(239,462)	(501)	46,663	750
Unitholders' transactions				
Management fees paid in units	724	–	724	–
Units issued through Distribution Reinvestment Plan	4,031	5,173	4,031	5,173
Acquisition fees paid in units pursuant to the Merger	11,711	–	11,711	–
Preferential Offering	141,939	–	141,939	–
Partial consideration paid in units pursuant to the Merger	843,055	–	843,055	–
Equity costs pursuant to: (Note 22)				
– Distribution Reinvestment Plan	(74)	(143)	(74)	(143)
– Preferential Offering	(1,177)	–	(1,177)	–
– Perpetual securities	–	(1,498)	–	(1,498)
Distributions to Unitholders	(59,968)	(51,171)	(59,968)	(51,171)
Net increase/(decrease) in Unitholders' funds resulting from Unitholders' transactions	940,241	(47,639)	940,241	(47,639)
Balance at end of the year	1,479,668	778,889	1,751,967	765,063
Perpetual Securities Holders' Funds				
Balance at beginning of the year	151,115	–	151,115	–
Issue of perpetual securities	–	150,000	–	150,000
Amount reserved for distribution to perpetual securities holders	6,900	1,115	6,900	1,115
Distribution to perpetual securities holders	(6,900)	–	(6,900)	–
Balance at end of the year	151,115	151,115	151,115	151,115
Total	**1,630,783**	**930,004**	**1,903,082**	**916,178**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Logistics/Warehousing Properties[1]				
	1 THIRD LOK YANG ROAD AND 4 FOURTH LOK YANG ROAD	Leasehold	30	13[6]	1 Third Lok Yang Road Singapore 627996 and 4 Fourth Lok Yang Road Singapore 629701
	25 CHANGI SOUTH AVENUE 2	Leasehold	30+30	36[7]	25 Changi South Ave 2 Singapore 486594
	160 KALLANG WAY	Leasehold	30+30	14[8]	160 Kallang Way Singapore 349246
	3C TOH GUAN ROAD EAST	Leasehold	30+30	32[9]	3C Toh Guan Road East Singapore 608832
	4/6 CLEMENTI LOOP	Leasehold	30+30	35[10]	4/6 Clementi Loop Singapore 129810 and 129814
	24 JURONG PORT ROAD	Leasehold	30+12	18[11]	24 Jurong Port Road Singapore 619097
	3 PIONEER SECTOR 3	Leasehold	30+30	32[12]	3 Pioneer Sector 3 Singapore 628342
^	15 GREENWICH DRIVE	Leasehold	30	23[13]	15 Greenwich Drive Singapore 534022
+	9 BUKIT BATOK STREET 22	Leasehold	30+30	34[14]	9 Bukit Batok Street 22 Singapore 659585

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
100	100	11,400	11,700	0.77	1.50
100	100	12,600	12,500	0.85	1.60
100	100	26,300	26,800	1.78	3.44
77	97	30,500	29,700	2.06	3.81
67	80	44,100	48,100	2.98	6.18
95	95	91,700	89,400	6.20	11.48
100	86	95,800	95,700	6.47	12.29
100	–	98,000	–	6.62	–
–	98	–	23,600	–	3.03
		410,400	**337,500**	**27.73**	**43.33**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Light Industrial Properties[2]				
70 SELETAR AEROSPACE VIEW	Leasehold	30	23[15]	70 Seletar Aerospace View Singapore 797564
30 TEBAN GARDENS CRESCENT	Leasehold	10+22	20[16]	30 Teban Gardens Crescent Singapore 608927
16 TAI SENG STREET	Leasehold	30+30	49[17]	16 Tai Seng Street Singapore 534138
30 TOH GUAN ROAD	Leasehold	30+30	37[18]	30 Toh Guan Road Singapore 608840
128 JOO SENG ROAD	Leasehold	30+30	33[19]	128 Joo Seng Road Singapore 368356
130 JOO SENG ROAD	Leasehold	30+30	33[20]	130 Joo Seng Road Singapore 368357
136 JOO SENG ROAD	Leasehold	30+30	32[21]	136 Joo Seng Road Singapore 368360
11 SERANGOON NORTH AVENUE 5	Leasehold	30+30	38[22]	11 Serangoon North Avenue 5 Singapore 554809

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
100	100	9,200	9,200	0.62	1.18
100	100	39,300	38,900	2.66	4.99
100	100	58,500	60,500	3.95	7.77
85	84	61,000	59,700	4.12	7.66
100	91	11,800	12,000	0.80	1.54
86	93	15,200	15,600	1.03	2.00
76	100	12,800	12,800	0.87	1.64
90	94	20,000	20,000	1.35	2.57
		227,800	**228,700**	**15.40**	**29.35**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	General Industrial Properties[3]				
	79 TUAS SOUTH STREET 5	Leasehold	30+30	41[23]	79 Tuas South Street 5 Singapore 637604
	31 TUAS AVENUE 11	Leasehold	30+30	35[24]	31 Tuas Avenue 11 Singapore 639105
	1/2 CHANGI NORTH STREET 2	Leasehold	30+30/ 30+30	42/47[25]	1/2 Changi North Street 2 Singapore 498808/498775
	9 TUAS VIEW CRESCENT	Leasehold	30+30	40[26]	9 Tuas View Crescent Singapore 637612
	28 SENOKO DRIVE	Leasehold	30+30	21[27]	28 Senoko Drive Singapore 758214
	31 CHANGI SOUTH AVENUE 2	Leasehold	30+30	36[28]	31 Changi South Avenue 2 Singapore 486478
	22 CHIN BEE DRIVE	Leasehold	30	17[29]	22 Chin Bee Drive Singapore 619870
*	31 KIAN TECK WAY	Leasehold	30+19	24[30]	31 Kian Teck Way Singapore 628751
	2 TUAS SOUTH AVENUE 2	Leasehold	60	40[31]	2 Tuas South Ave 2 Singapore 637601
	21B SENOKO LOOP	Leasehold	30+30	34[32]	21B Senoko Loop Singapore 758171
	60 TUAS SOUTH STREET 1	Leasehold	30	16[33]	60 Tuas South Street 1 Singapore 639925
	5/7 GUL STREET 1	Leasehold	29.5	19[34]	5/7 Gul Street 1 Singapore 629318/629320

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
–	–	11,400	11,000	0.77	1.41
100	100	12,100	12,300	0.82	1.58
100	100	22,000	22,000	1.49	2.82
100	100	10,000	10,200	0.68	1.31
100	100	13,600	13,700	0.92	1.76
100	100	12,000	12,000	0.81	1.54
100	100	14,900	14,500	1.01	1.86
–	100	5,700	5,700	0.38	0.73
100	100	36,300	36,100	2.45	4.64
100	100	25,600	26,400	1.73	3.40
100	100	4,300	4,000	0.29	0.51
100	100	14,300	15,000	0.97	1.93
		182,200	**182,900**	**12.32**	**23.49**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Balance brought forward				
General Industrial Properties (cont'd)				
28 WOODLANDS LOOP	Leasehold	30+30	37[35]	28 Woodlands Loop Singapore 738308
25 PIONEER CRESCENT	Leasehold	30+28	48[36]	25 Pioneer Crescent Singapore 628554
11 WOODLANDS WALK	Leasehold	30+30	37[37]	11 Woodlands Walk Singapore 738265
43 TUAS VIEW CIRCUIT	Leasehold	30	19[38]	43 Tuas View Circuit Singapore 637360
13 JALAN TERUSAN[1]	Leasehold	28	16[39]	13 Jalan Terusan Singapore 619293
160A GUL CIRCLE	Leasehold	27	22[40]	160A Gul Circle Singapore 629618
3 TUAS SOUTH AVENUE 4	Leasehold	30+30	40[41]	3 Tuas South Avenue 4 Singapore 637610
8 TUAS SOUTH LANE	Leasehold	30+16	35[42]	8 Tuas South Lane Singapore 637302
120 PIONEER ROAD	Leasehold	30+28	36[43]	120 Pioneer Road Singapore 639597
45 CHANGI SOUTH AVENUE 2	Leasehold	30+30	37[44]	45 Changi South Avenue 2 Singapore 486133

[1] Formerly known as 15 Jurong Port Road

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
		182,200	**182,900**	**12.32**	**23.49**
100	100	17,300	17,500	1.17	2.25
100	100	16,400	16,300	1.11	2.09
100	100	17,400	17,200	1.18	2.21
100	100	16,400	16,000	1.11	2.05
100	100	36,900	37,500	2.49	4.81
100	100	18,000	18,200	1.22	2.34
100	100	43,000	42,900	2.91	5.51
100	100	115,000	115,000	7.77	14.76
75	36	40,300	40,600	2.72	5.21
65	92	12,200	12,100	0.82	1.56
		515,100	**516,200**	**34.82**	**66.28**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Balance brought forward				
General Industrial Properties (cont'd)				
511/513 YISHUN INDUSTRIAL PARK A	Leasehold	29+30/ 30+30	35/35[45]	511/513 Yishun Industrial Park A Singapore 768768/768736
86/88 INTERNATIONAL ROAD	Leasehold	30+30	36[46]	86/88 International Road Singapore 629176/629177
Hi-Specs Industrial Properties[4]				
21/23 UBI ROAD 1	Leasehold	30+30	38[47]	21/23 Ubi Road 1 Singapore 408724/408725
2 JALAN KILANG BARAT	Leasehold	99	43[48]	2 Jalan Kilang Barat Singapore 159346
11 CHANG CHARN ROAD	Leasehold	99	38[49]	11 Chang Charn Road Singapore 159640
54 SERANGOON NORTH AVENUE 4	Leasehold	30+30	38[50]	54 Serangoon North Avenue 4 Singapore 555854
12 ANG MO KIO STREET 65	Leasehold	30+30	31[51]	12 Ang Mo Kio Street 65 Singapore 569060
30 MARSILING INDUSTRIAL ESTATE ROAD 8	Leasehold	30+30	31[52]	30 Marsiling Industrial Estate Road 8 Singapore 739193

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
		515,100	**516,200**	**34.82**	**66.28**
84	84	26,100	26,100	1.76	3.35
90	90	44,700	43,000	3.02	5.52
		585,900	**585,300**	**39.60**	**75.15**
87	100	36,700	35,600	2.48	4.57
77	83	27,400	26,900	1.85	3.45
80	96	29,800	29,700	2.01	3.81
70	100	23,200	22,300	1.57	2.86
64	64	38,200	38,900	2.58	5.00
100	82	47,500	36,600	3.21	4.70
		202,800	**190,000**	**13.70**	**24.39**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Business Park Properties[5]				
	16 INTERNATIONAL BUSINESS PARK	Leasehold	30+30	37[53]	16 International Business Park Singapore 609929
	Total properties held by the Trust				
	Properties held by subsidiaries				
	Logistics/Warehousing Properties[1]				
**	6 CHIN BEE AVENUE	Leasehold	30	25[54]	6 Chin Bee Avenue Singapore 619930
**	30 PIONEER ROAD	Leasehold	30	18[55]	30 Pioneer Road Singapore 628502
	Light Industrial Properties[2]				
**	19 TAI SENG AVENUE	Leasehold	30+30	49[56]	19 Tai Seng Avenue Singapore 534054
**	11 UBI ROAD 1	Leasehold	30+30/ 21+30	37[57]	11 Ubi Road 1 Singapore 408723
**	29 TAI SENG STREET	Leasehold	30+30	48[58]	29 Tai Seng Street Singapore 534120
**	11 LORONG 3 TOA PAYOH	Leasehold	60	10[59]	11 Lorong 3 Toa Payoh Singapore 319579

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
100	100	31,300	31,300	2.11	4.02
		31,300	**31,300**	**2.11**	**4.02**
		1,458,200	**1,372,800**	**98.54**	**176.24**
100	–	94,300	–	6.37	–
100	–	54,000	–	3.65	–
		148,300	**–**	**10.02**	**–**
100	–	47,800	–	3.23	–
100	–	84,000	–	5.68	–
100	–	33,400	–	2.26	–
86	–	63,000	–	4.26	–
		228,200	**–**	**15.43**	**–**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	Properties held by the Trust	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
	Properties held by subsidiaries (cont'd)				
	General Industrial Properties[3]				
**	81 TUAS BAY DRIVE	Leasehold	60	48[60]	81 Tuas Bay Drive Singapore 637308
	Hi-Specs Industrial Properties[4]				
#	7000 ANG MO KIO AVENUE 5	Leasehold	32+30	38[61]	7000 Ang Mo Kio Avenue 5 Singapore 569877
	Business Park Properties[5]				
**	750 – 750E CHAI CHEE ROAD	Leasehold	60/43	12/12[62]	750 – 750E Chai Chee Road Singapore 469000
**	6/8 CHANGI BUSINESS PARK AVENUE 1	Leasehold	30+30	49[63]	6/8 Changi Business Park Avenue 1 Singapore 486017
**	2/4 CHANGI BUSINESS PARK AVENUE 1	Leasehold	30+30	49[63]	2/4 Changi Business Park Avenue 1 Singapore 486015
	Properties held by subsidiaries				
	Total properties held by the Group				

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

Occupancy rate at		At Independent Valuation		Percentage of Net assets attributable to Unitholders	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
%	%	$'000	$'000	%	%
100	–	28,000	–	1.89	–
		28,000	**–**	**1.89**	**–**
94	92	305,400	303,000	20.64	38.91
		305,400	**303,000**	**20.64**	**38.91**
82	–	322,800	–	21.82	–
90	–	365,000	–	24.67	–
100	–	166,000	–	11.22	–
		853,800	**–**	**57.71**	**–**
		1,563,700	**303,000**	**105.69**	**38.91**
		3,021,900	**1,675,800**	**204.23**	**215.15**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

	At Independent Valuation		Percentage of Net assets attributable to Unitholders	
	31/12/2018 $'000	31/12/2017 $'000	31/12/2018 %	31/12/2017 %
Trust				
Investment properties, at valuation	1,458,200	1,372,800	83.24	179.43
Other assets and liabilities (net)	444,882	(456,622)	25.39	(59.68)
Net assets of Trust	1,903,082	916,178	108.63	119.75
Perpetual securities holders' funds	(151,115)	(151,115)	(8.63)	(19.75)
Net assets attributable to Unitholders' Funds	1,751,967	765,063	100.00	100.00
Group				
Investment properties, at valuation	3,021,900	1,675,800	204.23	215.15
Other assets and liabilities (net)	(1,391,117)	(745,796)	(94.02)	(95.75)
Net assets of Group	1,630,783	930,004	110.21	119.40
Perpetual securities holders' funds	(151,115)	(151,115)	(10.21)	(19.40)
Net assets attributable to Unitholders' Funds	1,479,668	778,889	100.00	100.00

	At Independent Valuation	
	2018 $'000	2017 $'000
As disclosed in the Statement of Financial Position:		
Trust		
Investment properties – non current	1,452,500	1,349,200
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	5,700	23,600
Total investment properties	**1,458,200**	**1,372,800**
Group		
Investment properties – non current	3,016,200	1,652,200
Investment properties held for divestment – current (denoted as (*) in the Portfolio Statement)	5,700	23,600
Total investment properties	**3,021,900**	**1,675,800**

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

Notes

(1) Logistics/Warehousing properties are typically equipped with high floor loading and also have a high floor-to-ceiling height. Such buildings can be either single-storey or multi-storey properties with vehicular ramp access and/or heavy-duty cargo lift access.
(2) Light Industrial properties are single or multi-storey spaces that can be used for light industrial and manufacturing activities, with a low percentage of the facility's usable space set aside for office use.
(3) General Industrial properties can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory activities. Such spaces also have a low percentage of the usable space which can be set aside for office use.
(4) High-specs Industrial properties are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These buildings typically have facilities such as air-conditioned units and sufficient floorboard, ceiling height and electrical power capacities to enable both office and manufacturing functions to be carried out concurrently.
(5) Business Parks are clusters of buildings and offices typically dedicated to business activities relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors. Companies that take up space in Business Parks can engage in a range of light and clean uses such as technical support, information-communications, healthcare devices, product design, development and testing, service centres and back-end office functions.
(6) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2001.
(7) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1994.
(8) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1973.
(9) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1991.
(10) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1993.
(11) ESR-REIT holds the remainder of a 30+12 year lease commencing from 1 March 1995.
(12) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1990.
(13) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2011.
(14) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.
(15) ESR-REIT holds the remainder of a 30 year lease commencing from 16 October 2011.
(16) ESR-REIT holds the remainder of a 10+22 year lease commencing from 1 June 2007.
(17) ESR-REIT holds the remainder of a 30+30 year lease commencing from 4 July 2007.
(18) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 August 1995.
(19) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1992.
(20) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1991.
(21) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1990.
(22) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 April 1997.
(23) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 2000.
(24) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 April 1994.
(25) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 2001 for 1 Changi North Street 2 and 30+30 year lease commencing from 23 November 2005 for 2 Changi North Street 2.
(26) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 July 1998.
(27) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1979.
(28) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 1995.
(29) ESR-REIT holds the remainder of a 30 year lease commencing from 16 September 2005.
(30) ESR-REIT holds the remainder of a 30+19 year lease commencing from 1 September 1993.
(31) ESR-REIT holds the remainder of a 60 year lease commencing from 4 January 1999.
(32) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.
(33) ESR-REIT holds the remainder of a 30 year lease commencing from 16 March 2005.
(34) ESR-REIT holds the remainder of a 29.5 year lease commencing from 1 April 2008.
(35) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
(36) ESR-REIT holds the remainder of a 30+28 year lease commencing from 1 February 2009.
(37) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
(38) ESR-REIT holds the remainder of a 30 year lease commencing from 1 February 2008.
(39) ESR-REIT holds the remainder of a 28 year lease commencing from 25 March 2007.
(40) ESR-REIT holds the remainder of a 27 year lease commencing from 30 September 2013.
(41) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1999.
(42) ESR-REIT holds the remainder of a 30+16 year lease commencing from 1 April 2008.
(43) ESR-REIT holds the remainder of a 30+28 year lease commencing from 16 February 1997.
(44) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 September 1995.
(45) ESR-REIT holds the remainder of a 29+30 year lease commencing from 1 June 1995 for 511 Yishun and 30+30 year lease commencing from 1 December 1993 for 513 Yishun.

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

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2018

(46) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1994.
(47) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1997.
(48) ESR-REIT holds the remainder of a 99 year lease commencing from 1 July 1963.
(49) ESR-REIT holds the remainder of a 99 year lease commencing from 1 January 1958.
(50) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 June 1996.
(51) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1990.
(52) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1989.
(53) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 August 1996.
(54) Viva Trust holds the remainder of a 30 year lease commencing from 16 October 2013.
(55) Viva Trust holds the remainder of a 30 year lease commencing from 16 February 2007.
(56) Viva Trust holds the remainder of a 30+30 year lease commencing from 11 September 2007.
(57) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 September 1995 for Plot 1 and 21+30 year lease commencing from 1 September 2004 for Plot 2.
(58) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 May 2007.
(59) Viva Trust holds the remainder of a 60 year lease commencing from 16 May 1969.
(60) Viva Trust holds the remainder of a 60 year lease commencing from 19 July 2006.
(61) 7000 AMK LLP holds the remainder of a 32+30 year lease commencing from 30 January 1995.
(62) Viva Trust holds the remainder of a 60 year lease commencing from 1 April 1971 for Plot 1: Lot 8134N Mukim 27 and 43 year lease commencing from 1 March 1988 for Plot 2: Lot 7837V Mukim 27.
(63) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 February 2008.

^ Property acquired during the financial year
\+ Property disposed of during the financial year.
\# Property is on 100% basis which includes a 20% non-controlling interest.
** Properties acquired pursuant to the Merger on 15 October 2018.

Investment properties comprise a diverse portfolio of industrial properties that are leased to external tenants. All of the leases are structured under single-tenancy or multiple-tenancy and the tenancies range from one to twenty eight years for single tenancy and two months to fifteen years for multiple-tenancy.

An independent valuation exercise was conducted in December 2018 by Edmund Tie & Company on 24 properties, by Savills Valuation and Professional Services (S) Pte Ltd on 9 properties and CBRE Pte Ltd on 24 properties. These firms are independent valuers having appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations for these properties were based on the direct comparison method, capitalisation approach and discounted cash flow analysis in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield, discount rate and average growth rate. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

As at 31 December 2018, the valuations adopted for investment properties amounted to $3.02 billion (2017: $1.68 billion). The net fair value loss on investment properties recognised in the Statement of Total Return is $0.2 million (2017: $41.8 million). The investment properties are fully unencumbered as at 31 December 2018 and 2017.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 $'000	2017 $'000
Cash flows from operating activities		
Total (loss)/return before income tax for the year	(228,299)	1,396
Adjustments for:		
Borrowing costs	27,442	20,439
Management fees paid/payable in units	2,557	–
Fair value adjustments relating to the Merger	283,219	–
Change in fair value of financial derivatives	16,200	–
Change in fair value of investment properties	1,954	47,779
Gain on disposal of investment properties	(128)	(221)
Interest income	(48)	(113)
Operating income before working capital changes	102,897	69,280
Changes in working capital:		
Trade and other receivables	1,839	57
Trade and other payables	(32,987)	(331)
Cash generated from operating activities	71,749	69,006
Income tax paid	(3,953)	–
Net cash generated from operating activities	67,796	69,006
Cash flows from investing activities		
Interest received	48	113
Capital expenditure on investment properties	(5,307)	(9,768)
Net cash outflow on purchase of investment properties (including acquisition related costs) (Note A)	(100,374)	(110,462)
Proceeds from disposal of investment properties	23,900	57,318
Payment for divestment costs	(194)	(433)
Acquisition of subsidiary, net of cash acquired (Note 5)	(65,525)	(237,712)
Payment for acquisition costs of subsidiary	(1,925)	(2,826)
Net cash used in investing activities	(149,377)	(303,770)
Cash flows from financing activities		
Proceeds from issuance of new units	141,939	–
Proceeds from issuance of perpetual securities	–	150,000
Issue costs for perpetual securities paid	(272)	(1,227)
Borrowing costs paid	(30,824)	(19,415)
Equity issue costs paid	(1,151)	(144)
Proceeds from borrowings (Note B)	964,569	206,000
Repayment of borrowings (Note B)	(920,764)	(46,500)
Distributions paid to Unitholders (Note C)	(55,937)	(45,998)
Distributions paid to perpetual securities holders	(6,900)	–
Distributions paid to non-controlling interest	(3,066)	–
Net cash generated from financing activities	87,594	242,716
Net increase in cash and cash equivalents	**6,013**	**7,952**
Cash and cash equivalents at 1 January	**11,651**	**3,699**
Cash and cash equivalents at 31 December	**17,664**	**11,651**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

NOTES:

(A) Net cash outflow on purchase of investment properties (including acquisition costs)

Net cash outflow on purchase of investment properties (including acquisition costs) is set out below:

	Group	
	2018	**2017**
	$'000	**$'000**
Investment properties acquired	(95,557)	(106,094)
Acquisition related costs	(4,938)	(4,368)
Retention sums	121	–
Net cash outflow	(100,374)	(110,462)

(B) Proceeds and repayments of borrowings

The Group obtained borrowings during the financial year to fund the property acquisition of 15 Greenwich and the costs related to the merger with Viva Industrial Trust which included the funding of the cash consideration, the payment of transaction costs and the refinancing of existing borrowings of Viva Industrial Trust upon completion of merger.

(C) Distributions paid to Unitholders

Distributions for the year ended 31 December 2018 were partly paid by ESR-REIT issuing an aggregate of 7.2 million units (2017: 9.2 million units), amounting to $4.0 million (2017: $5.2 million), pursuant to the distribution reinvestment plan.

	Group	
	2018	**2017**
	$'000	**$'000**
Distributions paid to Unitholders	(59,968)	(51,171)
Distributions paid in units pursuant to distribution reinvestment plan	4,031	5,173
Net distributions paid to Unitholders in cash	(55,937)	(45,998)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. GENERAL

ESR-REIT (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 31 March 2006 (as amended) entered into between ESR Funds Management (S) Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"), and is governed by the laws of the Republic of Singapore ("Trust Deed"). On 31 March 2006, ESR-REIT was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

On 25 July 2006, ESR-REIT was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 3 April 2006, ESR-REIT was included under the Central Provident Fund ("CPF") Investment Scheme.

On 18 May 2018, the Manager of ESR-REIT announced a proposed merger of all the issued and paid-up stapled securities of Viva Industrial Trust ("VIT") held by the stapled securityholders of VIT and the units in ESR-REIT held by the unitholders ("Proposed Merger").

The Proposed Merger contemplates that:

(i) The proposed merger will be effected through the acquisition by ESR-REIT of all the Stapled Securities held by the Stapled Securityholders by way of a trust scheme of arrangement (the "Scheme") in accordance with the Singapore Code on Take-overs and Mergers; and

(ii) The consideration under the Scheme for the Stapled Securities will be satisfied by cash and the allotment and issue by ESR-REIT of new ESR-REIT units to the Stapled Securityholders.

An extraordinary general meeting was held on 31 August 2018 and the unitholders of the Trust approved all the resolutions in connection with the Proposed Merger. VIT comprised Viva Industrial Real Estate Investment Trust ("VI-REIT") and Viva Industrial Business Trust ("VI-BT").

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT (collectively the "Enlarged Trust"). VI-REIT was subsequently renamed as Viva Trust ("Sub-trust"). VI-BT, which was dormant, was wound up in December 2018.

Under the new trust deed for Viva Trust executed on 22 October 2018, Viva Trust changed its Manager from Viva Industrial Trust Management Pte. Ltd. to ESR Funds Management (S) Pte. Ltd. while Perpetual (Asia) Limited continues as the trustee for Viva Trust ("Sub-trust trustee") to take into custody and hold the assets of Viva Trust in trust for Viva Trust's sole Unitholder, ESR-REIT. The Manager acts as the manager for the Enlarged Trust.

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

The principal activity of ESR-REIT is to invest in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. The principal activity of the subsidiaries are set out in Note 5 to the financial statements.

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

1. GENERAL (CONT'D)

ESR-REIT and its Sub-trust, Viva Trust have entered into several service agreements in relation to the management of ESR-REIT and Viva Trust and their property operations.

(A) Trustee's fees

The Trust

Pursuant to the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of all the gross assets of ESR-REIT ("Deposited Property"), excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.03% per annum of the value of the Deposited Property.

The Sub-trust

Pursuant to the Trust Deed entered into by Viva Industrial Trust Management Pte. Ltd., the Manager and the Sub-trust Trustee, the Trustee's fees of the Sub-trust Trustee shall not exceed 0.1% per annum of the value of all the gross assets of Viva Trust ("Deposited Property"), excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.015% per annum of the value of the Deposited Property, subject to a minimum fee of $15,000 per month.

(B) Management fees

Under the Trust Deed, the Manager is entitled to receive a base fee and performance fee as follows:

(a) base fee ("Base Fee") of 0.5% per annum of the value of the Deposited Property or such higher percentage as may be fixed by an Extraordinary Resolution of Meeting of Unitholders; and

(b) performance fee, computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year, provided that the Highest DPU Threshold is achieved.

The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a performance fee was payable ("Highest DPU Threshold"). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Trust would have to outperform the adjusted Highest DPU Threshold.

For the purpose of calculation of the performance fee payable under the revised performance fee structure, the Highest DPU Threshold is initially set at 6.000 cents, or if the DPU achieved during the Performance Fee Waiver period is higher, then such higher DPU.

1. GENERAL (CONT'D)

(B) Management fees (cont'd)

(b) (cont'd)

The Performance Fee, whether payable in any combination of cash and Units or solely in cash or Units will be payable in arrears within 30 days after the last day of each financial year. If a trigger event occurs resulting in the Manager being removed, the Manager is entitled to payment of any Performance Fee in cash to which it might otherwise have been entitled for that financial year in cash, which shall be calculated, as if the end of the financial year was the date of occurrence of the trigger event, in accordance with the Trust Deed. If a trigger event occurs at a time when any accrued Performance Fee has not been paid, resulting in the Manager being removed, the Manager is entitled to payment of such accrued Performance Fee in cash.

Management fees (Base Fee and Performance Fee, including any accrued Performance Fee which have been carried forward from previous financial years but excluding any acquisition fee or disposal fee) to be paid to the Manager in respect of a financial year, whether in cash or in Units or a combination of cash and Units, are capped at an amount equivalent to 0.8% per annum of the value of Deposited Property as at the end of the financial year (referred to as the "annual fee cap").

(C) Acquisition and disposal fees

The Manager is also entitled to receive the following fees:

(a) An acquisition fee of 1.0% of each of the following as is applicable, subject to there being no double-counting:

(i) the purchase price, excluding GST, of any real estate acquired, whether directly by ESR-REIT or indirectly through a special purpose vehicle;

(ii) the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate) where ESR-REIT invests in any class of real estate related assets, including any class of equity, equity-linked securities and/or securities issued in real estate securitisation, of any entity directly or indirectly owning or acquiring such real estate, provided that:

- ESR-REIT shall hold or invest in at least 50% of the equity of such entity; or
- if ESR-REIT holds or invests in 30% or more but less than 50% of the equity of such entity, ESR-REIT shall have management control of the underlying real estate and/or such entity;

(iii) the value of any shareholder's loan extended by ESR-REIT to the entity referred to in paragraph (ii) above, provided that the provision in paragraph (ii) is complied with; and

(iv) the value of any investment by ESR-REIT in any loan extended to, or in debt securities of, any property corporation or other special purpose vehicle owning or acquiring real estate, (where such investment does not fall within the ambit of paragraph (ii)) made with the prior consent of the Unitholders passed by ordinary resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

1. GENERAL (CONT'D)

(C) Acquisition and disposal fees (cont'd)

(b) A disposal fee of 0.5% of each of the following as is applicable, subject to there being no double-counting:

(i) the sale price, excluding GST, of any investment of the type referred to in paragraph (C)(a)(i) above for the acquisition fee;

(ii) in relation to an investment of the type referred to in paragraph (C)(a)(ii) above for the acquisition fee, the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate);

(iii) the proceeds of sale, repayment or (as the case may be) redemption of an investment in a loan referred to in paragraph (C)(a)(iii) above for the acquisition fee; and

(iv) the value of an investment referred to in paragraph (C)(a)(iv) above for the acquisition fee.

The Manager can opt to receive acquisition and disposal fees in the form of cash or Units or a combination as it may determine.

(D) Property manager's fees

ESR Property Management (S) Pte. Ltd. (the "Property Manager"), as property manager of all ESR-REIT's properties including those held through 7000 AMK LLP and Viva Trust, is entitled to receive the following fees:

(a) A property management fee of 2.0% per annum of the gross revenue of the relevant property;

(b) A lease management fee of 1.0% per annum of the gross revenue of the relevant property;

(c) A marketing services commission equivalent to:

(i) one month's gross rent, inclusive of service charge, for securing a tenancy of three years or less;

(ii) two month's gross rent, inclusive of service charge, for securing a tenancy of more than three years;

(iii) half month's gross rent, inclusive of service charge, for securing a renewal of tenancy of three years or less; and

(iv) one month's gross rent, inclusive of service charge, for securing a renewal of tenancy of more than three years.

1. GENERAL (CONT'D)

(D) Property manager's fees (cont'd)

(d) A project management fee in relation to development or redevelopment (if not prohibited by the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code") or if otherwise permitted by the MAS), the refurbishment, retrofitting and renovation works on a property, as follows:

(i) where the construction costs are $2.0 million or less, a fee of 3.0% of the construction costs;

(ii) where the construction costs exceed $2.0 million but do not exceed $20.0 million, a fee of 2.0% of the construction costs;

(iii) where the construction costs exceed $20.0 million but do not exceed $50.0 million, a fee of 1.5% of the construction costs; and

(iv) where the construction costs exceed $50.0 million, a fee to be mutually agreed by the Manager, the Property Manager and the Trustee.

(e) A property tax services fee in respect of property tax objections submitted to the tax authority on any proposed annual value of a property if, as a result of such objections, the proposed annual value is reduced resulting in property tax savings for the relevant property:

(i) where the proposed annual value is $1.0 million or less, a fee of 7.5% of the property tax savings;

(ii) where the proposed annual value is more than $1.0 million but does not exceed $5.0 million, a fee of 5.5% of the property tax savings; and

(iii) where the proposed annual value is more than $5.0 million, a fee of 5.0% of the property tax savings.

The above-mentioned fee is a lump sum fixed fee based on the property tax savings calculated over a 12-month period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties and derivative financial instruments, which are stated at fair value as described in Note 25.

As at 31 December 2018, the current liabilities of the Group and the Trust exceed their current assets by $366.7 million and $285.0 million respectively. This is primarily due to the classification of the bank loans of $282.6 million as current liabilities as they are repayable within one year from 31 December 2018. Subsequent to 31 December 2018, the Manager secured a new term loan facility of $155.0 million, which can be used to refinance a portion of the bank loans maturing in 2019. Please see Subsequent Event in Note 30 for more details.

The remaining balance of $127.6 million of bank loans maturing in 2019 can be refinanced by issuing new MTN/perpetual securities under the $750 million Debt Issuance Programme, which has an undrawn balance of $390 million. As such, the Manager believes that the Group and the Trust will be able to meet their obligations as and when they fall due.

2.3 Functional and presentation currency

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

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any significant effect on the financial performance or position of the Group and the Trust.

2.5 Standards issued but not yet effective

The Group has not adopted the following standard applicable to the Group that has been issued but is not yet effective.

Description	Effective for annual periods beginning on or after
FRS 116 *Leases*	1 January 2019

The nature of the impending changes in accounting policy on adoption of FRS116 is described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	
FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low values' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.	The Group plans to adopt the new standard on the required effective date. On the adoption of FRS116, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either: (i) its carrying amount as if FRS116 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019. In addition, the Group plans to elect the following practical expedients: (i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply FRS116 to all contracts that were previously identified as leases. (ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January. (iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

New standards Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases (cont'd)*	The Group has performed a preliminary impact assessment based on currently available information and the assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS116 in 2019. On the adoption of FRS 116, the Group expects to recognise right-of-use assets of $163.8 million and lease liabilities of $163.8 million for its leases previously classified as operating leases.

2.6 Basis of consolidation

Subsidiaries

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

The accounting policies of the subsidiaries have been aligned with the policies adopted by the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

In the Trust's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly to the Group. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

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

Accounting for investments in subsidiaries in the Trust's financial statements

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investment properties

Investment properties are properties that are owned by the Group and held to earn rentals or for capital appreciation, or both but not for sale in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are accounted for as non-current assets, except if they meet the conditions to be classified as held for divestment (see Note 2.8 below). They are initially measured at cost, including transaction costs and at valuation thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

(i) in such manner and frequency required under the CIS code issued by MAS; and

(ii) at least once in each period of 12 months following the acquisition of each investment property

Any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

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

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

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly valued on the basis set out above.

2.8 Investment properties held for divestment

Investment properties that are expected to be recovered primarily through divestment rather than through continuing use, are classified as held for divestment and accounted for as current assets. These investment properties are measured at fair value and any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

Upon disposal, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Leases

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16. Contingent rents are recognised as revenue in the period in which they are earned.

As lessee

Payments made under operating leases are recognised as an expense in the Statements of Total Return on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Total Return. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in Statement of Total Return when the assets are derecognised or impaired, and through amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in the Statement of Total Return.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in the Statement of Total Return.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Total Return when the liabilities are derecognised and through the amortisation process.

Derivative financial instruments

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the Statement of Total Return.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Total Return.

Netting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Impairments of financial assets

(a) Financial assets

Expected credit losses (ECLs) are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairments of financial assets (cont'd)

(b) Non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Statement of Total Return.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the Statement of Total Return.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.14 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs, directly attributable to the issuance, offering and placement of Units or issuance of perpetual securities in the Trust are deducted directly against Unitholders' funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Perpetual securities

The perpetual securities confer a right to receive distributions at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears on a discretionary basis and will be non-cumulative.

The perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

Accordingly, the perpetual securities are classified as equity and the expenses relating to their issue are deducted directly against Unitholders' funds.

2.16 Revenue recognition

(a) Rental income from operating leases

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregated costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) Interest income

Interest income is accrued using the effective interest method.

2.17 Expenses

(a) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are the Property Manager's fee which is based on the applicable rate stipulated in Note 1D.

(b) Management fees

Management fees are recognised on an accrual basis based on the applicable rates stipulated in Note 1B.

(c) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses are the trustee's fees which are based on the applicable rate stipulated in Note 1A.

(d) Borrowing costs

Borrowing costs comprise interest expense on borrowings, amortisation of related transaction costs which are recognised in the Statement of Total Return using the effective interest method over the period of borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Taxation

(a) Current tax and deferred tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investment in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.18 Taxation (cont'd)

(a) Current tax and deferred tax (cont'd)

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of ESR-REIT and its Unitholders. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, the Trustee will not be assessed to tax on the taxable income of ESR-REIT on certain types of income. Instead, the Trustee and the Manager will deduct income tax (if required) at the prevailing corporate tax rate (currently 17.0%) from the distributions made to Unitholders that are made out of the taxable income of ESR-REIT in that financial year, except:

(i) where the beneficial owners are individuals or Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or

(ii) where the beneficial owners are foreign non-individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced tax rate of 10.0% for distributions made on or before 31 December 2025.

A "Qualifying Unitholder" is a Unitholder who is:

- a company which is incorporated and tax resident in Singapore;
- a Singapore branch of companies incorporated outside Singapore;
- a non-corporate constituted or registered in Singapore such as town councils, statutory boards, charities registered under the Charities Act (Cap.37) or established by any written law, co-operative societies registered under the Co-operative Societies Act (Cap. 62) or trade unions registered under the Trade Unions Act (cap. 333));
- a Central Provident Fund ("CPF") member who uses his CPF funds under the CPF Investment Scheme and where the distributions received are returned to the CPF accounts;
- an individual who uses his Supplementary Retirement Scheme ("SRS") funds and where the distributions received are returned to the SRS accounts;
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap.145); and
- a real estate investment trust exchange-traded fund ("REIT EFTs") which has been accorded the tax transparency treatment.

A "foreign non-individual Unitholder" is one, not being an individual, which is not a resident of Singapore for income tax purposes and;

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Taxation (cont'd)

(a) Current tax and deferred tax (cont'd)

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

(b) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.19 Distribution policy

The Group's distribution policy is to distribute at least 90% of its annual distributable income to Unitholders, comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion. Distributions are made on a quarterly basis at the discretion of the Manager.

2.20 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return for the period after tax by the weighted average number of units outstanding during the year. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of units outstanding and for the effects of all dilutive potential units.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by ESR-REIT's Chief Operating Decision Makers ("CODM"s) which comprise mainly the Chief Executive Officer and Chief Financial Officer of the Manager, to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Contingencies

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) A present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

In particular, information about critical judgements, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 4 – Acquisition of the stapled securities of VIT

Note 20 – Assessment of income tax provision

Note 25 – Valuation of investment properties

4. INVESTMENT PROPERTIES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	1,675,800	1,354,000	1,372,800	1,314,000
Acquisition of investment properties	95,557	106,094	95,557	106,094
Additions through acquisition of subsidiaries	1,257,717	300,000	–	–
Transfer from subsidiary	–	–	–	40,000
Acquisition related costs	4,029	8,368	4,029	4,564
Capital expenditure incurred	12,628	5,833	12,015	5,833
Disposal of investment properties	(23,600)	(56,641)	(23,600)	(56,641)
	3,022,131	1,717,654	1,460,801	1,413,850
Change in fair value during the year*	(231)	(41,854)	(2,601)	(41,050)
At 31 December	3,021,900	1,675,800	1,458,200	1,372,800
Investment properties (non-current)	3,016,200	1,652,200	1,452,500	1,349,200
Investment properties held for divestment (current)	5,700	23,600	5,700	23,600
	3,021,900	1,675,800	1,458,200	1,372,800

* The fair value loss of $0.2 million (2017: $41.8 million) together with an adjustment for the effect of lease incentives and marketing fee amortisation of $1.8 million (2017: $5.9 million), aggregate to $2.0 million (2017: $47.7 million) as disclosed in the Statement of Total Return.

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating lease.

Investment properties are stated at fair value based on valuations performed by independent professional valuers as at 31 December 2018 and 31 December 2017. Information on the fair value assessment of investment properties is disclosed in Note 25.

Investment Properties held for Divestment

The Group is in advance stage of negotiation with the purchaser on the divestment of an investment property. The divestment is considered highly probable and is expected to be completed within the next 12 months from the reporting date. Accordingly, the investment property at a carrying value of $5.7 million (2017: $23.6 million) as at 31 December 2018, has been reclassified as an investment property held for divestment.

Security

All the investment properties are fully unencumbered as at 31 December 2018 and 2017.

4. INVESTMENT PROPERTIES (CONT'D)

Critical judgements made in accounting for acquisitions

2018

On 15 October 2018, the Group completed its merger with VIT by way of a trust scheme of arrangement. VIT owns a portfolio of nine properties. VIT, which comprised VI-REIT and VI-BT, holds a subsidiary, Viva iTrust MTN Pte. Ltd.

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT. VI-REIT was subsequently renamed as Viva Trust. VI-BT, which was dormant, was wound up in December 2018.

At the time of the Merger, the Group considered whether the Merger represented the acquisition of business or the acquisition of assets. The Group accounted for the Merger as assets acquisition as a business combination requires an integrated set of activities to be acquired in addition to the properties.

In determining whether an integrated set of activities is acquired, the Group considers whether significant processes such as strategic management and operational processes are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of a business. Where the acquisition of the subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

The Group assessed and accounted for the Merger for the financial year as assets acquisition as no strategic management function and operational processes were acquired along with the portfolio of nine investment properties.

Merger related costs

With the Merger accounted for as assets acquisition, the premium over the fair value of net assets of VIT was allocated to investment properties and written off as fair value adjustments relating to the Merger upon completion.

2017

In December 2017, the Group assessed and accounted for the acquisition of 7000 AMK Pte. Ltd. (converted to 7000 AMK LLP from 1 February 2018) that holds a property as an asset acquisition as no strategic management function and operational processes were acquired along with the property.

5. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2018 $'000	2017 $'000
Unquoted equity investment, at cost	1,173,978	215,463

Composition of the Group

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2018 %	2017 %
ESR-MTN Pte. Ltd.^	Provision of financial and treasury services	Singapore	100	100
Cambridge SPV1 LLP^	Investment, management, leasing and redevelopment of properties	Singapore	100	100
ESR-SPV2 Pte. Ltd.^	Investment holding	Singapore	100	100
7000 AMK LLP# (converted from 7000 AMK Pte. Ltd. on 1 February 2018)	Property investment and other related businesses	Singapore	80	80
Viva Trust+ (formerly known as Viva Industrial Real Estate Investment Trust)	Property investment and other related businesses	Singapore	100	–
Held through Viva Trust:				
Viva iTrust MTN Pte. Ltd.+	Provision of financial and treasury services	Singapore	100	–

^ Audited by Ernst & Young LLP, Singapore.

7000 AMK LLP was converted from 7000 AMK Pte. Ltd. on 1 February 2018. 7000 AMK LLP is audited by Ernst & Young LLP, Singapore for the financial year ended 31 December 2018 (2017: Nexia TS Public Accounting Corporation).

+ Audited by Ernst & Young LLP, Singapore for the financial year ended 31 December 2018. (2017: Deloitte & Touche LLP). The acquisition of Viva Trust was completed on 15 October 2018.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries

2018

Merger with VIT

On 15 October 2018, the Group completed its merger with VIT by way of a trust scheme of arrangement. VIT owns a portfolio of nine properties. VIT, which comprised VI-REIT and VI-BT, holds a subsidiary, Viva iTrust MTN Pte. Ltd.

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT. VI-REIT was subsequently renamed as Viva Trust. VI-BT, which was dormant, was wound up in December 2018.

The purchase consideration was settled by way of the issuance of 1,561.2 million new Units at an issue price of $0.54 each and a cash consideration of $93.6 million. The Merger was accounted for as an asset acquisition. Any premium over the fair value of net assets at the Merger date was allocated to investment properties and written off as fair value change upon completion.

The fair value of identifiable assets and liabilities of VIT as at 15 October 2018 (the Merger date) and the cashflow effect of the Merger were:

	Fair value recognised on merger $'000
Investment properties	(1,257,717)
Trade and other receivables	(5,840)
Cash and cash equivalents	(28,148)
Trade and other payables	53,947
Interest-bearing borrowings	561,764
Income tax payable	785
Total identifiable net assets at fair value	(675,209)
Premium over the fair value of net assets acquired	(261,519)
Total purchase consideration paid	(936,728)
Effect of the Merger with VIT on cash flows:	
Purchase consideration paid	(936,728)
Less:	
Cash and cash equivalents acquired	28,148
Consideration paid in units	843,055
Net cash outflow on Merger net of cash acquired	(65,525)

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating lease.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

2017

Acquisition of 7000 AMK Pte. Ltd. (converted to 7000 AMK LLP from 1 February 2018)

On 14 December 2017, ESR-REIT together with its wholly-owned subsidiary, ESR-SPV2 Pte. Ltd., acquired an 80% interest in a special purpose vehicle, 7000 AMK Pte. Ltd. which holds the industrial property at 7000 Ang Mo Kio Avenue 5. Upon completion of the acquisition, 7000 AMK Pte. Ltd. became a subsidiary of the Group and was subsequently converted into 7000 AMK LLP with effect from 1 February 2018.

As part of the acquisition, ESR-REIT granted a put option to Ho Lee Properties Pte Ltd ("HLP"), the owner of the remaining 20% interest in 7000 AMK LLP, that provides HLP with the right to require ESR-REIT to purchase its 20% interest in 7000 AMK LLP at a price of no less than $60.0 million (the "Put Option"). As the Put Option contains an obligation for ESR-REIT to purchase the remaining 20% interest in 7000 AMK LLP, the 20% non-controlling interest in 7000 AMK LLP has been accounted for by the Group as a financial liability (see Note 10). The Put Option expired on 13 December 2018 and has been extended for a further term of 12 months.

As at 31 December 2018, the Put Option remains unexercised and HLP's 20% share of the results of 7000 AMK LLP has been allocated to non-controlling interest, which has been accounted for and classified as a current liability. Upon the exercise of the Put Option, the amount recognised as financial liability at that date will be extinguished by the payment made by ESR-REIT to HLP.

The fair value of the identifiable assets and liabilities of 7000 AMK Pte. Ltd. as at the acquisition date and the cashflow effect of the acquisition were:

	Fair value recognised on acquisition $'000
Investment property	(300,000)
Trade and other receivables	(5,093)
Cash and cash equivalents	(2,860)
Trade and other payables	7,953
Total identifiable net assets at fair value	(300,000)
Non-controlling interest	60,000
	(240,000)
Cash consideration for the acquisition	(240,000)
Effect of the acquisition of 7000 AMK Pte. Ltd. on cash flows:	
Cash consideration	(240,000)
Less: Cash and cash equivalents acquired	2,288
Net cash outflow on acquisition net of cash acquired	(237,712)

6. LOANS TO SUBSIDIARIES (TRUST)

The loans to subsidiaries are unsecured and interest bearing at a rate based on ESR-REIT's cost of borrowing. Interest is payable in arrears in cash on a quarterly basis within 45 days from each quarter end.

The loans are repayable at dates mutually agreed by the parties, which are not likely to occur within the next 12 months from reporting date.

7. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade receivables (gross)				
– Non related parties	3,841	5,248	1,400	2,787
Impairment losses	–	(1,163)	–	(1,163)
Trade receivables (net)	3,841	4,085	1,400	1,624
Deposits	3,148	1,870	1,455	1,324
Other receivables				
– Subsidiaries	–	–	23,423	3,818
– Non related parties	3,033	2,333	4,090	153
	3,033	2,333	27,513	3,971
Financial assets carried at amortised cost	10,022	8,288	30,368	6,919
Prepayments	1,122	86	167	80
Total trade and other receivables	11,144	8,374	30,535	6,999

Trade receivables are non-interest bearing and are generally on 14 days credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables due from subsidiaries are non-trade related, non-interest bearing and repayable on demand.

The Group's primary exposure to credit risk arises from its trade and other receivables. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Concentration of credit risk relating to trade receivables is limited due to the Group's large number and diverse range of tenants. The maximum exposure to credit risk for trade and other receivables is represented by the carrying amount at the reporting date.

7. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Gross receivables 2018 $'000	Impairment losses 2018 $'000	Gross receivables 2017 $'000	Impairment losses 2017 $'000
Group				
Past due 0 – 30 days	1,669	–	3,096	–
Past due 31 – 120 days	1,932	–	786	–
More than 120 days past due	240	–	1,366	1,163
	3,841	–	5,248	1,163
Trust				
Past due 0 – 30 days	738	–	861	–
Past due 31 – 120 days	605	–	555	–
More than 120 days past due	57	–	1,371	1,163
	1,400	–	2,787	1,163

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

	Group and Trust	
	2018 $'000	2017 $'000
At 1 January	1,163	1,163
Written off	(1,163)	–
At 31 December	–	1,163

Trade receivables are individually assessed for impairment on an ongoing basis.

The Trust has previously provided an allowance for impairment of $1.2 million which relates to a debtor that had defaulted on payments. The allowance was utilised during the financial year to write off the arrears of the debtor which the recovery of the arrears was remote notwithstanding numerous debt recovery actions.

Other than the above, the Manager believes that no additional allowance is necessary in respect of the remaining trade receivables as these receivables are mainly due from tenants that have good payment records and sufficient securities in the form of bankers' guarantees, insurance bonds or cash security deposits as collaterals.

The Group and the Trust's exposure to credit risk related to trade and other receivables are disclosed in Note 26.

8. TRADE AND OTHER PAYABLES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current liabilities				
Trade payables and accrued operating expenses	33,050	15,781	21,081	10,210
Amounts due to related parties (trade):				
– the Manager	3,543	702	2,283	702
– the Property Manager	841	60	214	60
– the Trustee	163	101	112	101
Amount due to subsidiaries (non-trade)	–	–	10,795	1,640
Interest and loan commitment fee payable	6,100	2,548	5,308	909
Security deposits	8,332	5,936	3,564	5,928
Rent received in advance	2,175	1,862	881	1,833
Retention sums	1,812	454	1,511	454
Distribution payable to non-controlling interest	808	812	–	–
Other payables	1,406	391	107	150
	58,230	28,647	45,856	21,987
Non-current liability				
Security deposits	16,129	6,783	7,860	5,715
Total trade and other payables	74,359	35,430	53,716	27,702

The amounts due to related parties and the amount due to a subsidiary are unsecured, non–interest bearing and repayable on demand. Transactions with related parties are priced on terms agreed between the parties.

Retention sums relate to certain investment properties acquired in prior years.

The Group and the Trust's exposure to liquidity risk related to trade and other payables are disclosed in Note 26.

9. INTEREST-BEARING BORROWINGS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current liabilities				
Unsecured loans	282,569	–	282,569	–
Fixed rate notes (unsecured)	–	155,000	–	–
Loan from a subsidiary (unsecured)	–	–	–	155,000
Unamortised loan transaction costs	(648)	(105)	(648)	(105)
	281,921	154,895	281,921	154,895
Non-current liabilities				
Unsecured loans	785,000	307,000	785,000	307,000
Fixed rate notes (unsecured)	210,000	210,000	50,000	50,000
Loan from a subsidiary (unsecured)	–	–	160,000	160,000
Unamortised loan transaction costs	(8,718)	(2,104)	(8,718)	(2,104)
	986,282	514,896	986,282	514,896
Total interest-bearing borrowings	1,268,203	669,791	1,268,203	669,791

The weighted average all in cost of debt as at 31 December 2018 was 3.8% per annum (2017: 3.6% per annum).

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			‹--------- 2018 ---------›		‹---------2017---------›	
	Nominal interest rate %	Year of maturity	Face value $'000	Gross carrying amount $'000	Face value $'000	Gross carrying amount $'000
Group						
Unsecured						
Term loan facilities	SOR* + margin	2019 to 2023	725,000	716,788	125,000	123,838
Revolving credit facilities	SOR* + margin	2019 to 2021	342,569	341,870	182,000	181,752
Medium Term Notes	3.95% to 4.10%	2020 to 2023	210,000	209,545	365,000	364,201
			1,277,569	1,268,203	672,000	669,791
Trust						
Unsecured						
Term loan facilities	SOR* + margin	2019 to 2023	725,000	716,788	125,000	123,838
Revolving credit facilities	SOR* + margin	2019 to 2021	342,569	341,870	182,000	181,752
Medium Term Note	3.95%	2023	50,000	49,817	50,000	49,775
Loans from a subsidiary	3.95% to 4.10%	2020	160,000	159,728	315,000	314,426
			1,277,569	1,268,203	672,000	669,791

* Swap Offer Rate.

9. INTEREST-BEARING BORROWINGS (CONT'D)

The nominal interest rate for the S$ floating rate loans is determined by a margin plus SOR per annum.

As at the reporting date, the Group has in place unsecured borrowings comprising:

(A) Term loans and revolving credit facilities

(i) 4-year $150 million loan facility from CIMB maturing in June 2019 ("TLF1") consisting of:

- Facility A: $100 million term loan facility at a fixed rate of 3.6% per annum for 3.5 years from the date of loan drawn down; and
- Facility B: $50 million revolving credit facility at an interest rate of margin plus swap offer rate.

(ii) 4.75-year $200 million loan facility from HSBC maturing in June 2021 ("TLF2") consisting of:

- Facility A: $25 million term loan facility at an interest rate of margin plus swap offer rate for 4.75 years from the date of loan drawn down; and
- Facility B: $175 million revolving credit facility at an interest rate of margin plus swap offer rate.

(iii) loan facility of $700 million from a syndicate of four banks, UOB, HSBC, MBB and RHB ("TLF3") consisting of:

- Facility A: $160 million term loan facility maturing in October 2021 at an interest rate of margin plus swap offer rate;
- Facility B: $180 million term loan facility maturing in October 2022 at an interest rate of margin plus swap offer rate;
- Facility C: $160 million term loan facility maturing in October 2023 at an interest rate of margin plus swap offer rate; and
- Facility D: $200 million revolving credit facility maturing in October 2019 at an interest rate of margin plus swap offer rate.

(iv) 5-year $100 million loan facility from BNP maturing in October 2023 ("TLF4") consisting of $100 million term loan facility at an interest rate of margin plus swap offer rate.

As at 31 December 2018, the total amount outstanding under the term loan and revolving credit facilities were $725.0 million and $342.6 million respectively.

9. INTEREST-BEARING BORROWINGS (CONT'D)

(B) Unsecured Medium Term Notes

On 2 February 2012, ESR-REIT, through its wholly owned subsidiary, ESR-MTN Pte. Ltd. (the "Issuer"), established a $500 million multi-currency medium term note programme (the "MTN Programme"). The MTN Programme was modified and renamed as $750 million multi-currency debt issuance programme (the "Debt Issuance Programme") in March 2016 to allow the issue of medium term notes (the "Notes") and/or perpetual securities (the "Perps") by either the Trust and/or the Issuer.

Under the Debt Issuance Programme, the Trust and/or the Issuer may, subject to compliance with all relevant laws, regulations, and directives, from time to time issue the Notes/Perps denominated in Singapore dollars and/or any other currencies. The payment of all amounts payable in respect of the Notes/Perps are unconditionally and irrevocably guaranteed by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "Guarantor").

The Notes/Perps may be issued in series having one or more issue dates and the same maturity date, and on identical terms.

The Group has issued the following Notes under its Debt Issuance Programme:

- $30 million 6-year Fixed Rate Notes (the "Series 002 Notes") issued in April 2014, bearing a fixed interest rate of 4.10% per annum payable semi-annually in arrears which will mature in April 2020.
- $130 million 5-year Fixed Rate Notes (the "Series 004 Notes") issued in May 2015, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2020.
- $50 million 7-year Fixed Rate Notes (the "Series 005 Notes) issued in May 2016, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2023.

The Issuer has on-lent the net proceeds from the issuance of the Series 002 Notes and Series 004 Notes to the Trust, which in turn, had used such proceeds to finance property acquisitions and/or repayment of existing loans. The Series 005 Notes were issued directly from the Trust.

The Manager redeemed the $155 million 4-year Fixed Rate Notes (the "Series 003 Notes"), which comprised Tranche 1 $100 million issued in November 2014 and Tranche 2 $55 million issued in January 2015, in November 2018 upon maturity.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	2017 $'000	*Cash flows $'000	Acquisition of subsidiary $'000	Amortisation of loan transaction costs $'000	2018 $'000
Bank loans	305,590	190,178	561,764	1,126	1,058,658
Fixed rate notes	364,201	(155,000)	–	344	209,545
	669,791	35,178	561,764	1,470	1,268,203

* The cash flows included an upfront loan transaction cost of $8.6 million relating to new loan facilities.

10. AMOUNT DUE TO NON-CONTROLLING INTEREST

This relates to the 20% non-controlling interest in 7000 AMK LLP (converted from 7000 AMK Pte. Ltd. with effect from 1 February 2018), which has been accounted for and classified as a current liability due to the Put Option granted by ESR-REIT to HLP that provides HLP with the right to require ESR-REIT to purchase its 20% interest in 7000 AMK LLP as disclosed in Note 5.

11. AMOUNT DUE TO A SUBSIDIARY (TRUST)

The amount due to a subsidiary relates to the transfer of property at 3 Tuas South Avenue to ESR-REIT from one of its subsidiaries in the prior year.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Trust			
	2018		2017	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Interest rate swaps				
Non-current	–	(16,289)	–	–

The Group uses interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing borrowings by swapping the interest rates on such borrowings from floating rates to fixed rates.

At 31 December 2018, the Group has entered into interest rate swap contracts with a total notional amount of $855.0 million (2017: Nil) to provide fixed rate funding for a weighted average tenor of approximately 3.7 years (2017: Nil). Under these interest rate swap contracts, the Group pays interest at a weighted average fixed interest rate of 2.3% (2017: Nil) per annum and receives interest based on SOR.

13. PERPETUAL SECURITIES

In November 2017, ESR-REIT issued $150.0 million of perpetual securities. The key terms and conditions are as follows:

- the perpetual securities confer a right to receive distribution at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter;
- distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative;
- the perpetual securities constitute direct, unsecured and subordinated obligations of ESR-REIT and rank pari passu and without any preference among themselves and with any Party Obligations (as defined in the conditions of the issuance) of the issuer; and
- the perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

The perpetual securities are classified as equity instruments and recorded as equity in the Statement of Financial Position. The $151.1 million (2017: $151.1 million) presented in the Statement of Financial Position represents the carrying value of the $150.0 million perpetual securities issued and the total return attributable to the perpetual securities holders. The issue costs were deducted from the Unitholders' funds.

14. UNITS IN ISSUE

	Trust	
	2018 Number of units '000	2017 Number of units '000
Units in issue:		
At 1 January	1,313,623	1,304,434
Issue of new Units:		
– Management fees paid in units	1,449	–
– Distribution Reinvestment Plan	7,229	9,189
– Acquisition fees paid in units pursuant to the Merger	23,808	–
– Partial consideration paid in units pursuant to the Merger	1,561,214	–
– Preferential Offering	262,850	–
Total issued Units at 31 December	3,170,173	1,313,623

Distribution Reinvestment Plan

During the financial year ended 31 December 2018, the Trust issued the following new Units:

(i) 7.2 million new Units amounting to approximately $4.0 million at an issue price of $0.5577 per Unit in lieu of distribution payments pursuant to a Distribution Reinvestment Plan ("DRP"), whereby the Unitholders have the option to receive their distribution payment in units instead of cash or a combination of Units and cash.

(ii) 262.8 million new Units amounting to approximately $141.9 million at an issue price of $0.54 per Unit pursuant to preferential offering in March 2018.

(iii) 1.45 million new Units amounting to approximately $0.7 million at an issue price of $0.4999 per Unit for the partial payment of base management fee to the Manager.

(iv) 23.8 million new Units amounting to approximately $11.7 million at an issue price of $0.4919 as payment for acquisition fees to the Manager for the merger with VIT.

(v) 1,561.2 million new Units amounting to approximately $843.0 million at an issue price of $0.54 as partial consideration paid in Units pursuant to the merger with VIT.

In the previous financial year ended 31 December 2017, the Trust issued 9.2 million new Units amounting to approximately $5.2 million at issue prices ranging from $0.5568 to $0.5713 per Unit in lieu of distribution payments pursuant to the DRP.

14. UNITS IN ISSUE (CONT'D)

Unitholders' rights

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

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

The limitations on a Unitholder's rights include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his units while the units are listed on the SGX-ST.

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

15. GROSS REVENUE

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Property rental income	151,559	109,358	102,851	106,274
Other income	5,357	342	5,100	341
	156,916	109,700	107,951	106,615

16. PROPERTY EXPENSES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Land rental	8,324	8,756	8,324	8,756
Property tax	11,260	6,944	8,046	6,859
Repair and maintenance expenses	10,708	8,373	6,635	8,272
Property and lease management fees	6,683	5,433	4,932	5,379
Other property operating expenses	7,905	1,749	6,423	1,786
	44,880	31,255	34,360	31,052

17. MANAGEMENT FEES

Included in the management fees for the financial year is an aggregate of 1.45 million new Units amounting to approximately $0.7 million that was issued to the Manager for partial payment of management fees. The Manager has elected to receive its management fees in cash for FY2017.

There is no performance fee payable for the financial year as the Trust has not outperformed the initial Highest DPU Threshold of 6.000 cents for the financial year ended 31 December 2018. Please see Note 1B(b) for more details on the performance fee structure.

18. TRUST EXPENSES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Auditor's remuneration				
– audit fees	217	151	160	135
– non-audit fees	110	79	51	57
Trustee's fees	469	379	429	379
Valuation fees	129	110	122	108
Professional fees	382	803	243	772
Other expenses	584	654	598	689
	1,891	2,176	1,603	2,140

Other expenses comprise investor relations costs, compliance costs, listing fees and other non-property related expenses.

In addition to the auditor's remuneration disclosed above, the auditors were paid $373,000 for services rendered relating to the Merger.

19. BORROWING COSTS

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Borrowing costs paid and payable:				
– bank loans	12,933	5,695	12,587	5,695
– financial derivatives	90	–	90	–
– fixed rate notes	12,918	13,765	1,975	1,975
– loan from a subsidiary	–	–	10,943	11,790
Amortisation of transaction costs relating to debt facilities	1,501	979	1,501	979
	27,442	20,439	27,096	20,439

20. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2018 and 2017 is as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Reconciliation of effective tax rate				
Total (loss)/return for the year before income tax	(228,299)	1,396	53,579	1,865
Income tax using Singapore tax rate of 17% (2017: 17%)	(38,811)	237	9,108	317
Income not subject to tax	(22)	(38)	(22)	(38)
Non-tax deductible items	52,363	8,689	3,722	8,476
Tax transparency	(13,433)	(8,888)	(12,792)	(8,755)
Income tax expense	97	–*	16	–

* Less than $1,000

During the current financial year, the Trust disposed one investment property and the gains measured against the initial acquisition cost approximated $4.2 million. The Manager of the Trust has assessed this gain to be capital in nature and not subject to tax.

21. EARNINGS AND DISTRIBUTION PER UNIT

(a) Basic earnings per unit

The calculation of basic earnings per unit is based on the total return after tax and the weighted average number of units in issue for the financial year.

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Total (loss)/return before income tax	(232,465)	614	53,579	1,865
Less:				
Income tax expense	(97)	–*	(16)	–
Amount reserved for distribution to perpetual securities holders	(6,900)	(1,115)	(6,900)	(1,115)
Total (loss)/return attributable to Unitholders	(239,462)	(501)	46,663	750

* Less than $1,000

	Group and Trust Number of units	
	2018 '000	2017 '000
Weighted average number of Units:		
– Units issued at beginning of year	1,313,623	1,304,434
Effect of issue of new Units:		
– Management fees paid in units	127	–
– Distribution Reinvestment Plan	6,080	1,859
– Acquisition fees paid in units pursuant to the Merger	4,957	–
– Partial consideration paid in units pursuant to the Merger	325,075	–
– Preferential Offering	200,918	–
	1,850,780	1,306,293

	Group		Trust	
	2018	2017	2018	2017
Basic earnings per unit (cents)	(12.938)	(0.038)	2.521	0.057

21. EARNINGS AND DISTRIBUTION PER UNIT (CONT'D)

(b) Diluted earnings per unit

Diluted earnings per unit is equivalent to the basic earnings per unit as there were no dilutive instruments in issue during the current and previous financial year.

(c) Distribution per unit

The calculation of distribution per unit is based on the total amount available for distribution and the number of units entitled to distribution during the financial year.

	Group and Trust	
	2018	2017
	$'000	$'000
Total amount available for distribution	75,327	51,505
Less: Amount reserved to perpetual securities holders	(6,900)	(1,115)
Distribution from other gains	6,039	–
Amount available for distributions to Unitholders	74,466	50,390
Distribution per unit (cents)	3.857	3.853

22. EQUITY ISSUE COSTS

	Group and Trust	
	2018	2017
	$000	$000
Equity issue cost:		
– Distribution Reinvestment Plan	74	143
– Preferential offering	1,177	–
– Perpetual securities	–	1,498
	1,251	1,641

The equity issue costs are deducted directly against Unitholders' funds.

23. COMMITMENTS

(a) Operating lease commitments (as lessor)

ESR-REIT's investment properties are leased under the operating lease agreements. Non-cancellable operating lease rental receivables are as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Receivable:				
– Within 1 year	219,150	102,818	99,911	84,367
– After 1 year but within 5 years	491,427	215,360	196,499	147,250
– After 5 years	248,521	159,091	201,251	140,250
	959,098	477,269	497,661	371,867

(b) Operating lease commitments (as lessee)

ESR-REIT is required to pay annual land rent to Jurong Town Corporation ("JTC") and Ascendas Land (Singapore) Pte Ltd ("Ascendas") for 31 properties.

The annual land rent payable is based on market land rent for the relevant year and any increase in annual land rent from year to year shall not exceed 5.5% of the annual land rent for the respective properties for the immediate preceding year. The land rent paid/payable to JTC and Ascendas based on prevailing rental rates was $8.3 million (2017: $8.8 million for 33 properties).

As at 31 December 2018 and 2017, the Group have the following operating lease commitments based on the underlying land leases which range from 27 to 99 years.

	Gross amount $'000	Borne by tenants $'000	Net amount $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Group and Trust						
2018						
Land rents						
– JTC	608,500	(332,501)	275,999	7,866	31,465	236,668
– HDB	–	–	–	–	–	–
– Ascendas	20,803	–	20,803	654	2,618	17,531
	629,303	(332,501)	296,802	8,520	34,083	254,199
2017						
Land rents						
– JTC	483,501	(275,396)	208,105	5,884	23,538	178,683
– HDB	66,261	–	66,261	1,877	7,506	56,878
– Ascendas	19,897	–	19,897	607	2,427	16,863
	569,659	(275,396)	294,263	8,368	33,471	252,424

23. COMMITMENTS (CONT'D)

(c) Capital commitments

As at 31 December 2018, the Group had $4.1 million (2017: $1.3 million) of capital commitments relating to asset enhancement initiatives and capital expenditure for investment properties that had been authorised and contracted for but not provided for in the consolidated financial statements. These capital projects are targeted to be completed in 2019.

24. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Manager or the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common significant influence. Related parties may be individuals or other entities. The Manager and the Property Manager are indirect subsidiaries of a substantial Unitholder of the Trust.

Other than as disclosed elsewhere in the financial statements, there were the following significant related party transactions carried out in the normal course of business on terms agreed between the parties:

	Group	
	2018 $'000	2017 $'000
ESR Funds Management (S) Limited (the Manager)		
Management fees paid and payable		
– in cash	7,126	6,989
– in Units	2,557	–
Acquisition fees paid and payable		
– in cash	958	3,461
– in Units	11,711	–
Disposal fees paid in cash	120	287
Viva Industrial Trust Management Pte Ltd (Manager of Viva Trust)		
Management fees paid in cash	122	–
ESR Property Management (S) Pte. Ltd. (Subsidiary of immediate holding company of the Manager)		
Property manager's fees paid and payable	4,488	3,220
Lease marketing services commission paid and payable	2,139	1,137
Project management fees paid and payable	216	93
RBC Investor Services Trust Singapore Limited (the Trustee)		
Trustee fees paid and payable	429	379
Perpetual (Asia) Limited (the Sub-trust Trustee)		
Trustee fees paid and payable	41	–

25. FAIR VALUE MEASUREMENT

Valuation processes applied by the Group

The Group has an established control framework with respect to the measurement of fair values. This framework includes a real estate team that reports directly to the Chief Executive Officer of the Manager, and has an overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Manager's Board.

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to entire measurement (with Level 3 being the lowest).

The Group recognises any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no such transfers during the current and previous financial year.

25. FAIR VALUE MEASUREMENT (CONT'D)

(b) Assets and liabilities measured at fair value

The table below shows an analysis of each class of assets and liabilities of the Group and the Trust measured at fair value as at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2018				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	3,021,900	3,021,900
Financial liabilities				
Derivative financial instruments	–	(16,289)	–	(16,289)
2017				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	1,675,800	1,675,800
Financial liabilities				
Derivative financial instruments	–	–	–	–
Trust				
2018				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	1,458,200	1,458,200
Financial liabilities				
Derivative financial instruments	–	(16,289)	–	(16,289)
2017				
Non financial assets				
Investment properties (including investment property held for divestment)	–	–	1,372,800	1,372,800
Financial liabilities				
Derivative financial instruments	–	–	–	–

25. FAIR VALUE MEASUREMENT (CONT'D)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Financial Derivatives

The fair value of derivative financial instruments such as interest rate swaps (Level 2 fair values) are based on valuation statements from banks that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cashflows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(d) Level 3 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 3 of the fair value hierarchy:

Investment properties and investment properties held for divestment

Investment properties are stated at fair value based on valuations as at 31 December 2018 performed by independent professional valuers, having appropriate recognised professional qualifications and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties. Any change in the fair value is recorded in the Statement of Total Return.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date between a willing seller in an arm's length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

In determining the fair values, the valuers have used valuation methods including direct comparison method, capitalisation approach and discounted cash flows in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach capitalise an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flows method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair value of investment properties of the Group and the Trust was $3.02 billion (2017: $1.68 billion) and $1.46 billion (2017: $1.37 billion) as at 31 December 2018 respectively.

The above fair value has been classified as a Level 3 fair value based on the inputs to the valuation techniques used.

25. FAIR VALUE MEASUREMENT (CONT'D)

(d) Level 3 fair value measurements (cont'd)

The following table shows the key unobservable inputs in Level 3 fair value measurement used in the valuation model:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties and investment properties held for divestment		
Discounted cash flow approach, direct comparison and capitalisation approach	• Market rental growth ranges from 3.0% to 3.5% (2017: 3:0% to 3.5%) per annum. The outliners of the range include 81 Tuas with the lowest market rental growth of 1.6% per annum and 30 Pioneer with the highest rate of 6.15% per annum • Adjusted price (psm) of $1,075 to $1,723 (2017: $1,294 to $1,907) • Risk-adjusted discount rates of 7.50% to 8.0% (2017: 8:0%) • Capitalisation rates from 5.25% to 7.0% (2017: 5.75% to 7.0%) • Terminal yield rates from 5.50% to 7.25% (2017: 6.0% to 7.5%)	The estimated fair value would increase/(decrease) if: • expected market rental growth were higher/(lower); • the risk-adjusted discount rates were lower/(higher); • the capitalisation rates were lower/(higher); or • the terminal yield rates were lower/(higher). • the adjusted price psm were higher/(lower)

Key unobservable inputs correspond to:

- Market rental growth, adjusted price psm, capitalisation and terminal yield rates derived from specialised publications from the industrial market and recent sales in the industrial sector.

- Discount rates, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class.

The reconciliation of investment properties for the financial year for Level 3 fair value measurements is shown in Note 4.

25. FAIR VALUE MEASUREMENT (CONT'D)

(e) Assets and liabilities not measured at fair value for which fair value is disclosed

The table below shows an analysis of other non-current assets and liabilities of the Group and the Trust not measured at fair value for which fair value is disclosed:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2018				
Liabilities				
Fixed rate loan	–	–	–	–
Fixed rate notes	–	–	210,168	210,168
	–	–	210,168	210,168
2017				
Liabilities				
Fixed rate loan	–	–	100,047	100,047
Fixed rate notes	–	–	365,285	365,285
	–	–	465,332	465,332
Trust				
2018				
Liabilities				
Fixed rate loan	–	–	–	–
Fixed rate notes	–	–	160,090	160,090
Loans from a subsidiary	–	–	50,078	50,078
	–	–	210,168	210,168
2017				
Liabilities				
Fixed rate loan	–	–	100,047	100,047
Fixed rate notes	–	–	50,094	50,094
Loans from a subsidiary	–	–	315,191	315,191
	–	–	465,332	465,332

Determination of fair value for fixed rate loan and notes

The fair value of the fixed rate loan and notes are calculated based on the present value of future principal and interest cash flows, discounted at market interest rate at the reporting period.

(f) Fair value of financial instruments by classes that are not carried at fair value and whose amounts are reasonable approximation of fair value

The carrying amount of the current financial assets and liabilities of the Group and the Trust approximated their fair value due to their short-term nature. The fair value of the non-current borrowings with floating interest rate of the Group and the Trust approximate their fair value.

25. FAIR VALUE MEASUREMENT (CONT'D)

(g) Classification of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	Note	Financial assets at amortised cost $'000	Fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
Group						
2018						
Trade and other receivables*	7	10,022	–	–	10,022	10,022
Cash and cash equivalents		17,664	–	–	17,664	17,664
Loans and borrowings	9	–	–	(1,268,203)	(1,268,203)	(1,268,825)
Trade and other payables^	8	–	–	(71,581)	(71,581)	(71,581)
Derivative financial instruments		–	–	(16,289)	(16,289)	(16,289)
		27,686	–	(1,356,073)	(1,328,387)	(1,329,009)
2017						
Trade and other receivables*	7	8,288	–	–	8,288	8,288
Cash and cash equivalents		11,651	–	–	11,651	11,651
Loans and borrowings	9	–	–	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	–	–	(30,660)	(30,660)	(30,660)
Derivative financial instruments		–	–	–	–	–
		19,939	–	(700,451)	(680,512)	(675,025)
Trust						
2018						
Trade and other receivables*	7	30,368	–	–	30,368	30,368
Cash and cash equivalents		6,560	–	–	6,560	6,560
Loans and borrowings	9	–	–	(1,268,203)	(1,268,203)	(1,268,825)
Trade and other payables^	8	–	–	(53,888)	(53,888)	(53,888)
Derivative financial instruments		–	–	(16,289)	(16,289)	(16,289)
		36,928	–	(1,338,380)	(1,301,452)	(1,302,074)
2017						
Trade and other receivables*	7	6,919	–	–	6,919	6,919
Cash and cash equivalents		8,156	–	–	8,156	8,156
Loans and borrowings	9	–	–	(669,791)	(669,791)	(664,304)
Trade and other payables^	8	–	–	(23,155)	(23,155)	(23,155)
Derivative financial instruments		–	–	–	–	–
		15,075	–	(692,946)	(677,871)	(672,384)

* Excludes prepayments.
^ Excludes rent received in advance and GST payable

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to credit risk, liquidity risk and interest rate risk.

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit, Risk Management and Compliance Committee ("ARCC") oversees how management monitors compliance with the Trust's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust. The ARCC is assisted in its oversight role by Internal Audit. Internal Audit, which is outsourced to a public accounting firm, undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARCC.

The following sections provide details regarding the Group's and Trust's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

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

The Manager has established credit limits for tenants and monitors amounts receivable on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with the lessees. In addition, the Group and the Trust require the lessees to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to the Group and the Trust. For cash and cash equivalents the Group and the Trust minimise credit risk by dealing exclusively with high credit rating counterparts.

The Manager establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of expected losses in respect of trade and other receivables. The allowance was utilised during the financial year to write off the arrears of a tenant which the recovery was remote notwithstanding numerous debt recovery.

Credit risk concentration profile

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statement of Financial Position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment records with the Group. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 7 (Trade and other receivables). As at 31 December 2018 and 31 December 2017, the Group and the Trust had no other financial assets which it had determined to be impaired and there are no allowances for impairment provided for.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Trust's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities.

The Manager monitors the liquidity risk of the Group and the Trust. The Group's and the Trust's objective is to maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Trust's operations. Typically, the Group and the Trust ensures that it has sufficient cash on demand and committed revolving credit facilities to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Analysis of financial instruments by remaining contracted maturities

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Within 1 year $'000	Between 2 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
2018				
Non-derivative financial liabilities				
Term loan facilities	(119,093)	(690,811)	–	(809,904)
Revolving credit facilities	(192,289)	(168,983)	–	(361,272)
Medium Term Notes	(7,260)	(220,087)	–	(227,347)
Trade and other payables*	(55,452)	(16,129)	–	(71,581)
Amount due to non-controlling interest	(61,074)	–	–	(61,074)
	(435,168)	(1,096,010)	–	(1,531,178)
Derivative financial liabilities				
Interest rate swaps	(3,540)	(10,586)	–	(14,126)
	(438,708)	(1,106,596)	–	(1,545,304)
2017				
Non-derivative financial liabilities				
Term loan facilities	(4,070)	(128,207)	–	(132,277)
Revolving credit facilities	(4,967)	(194,846)	–	(199,813)
Medium Term Notes	(166,838)	(177,447)	(50,980)	(395,265)
Trade and other payables*	(23,877)	(6,783)	–	(30,660)
Amount due to non-controlling interest	(60,600)	–	–	(60,600)
	(260,352)	(507,283)	(50,980)	(818,615)
Derivative financial liabilities				
Interest rate swaps	–	–	–	–
	(260,352)	(507,283)	(50,980)	(818,615)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contracted maturities (cont'd)

	Within 1 year $'000	Between 2 to 5 years $'000	More than 5 years $'000	Total $'000
Trust				
2018				
Non-derivative financial liabilities				
Term loan facilities	(119,093)	(690,811)	–	(809,904)
Revolving credit facilities	(192,289)	(168,983)	–	(361,272)
Medium Term Notes	(1,688)	(56,910)	–	(58,598)
Loans from a subsidiary	(5,572)	(163,177)	–	(168,749)
Trade and other payables*	(46,028)	(7,860)	–	(53,888)
	(364,670)	(1,087,741)	–	(1,452,411)
Derivative financial liabilities				
Interest rate swaps	(3,540)	(10,586)	–	(14,126)
	(368,210)	(1,098,327)	–	(1,466,537)
2017				
Non-derivative financial liabilities				
Term loan facilities	(4,070)	(128,207)	–	(132,277)
Revolving credit facilities	(4,967)	(194,846)	–	(199,813)
Medium Term Notes	(1,688)	(7,905)	(50,980)	(60,573)
Loans from a subsidiary	(165,150)	(169,542)	–	(334,692)
Trade and other payables*	(21,824)	(5,715)	–	(27,539)
	(197,699)	(506,215)	(50,980)	(754,894)
Derivative financial liabilities				
Interest rate swaps	–	–	–	–
	(197,699)	(506,215)	(50,980)	(754,894)

* Trade and other payables exclude rent received in advance and GST payables.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk

Interest rate risk that the fair value or future cash flows of the Group's and the Trust's financial instruments will fluctuate because of changes in market interest rates.

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

As at 31 December 2018, the Manager has entered into interest rate swap contracts to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional amounts of the unsecured bank loans.

As at 31 December 2018, the Group has fixed 83.4% (2017: 69.2%) of its interest rate exposure by entering into interest rate swaps and fixed rate borrowings. The Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges after taking into account the prevailing market conditions.

Sensitivity analysis for variable rate instruments

As at 31 December 2018 and 2017, a change of 100 basis points in interest rates would have increased/(decreased) Unitholders' funds and total return by the amounts shown below:

	Total Return		Unitholders' Funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
2018				
Variable rate instruments				
Interest-bearing borrowings				
– Interest expense	(6,190)	1,939	(6,190)	1,939
2017				
Variable rate instruments				
Interest-bearing borrowings				
– Interest expense	(1,821)	1,840	(1,821)	1,840

27. CAPITAL MANAGEMENT

The Group's objective when managing capital is to optimise Unitholders' value through the mix of available capital sources which include debt, equity and other financial instruments, whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest service coverage and other ratios within approved limits.

The Group is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the CIS code. The CIS code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property. As at the reporting date, the Aggregate Leverage of the Group is 41.9%. (2017: 39.6%) which is in compliance with the Aggregate Leverage limit of 45.0%.

The Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As part of its finance policy, the Board of the Manager (the "Board") proactively reviews the Trust's capital and debt management regularly so as to optimise the Trust's funding structure to meet its investment opportunities. The Board also monitors the Group's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

28. SEGMENT REPORTING

Segment information is presented based on the information reviewed by ESR-REIT's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation.

As each investment property is mainly used for industrial (including warehousing) purposes, these investment properties are similar in terms of economic characteristics, nature of services and type of customers. The CODMs are of the view that the Group has only one reportable segment – Leasing of investment properties. This forms the basis of identifying the operating segments of ESR-REIT under *FRS 108 Operating Segments*. No geographical segment information has been prepared as all of the Group's investment properties are located in Singapore.

29. FINANCIAL RATIOS

	2018 %	2017 %
Expenses to weighted average net assets[1]	1.12	1.11
Portfolio turnover rate[2]	2.29	6.97

(1) The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of ESR-REIT, excluding property related expenses, borrowing costs and income tax expense.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of ESR-REIT expressed as a percentage of daily average net asset value.

30. SUBSEQUENT EVENT

New loan facility

On 4 March 2019, the Trust secured a $155 million unsecured term loan facility from Australia and New Zealand Banking Group Limited, Singapore Branch; CTBC Bank Co. Ltd., acting through its Singapore branch; and Standard Chartered Bank, Singapore Branch to refinance its existing borrowings.

31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 18 March 2019.

UNAUDITED FINANCIAL STATEMENTS OF ESR-REIT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The information in this Appendix IV has been extracted and reproduced from the unaudited financial statements announcement of ESR-REIT for the six months ended 30 June 2019 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE QUARTER ENDED 30 JUNE 2019

The Directors of ESR Funds Management (S) Limited ("ESR-FM"), as manager of ESR-REIT (the "Manager"), are pleased to announce the unaudited financial results of ESR-REIT and its subsidiaries (the "Group") for the second quarter ended 30 June 2019 ("2Q2019").

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

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

On 15 October 2018, ESR-REIT completed its merger with Viva Industrial Trust ("VIT") comprising Viva Industrial Real Estate Investment Trust and Viva Industrial Business Trust by way of a trust scheme of arrangement (the "Merger"). Under the Merger, ESR-REIT acquired all of VIT's issued stapled securities for S$9.60 in cash and 160 new ESR-REIT units in exchange for every 100 VIT stapled securities held by the stapled securityholders of VIT.

Following the completion of the Merger, VIT was delisted from SGX-ST. Viva Industrial Real Estate Investment Trust ceased to be an authorised collective investment scheme and became a sub-trust of ESR-REIT and was renamed as Viva Trust. Viva Industrial Business Trust, which was dormant, had been wound up in December 2018.

As at 30 June 2019, the Group has a diversified portfolio of 56 properties located across Singapore with a diversified tenant base of 328 tenants across the following sub sectors: business park, high-specs industrial, logistics/warehouse and general industrial. The portfolio has an aggregate carrying value of approximately S$3.02 billion* and a total gross floor area of approximately 14.0 million square feet.

The Group's financial results include the consolidated results of its wholly-owned subsidiaries namely, Viva Trust, ESR-MTN Pte. Ltd. ("ESR-MTN"), Cambridge SPV1 LLP ("CSPV1") and ESR-SPV2 Pte. Ltd. and an 80%-owned subsidiary, 7000 AMK LLP. The commentaries below are based on the Group's financial results unless otherwise stated.

* Includes the valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis of which ESR-REIT has 80% economic interest, and excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019.

Summary of the Group's Results

	2Q2019 S$'000	2Q2018 S$'000	Fav/ (Unfav) %	1H2019 S$'000	1H2018 S$'000	Fav/ (Unfav) %
Gross revenue	**63,760**	**32,543**	**95.9**	**128,584**	**66,151**	**94.4**
Net property income	**47,790**	**23,440**	**103.9**	**96,411**	**47,225**	**104.2**
Amount available for distribution	**32,077**	**15,849**	**102.4**	**64,039**	**29,275**	**118.7**
- Taxable income	**28,297**	**14,069**	**101.1**	**58,169**	**26,976**	**115.6**
- Tax exempt income	**-**	**-**	**n.m.**	**-**	**519**	**n.m.**
- Other gains	**3,780**	**1,780**	**112.4**	**5,870**	**1,780**	**229.8**
Distribution per unit ("DPU") (cents)	**1.004**	**1.001**	**0.3**	**2.011**	**1.848**	**8.8**

n.m. – not meaningful

Total Distribution for 2Q2019

	Advanced distribution[(1)]	Remaining distribution	Total distribution
Distribution Period	**1 April 2019 to 25 June 2019 S$'000**	**26 June 2019 to 30 June 2019 S$'000**	**2Q2019 S$'000**
Net income available for distribution	26,517	1,780	28,297
Distribution from other gains	3,572	208	3,780
Total distribution	30,089	1,988	32,077
Applicable number of units ('000)	3,185,179	3,379,353	3,195,012
DPU (cents)	0.945	0.059	1.004

(1) With reference to the Manager's announcement dated 12 July 2019 titled "Details of Advanced Distribution in connection with the Private Placement", the advanced distribution per unit for the period from 1 April 2019 to 25 June 2019 of 0.945 cents comprising taxable income component of 0.833 cents and other gains component of 0.112 cents will be paid on or around 26 July 2019.

Details of the Remaining Distribution for 2Q2019

Distribution period	**26 June 2019 to 30 June 2019**	
Distribution rate	**0.059 cents per unit comprising:**	
	(i) taxable income	**0.053 cents per unit**
	(ii) other gains	**0.006 cents per unit**
Books closure date	**31 July 2019**	
Payment date	**30 August 2019**	

The Manager has determined that the distribution reinvestment plan ("DRP") **will not apply** to the distribution for the period from 26 June 2019 to 30 June 2019.

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

Statement of Total Return

	Note	Group		
		2Q2019 S$'000	2Q2018 S$'000	Fav/ (Unfav) %
Gross revenue	(a)	**63,760**	**32,543**	**95.9**
Property manager's fees	(b)	(2,581)	(1,375)	(87.7)
Property tax		(4,492)	(2,468)	(82.0)
Land rental	(d)	-	(2,043)	n.m
Other property expenses		(8,897)	(3,217)	(176.6)
Property expenses		**(15,970)**	**(9,103)**	**(75.4)**
Net property income	(a)	**47,790**	**23,440**	**103.9**
Manager's fees	(b)	(3,736)	(2,039)	(83.2)
Trust expenses		(778)	(479)	(62.4)
Interest income		2	4	(50.0)
Borrowing costs	(c)	(13,158)	(5,206)	(152.7)
Finance costs on lease liabilities for leasehold land (FRS 116)	(d)	(2,703)	-	n.m.
Non-property expenses		**(20,373)**	**(7,720)**	**(163.9)**
Net income		**27,417**	**15,720**	**74.4**
Gain on disposal of investment property		51	-	n.m.
Change in fair value of financial derivatives	(e)	(5,161)	(1,202)	(329.4)
Change in fair value of right-of-use of leasehold land (FRS 116)	(d)	525	-	n.m.
Total return for the period before income tax and distribution		**22,832**	**14,518**	**57.3**
Less: Income tax expense		(4)	-	n.m.
Total return for the period after income tax before distribution		**22,828**	**14,518**	**57.2**
Attributable to:				
Unitholders and perpetual securities holders		21,863	13,632	60.4
Non-controlling interest		965	886	8.9
		22,828	**14,518**	**57.2**

n.m. – not meaningful

Distribution Statement

	Note	Group		
		2Q2019 S$'000	2Q2018 S$'000	Fav/ (Unfav) %
Total return for the period after income tax before distribution attributable to Unitholders and perpetual securities holders		**21,863**	**13,632**	**60.4**
Net effect of non-tax deductible/(chargeable) items and other adjustments	(f)	8,155	2,157	278.1
		30,018	15,789	90.1
Amount reserved for distribution to perpetual securities holders		(1,721)	(1,720)	(0.1)
Net income available for distribution for the period		**28,297**	**14,069**	**101.1**
Distribution from other gains	(g)	3,780	1,780	112.4
Total distribution for the period	(h)	**32,077**	**15,849**	**102.4**
DPU for the period (cents)		**1.004**	**1.001**	**0.3**

n.m. – not meaningful

Notes:

(a) The Group recorded gross revenue and net property income ("NPI") of S$63.8 million and S$47.8 million respectively in 2Q2019 and these were higher than the corresponding quarter last year by 95.9% and 103.9% respectively.

The growth in revenue and NPI was mainly attributed to the contributions from (a) the acquisition of 15 Greenwich and Viva Trust's nine properties pursuant to the Merger in October 2018; (b) the leasing up of 30 Marsiling; and (c) rental escalations from the existing property portfolio. The growth was partially offset by the lease conversion from single to multi-tenancy for certain properties.

Property expenses increased from S$9.1 million to S$16.0 million in 2Q2019, which was 75.4% higher than the corresponding quarter last year. Property expenses increased largely due to the acquisition of 15 Greenwich and Viva Trust's nine properties pursuant to the Merger in October 2018 and master lease conversions.

(b) Higher management fees for the Manager and the Property Manager in 2Q2019 were due to higher deposited property and higher rental revenue respectively, which are attributable to the Merger and new property acquisition completed in 4Q2018.

(c) Borrowing costs comprised interest expenses on loans and interest rate swaps, and amortisation of debt related transaction costs. These costs were higher in 2Q2019 due to more debts being drawn down in 4Q2018 to fund the acquisition of 15 Greenwich and the costs related to the Merger which included the funding of the cash consideration, the payment of transaction costs and the refinancing of Viva Trust's borrowings.

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

(d) The Group is required to pay land rent, whether annually or on an upfront land premium basis to JTC and Ascendas Land for properties in its portfolio. The Group adopted FRS 116 *Leases* ("FRS 116") on a modified retrospective basis on 1 January 2019 and did not adjust its comparatives for the effects arising from the adoption of the new standard.

With the adoption of FRS 116, the Group is required to recognise the land leases on the Statement of Financial Position to reflect the right to use the leasehold land and the associated obligation for the lease payments, i.e. lease liabilities. The right-of-use of leasehold land and the corresponding lease liabilities are derived by discounting the future lease payments using the Group's incremental borrowing rate for borrowings of similar amount and tenor, and with similar security.

The lease liabilities increase with the accretion of imputed interest expense computed using the effective interest rate method and decrease as lease payments are made. Fair value change on the right to use the leasehold land is recorded to ensure that the carrying values of the right-of-use of leasehold land and lease liabilities are equal at all times.

As at 30 June 2019, the Group recognised the right-of-use of leasehold land of S$226.6 million and lease liabilities of the same amount for its leases previously classified as operating land leases on the Statement of Financial Position. Such right-of-use of leasehold land and lease liabilities for leasehold land are excluded from the computation of gearing ratio as at 30 June 2019. The Group's gearing ratio as at 30 June 2019 was 39.0% (31 December 2018: 41.9%). Such right-of-use of leasehold land is also excluded from deposited property for the purpose of calculating the Manager's base fee.

In 2Q2019, the Group recognised finance cost on lease liabilities for leasehold land of S$2.7 million and change in fair value of right-of-use of leasehold land of S$0.5 million on the Statement of Total Return.

Prior to the adoption of FRS 116, lease payments made for land rent were presented as land rent expenses in arriving at the net property income on the Statement of Total Return and formed part of the Group's operating cash flows on the Statement of Cash Flows. However, with the adoption of FRS 116, such payments are now reflected as finance cost and fair value change of the right-of-use of leasehold land on the Statement of Total Return and as payments for lease liabilities under financing cash flows on the Statement of Cash Flows.

(e) The change in fair value of financial derivatives represented the change in fair value of interest rate swaps (with aggregate notional amount of S$855.0 million), entered into to hedge against interest rate fluctuations on the floating rate borrowings of the Group. This fair value change is recognised on the Statement of Total Return. It is not tax deductible and has no impact on distributable income.

(f) Non-tax deductible/(chargeable) items and other adjustments

	Group		
	2Q2019 S$'000	2Q2018 S$'000	Fav/ (Unfav) %
Non-tax deductible/(chargeable) items and other adjustments:			
Manager's fees payable in units	2,129	-	n.m.
Trustee's fees	243	105	131.4
Amortisation of transaction costs relating to debt facilities	1,505	964	56.1
Change in fair value of financial derivatives	5,161	1,202	329.4
Legal and professional fees	76	25	204.0
Adjustment for straight line rent and lease incentives	(1,096)	(313)	(250.2)
Miscellaneous expenses	188	174	8.0
	8,206	2,157	280.4
Income not subject to tax:			
Gain on disposal of investment property	(51)	-	n.m.
Net effect of non-tax deductible/(chargeable) items and other adjustments	**8,155**	**2,157**	**278.1**

(g) Distribution from other gains represented partial payout of the gains from disposal of investment properties in prior years.

(h) Total distribution for the period comprises:

	Note	Group		
		2Q2019 S$'000	2Q2018 S$'000	Fav/ (Unfav) %
Taxable income		28,297	14,069	101.1
Other gains	(1)	3,780	1,780	112.4
Total distribution for the period		32,077	15,849	102.4

Note:

(1) Other gains represented partial payout of the gains from disposal of investment properties in prior years.

The total distribution of S$32.1 million, based on units which are entitled to the distribution for the quarter, translates to a DPU of 1.004 cents for 2Q2019 which is 0.3% higher than the 2Q2018 DPU of 1.001 cents.

(i) Total distribution for 2Q2019

	Advanced distribution[1]	Remaining distribution[2]	Total distribution
Distribution Period	**1 April 2019 to 25 June 2019 S$'000**	**26 June 2019 to 30 June 2019 S$'000**	**2Q2019 S$'000**
Net income available for distribution	26,517	1,780	28,297
Distribution from other gains	3,572	208	3,780
Total distribution	30,089	1,988	32,077
Applicable number of units ('000)	3,185,179	3,379,353	3,195,012
DPU (cents)	0.945	0.059	1.004

(1) With reference to the Manager's announcement dated 12 July 2019 titled "Details of Advanced Distribution in connection with the Private Placement", the advanced distribution per unit for the period from 1 April 2019 to 25 June 2019 of 0.945 cents comprising taxable income component of 0.833 cents and other gains component of 0.112 cents will be paid on or around 26 July 2019.

(2) Please refer to Section 11(a) for further details on the remaining distribution for 2Q2019.

Statement of Total Return (1H2019 vs 1H2018)

	Note	Group		
		1H2019 S$'000	1H2018 S$'000	Fav/ (Unfav) %
Gross revenue	(a)	**128,584**	**66,151**	**94.4**
Property manager's fees	(b)	(5,233)	(2,971)	(76.1)
Property tax		(8,929)	(4,902)	(82.2)
Land rental	(d)	-	(4,084)	n.m
Other property expenses		(18,011)	(6,969)	(158.4)
Property expenses		**(32,173)**	**(18,926)**	**(70.0)**
Net property income	(a)	**96,411**	**47,225**	**104.2**
Manager's fees	(b)	(7,265)	(4,071)	(78.5)
Trust expenses		(1,450)	(1,119)	(29.6)
Interest income		8	27	(70.4)
Borrowing costs	(c)	(25,986)	(11,272)	(130.5)
Finance costs on lease liabilities for leasehold land (FRS 116)	(d)	(5,388)	-	n.m.
Non-property expenses		**(40,081)**	**(16,435)**	**(143.9)**
Net income		**56,330**	**30,790**	**82.9**
Gain on disposal of investment property		51	128	(60.2)
Change in fair value of financial derivatives	(e)	(2,930)	(1,202)	(143.8)
Change in fair value of right-of-use of leasehold land (FRS 116)	(d)	1,048	-	n.m.
Total return for the period before income tax and distribution		**54,499**	**29,716**	**83.4**
Less: Income tax expense		(18)	(81)	77.8
Total return for the period after income tax before distribution		**54,481**	**29,635**	**83.8**
Attributable to:				
Unitholders and perpetual securities holders		52,565	27,851	88.7
Non-controlling interest		1,916	1,784	7.4
		54,481	**29,635**	**83.8**

n.m. – not meaningful

Distribution Statement

	Note	Group		
		1H2019 S$'000	1H2018 S$'000	Fav/ (Unfav) %
Total return for the period after income tax before distribution attributable to Unitholders and perpetual securities holders		**52,565**	**27,851**	**88.7**
Net effect of non-tax deductible/(chargeable) items and other adjustments	(f)	9,026	3,066	194.4
		61,591	30,917	99.2
Amount reserved for distribution to perpetual securities holders		(3,422)	(3,422)	-
Net income available for distribution for the period		**58,169**	**27,495**	**111.6**
Distribution from other gains	(g)	5,870	1,780	229.8
Total distribution for the period		**64,039**	**29,275**	**118.7**
DPU for the period (cents)		**2.011**	**1.848**	**8.8**

n.m. – not meaningful

Notes:

(a) The Group recorded gross revenue and net property income ("NPI") of S$128.6 million and S$96.4 million respectively in 1H2019 and these were higher than the corresponding period last year by 94.4% and 104.2% respectively.

The growth in revenue and NPI was mainly attributed to the contributions from (a) the acquisition of 15 Greenwich and Viva Trust's nine properties pursuant to the Merger in October 2018; (b) the leasing up of 30 Marsiling; and (c) rental escalations from the existing property portfolio. The growth was partially offset by the lease conversion from single to multi-tenancy for certain properties.

Property expenses increased from S$18.9 million to S$32.2 million in 1H2019, which was 70.0% higher than the corresponding period last year. Property expenses increased largely due to the acquisition of 15 Greenwich and Viva Trust's nine properties pursuant to the Merger in October 2018 and master lease conversions.

(b) Higher management fees for the Manager and the Property Manager in 1H2019 were due to higher deposited property and higher rental revenue respectively, which are attributable to the Merger and new property acquisition completed in 4Q2018.

(c) Borrowing costs comprised interest expenses on loans and interest rate swaps, and amortisation of debt related transaction costs. These costs were higher in 1H2019 due to more debts being drawn down in 4Q2018 to fund the acquisition of 15 Greenwich and the costs related to the Merger which included the funding of the cash consideration, the payment of transaction costs and the refinancing of Viva Trust's borrowings.

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

(d) Following the adoption of FRS 116, the Group recognised finance cost on lease liabilities for leasehold land of S$5.4 million and change in fair value of right-of-use of leasehold land of S$1.0 million on the Statement of Total Return for 1H2019.

Prior to the adoption of FRS 116, lease payments made for land rent were presented as land rent expenses in arriving at the net property income on the Statement of Total Return and formed part of the Group's operating cash flows on the Statement of Cash Flows. However, with the adoption of FRS 116, such payments are now reflected as finance cost and fair value change of the right-of-use of leasehold land on the Statement of Total Return and as payments for lease liabilities under financing cash flows on the Statement of Cash Flows.

(e) The change in fair value of financial derivatives represented the change in fair value of interest rate swaps (with aggregate notional amount of S$855.0 million), entered into to hedge against interest rate fluctuations on the floating rate borrowings of the Group. This fair value change is recognised on the Statement of Total Return. It is not tax deductible and has no impact on distributable income.

(f) Non-tax deductible/(chargeable) items and other adjustments

	Group		
	1H2019 S$'000	1H2018 S$'000	Fav/ (Unfav) %
Non-tax deductible/(chargeable) items and other adjustments:			
Manager's fees paid/payable in units	3,435	-	n.m.
Property Manager's fees payable in units	819	-	n.m.
Trustee's fees	463	209	121.5
Amortisation of transaction costs relating to debt facilities	2,908	1,436	102.5
Change in fair value of financial derivatives	2,930	1,202	143.8
Legal and professional fees	155	313	(50.5)
Adjustment for straight line rent and lease incentives	(1,788)	(792)	(125.8)
Miscellaneous expenses	364	307	18.6
Tax exempt income	-	519	n.m.
Rollover adjustment from prior years	(209)	-	n.m.
	9,077	3,194	184.2
Income not subject to tax:			
Gain on disposal of investment property	(51)	(128)	60.2
Net effect of non-tax deductible/(chargeable) items and other adjustments	**9,026**	**3,066**	**194.4**

(g) Distribution from other gains represented the following:

- S$0.3 million of the ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years; and

- S$5.6 million of the gains from disposal of investment properties in prior years.

(h) Total distribution for the period comprises:

	Note	Group		
		1H2019 S$'000	1H2018 S$'000	Fav/ (Unfav) %
Taxable income		58,169	26,976	115.6
Tax-exempt income	(1)	-	519	n.m.
Other gains	(2)	5,870	1,780	229.8
Total distribution for the period		64,039	29,275	118.7

Notes:

(1) Tax exempt income related to share of profits from 7000 AMK Pte. Ltd. prior to its conversion to limited liability partnership with effect from 1 February 2018.

(2) Other gains represented partial payout of (a) gains from disposal of investment properties in prior years; and (b) ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.

(i) The total distribution of S$64.0 million, based on units which are entitled to the distribution for the period, translated to a DPU of 2.011 cents for 1H2019 which is 8.8% higher than the 1H2018 DPU of 1.848 cents.

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

	Note	Group		Trust	
		30-06-19 S$'000	31-12-18 S$'000	30-06-19 S$'000	31-12-18 S$'000
Assets					
Non-current assets					
Investment properties	(a)	3,022,086	3,016,200	1,457,092	1,452,500
Right-of-use of leasehold land (FRS 116)	(b)	226,633	-	169,926	-
Subsidiaries	(c)	-	-	1,786,242	1,786,242
Joint venture	(d)	-*	-	-*	-
		3,248,719	3,016,200	3,413,260	3,238,742
Current assets					
Investment property held for divestment	(a)	-	5,700	-	5,700
Trade and other receivables	(e)	13,722	11,144	35,231	30,535
Cash and cash equivalents	(f)	24,672	17,664	11,193	6,560
		38,394	34,508	46,424	42,795
Total assets		**3,287,113**	**3,050,708**	**3,459,684**	**3,281,537**
Liabilities					
Current liabilities					
Trade and other payables	(g)	80,116	58,230	66,873	45,856
Lease liabilities for leasehold land (FRS 116)	(b)	2,530	-	2,530	-
Interest-bearing borrowings	(h)	178,152	281,921	178,152	281,921
Amount due to non-controlling interest	(i)	61,074	61,074	-	-
		321,872	401,225	247,555	327,777
Non-current liabilities					
Trade and other payables	(g)	19,924	16,129	11,262	7,860
Amount due to a subsidiary	(j)	-	-	40,247	40,247
Lease liabilities for leasehold land (FRS 116)	(b)	224,103	-	167,396	-
Interest-bearing borrowings	(h)	1,004,718	986,282	1,004,718	986,282
Derivative financial instruments	(k)	19,708	16,289	19,708	16,289
		1,268,453	1,018,700	1,243,331	1,050,678
Total liabilities		**1,590,325**	**1,419,925**	**1,490,886**	**1,378,455**
Net assets		**1,696,788**	**1,630,783**	**1,968,798**	**1,903,082**
Represented by:					
Unitholders' funds	(l)	1,545,673	1,479,668	1,817,683	1,751,967
Perpetual securities holders' funds	(m)	151,115	151,115	151,115	151,115
		1,696,788	**1,630,783**	**1,968,798**	**1,903,082**

*Denotes an amount of S$1

Notes:

(a) As at 30 June 2019, the total carrying value of investment properties was S$3.02 billion. Investment properties increased by S$0.2 million mainly due to capital expenditure and asset enhancement costs incurred for certain properties, partially offset by the divestment of 31 Kian Teck Way which was completed on 28 June 2019.

(b) Please refer to note (d) under Section 1(a) for more details on the adoption of FRS 116 with effect from 1 January 2019.

(c) At the Trust level, subsidiaries comprise the cost of investments in subsidiaries of S$1.17 billion and interest-bearing loans to subsidiaries of S$612.3 million.

(d) On 17 June 2019, ESR-REIT entered into a joint venture with Poh Tiong Choon Logistics Limited ("PTC") through a limited liability partnership in Singapore known as PTC Logistics Hub LLP (the "JV") in which ESR-REIT holds 49% interest. On the same day, the JV entered into a put and call option agreement with PTC for the acquisition of a property located at 48 Pandan Road, Singapore 609289 ("48 Pandan Road") from PTC at a purchase consideration of S$225.0 million. Upon completion of the JV's acquisition of 48 Pandan Road, the said property will be leased back by the JV (as landlord) to PTC (as tenant) for a term of ten years with fixed annual rental escalations. As at 30 June 2019, ESR-REIT and PTC have each made an initial capital contribution to the JV of S$1 in cash. Please refer to the announcement made by the Manager on 17 June 2019 titled "Entry into Joint Venture and Acquisition of 48 Pandan Road, Singapore 609289" for further details on the above.

(e) Trade and other receivables increased by S$2.6 million mainly due to increase in trade receivables, prepayments for property expenses and deposits.

(f) Cash and cash equivalents increased mainly due to the proceeds from the divestment of 31 Kian Teck Way, which was completed on 28 June 2019.

(g) Trade and other payables increased by S$25.7 million mainly due to the advanced distribution for the period from 1 April 2019 to 25 June 2019 of S$30.1 million payable to Unitholders, partially offset by the settlement of professional fees related to the Merger.

(h) Interest-bearing borrowings decreased by S$85.3 million mainly due to the partial repayment of an outstanding revolving credit facility. On 26 June 2019, ESR-REIT raised gross proceeds of approximately S$100.0 million via a private placement of 194,174,000 new units at an issue price of S$0.515 per unit. Pending the deployment of such proceeds to fund the acquisition of 49% interest in 48 Pandan Road and the proposed asset enhancement initiatives ("AEI") at 7000 Ang Mo Kio Avenue 5 and UE BizHub EAST, the Manager utilised all of the proceeds to partially repay an outstanding revolving credit facility.

(i) The amount due to non-controlling interest represents 20% interest in 7000 AMK LLP that is not owned by the Group.

(j) The amount relates to the transfer of property at 3 Tuas South Avenue to the Trust from CSPV1 in 3Q2017.

(k) Derivative financial instruments (with aggregate notional amount of S$855.0 million) represent the fair value of interest rate swaps entered into to hedge against interest rate fluctuations on the Group's floating rate borrowings.

(l) Please refer to Section 1(d)(i) for the movements in Unitholders' funds during 2Q2019 and 1H2019.

(m) ESR-REIT has issued S$150 million of subordinated perpetual securities ("Perps") under Series 006 of its S$750 million Multicurrency Debt Issuance Programme ("Series 006 PS"). The Perps confer a right to receive distribution at a rate of 4.60% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every 5 years thereafter. The distribution will be payable semi-annually in arrears on a discretionary basis and will be non-cumulative in accordance with the terms and conditions of the Perps. Distribution to Unitholders can only be made if distribution to Perps holders has been made.

The Series 006 PS may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance. The Series 006 PS is classified as equity instruments and recorded as equity in the financial statements.

(n) As at 30 June 2019, the Group's current liabilities exceeded its current assets by S$283.5 million (31 December 2018: S$366.7 million) mainly due to the classification of interest-bearing borrowings of S$178.2 million as current liabilities as they are repayable within one year from 30 June 2019. Such interest-bearing borrowings can be refinanced by (i) drawing down the Group's unutilised committed revolving credit facilities of S$140 million; and (ii) issuing new MTN/perpetual securities under the Group's S$750 million Multicurrency Debt Issuance Programme which has an undrawn balance of S$390 million. As such, the Manager is of the view that the Group will be able to meet its obligations as and when they fall due.

1(b)(ii) Aggregate amount of borrowings

	Group and Trust	
	30-06-19 S$'000	**31-12-18 S$'000**
Unsecured borrowings		
Amount payable within one year	178,569	282,569
Less: Unamortised debt transaction costs	(417)	(648)
	178,152	281,921
Amount payable after one year	1,015,000	995,000
Less: Unamortised debt transaction costs	(10,282)	(8,718)
	1,004,718	986,282
Total borrowings	**1,182,870**	**1,268,203**

Details of borrowings and collateral:

(a) Unsecured borrowings

The unsecured borrowings of the Group comprise:

(i) the following notes issued under its S$750 million Multicurrency Debt Issuance Programme:

- S$30 million six-year Singapore Dollar MTN in series 002 (the "Series 002 Notes") issued in April 2014 and maturing in April 2020. The Series 002 Notes have a fixed interest rate of 4.10% per annum payable semi-annually in arrears;

- S$130 million five-year Singapore Dollar MTN in series 004 (the "Series 004 Notes") issued in May 2015 and maturing in May 2020. The Series 004 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears; and

- S$50 million seven-year Singapore Dollar MTN in series 005 (the "Series 005 Notes") issued in May 2016 and maturing in May 2023. The Series 005 Notes have a fixed interest rate of 3.95% per annum payable semi-annually in arrears.

(ii) Unsecured S$150 million loan facility from CIMB ("TLF1") consisting of:

- Facility A: S$100 million term loan facility maturing in May 2024 at an interest margin plus swap offer rate; and

- Facility B: S$50 million revolving credit facility maturing in May 2022 at an interest margin plus swap offer rate.

A total of S$125 million was drawn down on the TLF1 as at 30 June 2019.

(iii) 4.75-year unsecured S$200 million loan facility maturing in June 2021 from HSBC ("TLF2") consisting of:

- Facility A: S$25 million term loan facility at an interest margin plus swap offer rate, for 4.75 years from the date of draw down; and

- Facility B: S$175 million revolving credit facility at an interest margin plus swap offer rate.

A total of S$85 million was drawn down on the TLF2 as at 30 June 2019.

(iv) Unsecured S$700 million loan facility from a syndicate of four banks, UOB, HSBC, MBB and RHB ("TLF3") consisting of:

- Facility A: S$160 million term loan facility maturing in October 2021 at an interest margin plus swap offer rate;
- Facility B: S$180 million term loan facility maturing in October 2022 at an interest margin plus swap offer rate;
- Facility C: S$160 million term loan facility maturing in October 2023 at an interest margin plus swap offer rate; and
- Facility D: S$200 million revolving credit facility maturing in October 2019 at an interest margin plus swap offer rate, of which S$181.4 million had been cancelled.

A total of S$518.6 million was drawn down on the TLF3 as at 30 June 2019.

(v) 5-year unsecured S$100 million term loan facility maturing in October 2023 from BNP ("TLF4") at an interest margin plus swap offer rate. TLF4 was fully drawn down as at 30 June 2019.

(vi) Unsecured S$155 million club loan facility from three banks comprising ANZ Singapore Branch, CTBC Bank Singapore Branch, and SCB Singapore Branch ("TLF5") consisting of:

- Facility A: S$75 million term loan facility maturing in March 2022 at an interest margin plus swap offer rate; and
- Facility B: S$80 million term loan facility maturing in March 2023 at an interest margin plus swap offer rate.

TLF5 was fully drawn down as at 30 June 2019.

(b) Unencumbered investment properties

As at 30 June 2019, the Group has 56 unencumbered investment properties with an aggregate carrying value of approximately S$3.02 billion*, representing 100% of the investment properties by value.

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

1 (c) Statements of Cash Flows

	Group			
	2Q2019 S$'000	2Q2018 S$'000	1H2019 S$'000	1H2018 S$'000
Cash flows from operating activities				
Total return for the period before income tax and distribution	22,832	14,518	54,499	29,716
Adjustments for:				
Interest income	(2)	(4)	(8)	(27)
Borrowing costs	13,158	5,206	25,986	11,272
Finance costs on lease liabilities for leasehold land (FRS 116)	2,703	-	5,388	-
Manager's fees paid/payable in units	2,129	-	3,435	-
Property Manager's fees paid/payable in units	-	-	819	-
Gain on disposal of investment property	(51)	-	(51)	(128)
Change in fair value of financial derivatives	5,161	1,202	2,930	1,202
Change in fair value of right-of-use of leasehold land (FRS 116)	(525)	-	(1,048)	-
Operating income before working capital changes	**45,405**	**20,922**	**91,950**	**42,035**
Changes in working capital				
Trade and other receivables	(1,269)	(2,671)	(2,331)	(7,749)
Trade and other payables	2,881	1,402	(1,699)	2,279
Cash generated from operating activities	**47,017**	**19,653**	**87,920**	**36,565**
Income tax paid	(397)	-	(397)	(744)
Net cash generated from operating activities	**46,620**	**19,653**	**87,523**	**35,821**
Cash flows from investing activities				
Net cash outflow on purchase of investment properties	-	(122)	-	(1,285)
Capital expenditure on investment properties	(3,664)	(1,548)	(12,018)	(2,580)
Proceeds from disposal of investment properties	5,797	-	5,797	23,900
Payment for divestment costs	-	(27)	-	(194)
Interest received	2	4	8	27
Net cash generated from/(used in) investing activities	**2,135**	**(1,693)**	**(6,213)**	**19,868**
Cash flows from financing activities				
Proceeds from issuance of new units	100,000	-	100,000	141,939
Issue costs for perpetual securities paid	-	-	-	(271)
Equity issue costs paid	-	(1,046)	-	(1,151)
Borrowing costs paid	(16,186)	(8,204)	(26,737)	(10,938)
Proceeds from borrowings	295,000	17,000	318,000	17,000
Repayment of borrowings	(381,000)	(6,000)	(402,000)	(176,000)
Payment for lease liabilities for leasehold land (FRS 116)	(2,178)	-	(4,340)	-
Distributions paid to Unitholders	(27,383)	(13,414)	(54,044)	(21,587)
Distributions paid to perpetual securities holders	(3,422)	(3,421)	(3,422)	(3,421)
Distribution to non-controlling interest	(951)	-	(1,759)	(182)
Net cash used in financing activities	**(36,120)**	**(15,085)**	**(74,302)**	**(54,611)**
Net increase in cash and cash equivalents	**12,635**	**2,875**	**7,008**	**1,078**
Cash and cash equivalents at beginning of the period	**12,037**	**9,854**	**17,664**	**11,651**
Cash and cash equivalents at end of the period	**24,672**	**12,729**	**24,672**	**12,729**

1(d)(i) Statements of Movements in Unitholders' funds

	Group		Trust	
	2Q2019 S$'000	2Q2018 S$'000	2Q2019 S$'000	2Q2018 S$'000
Unitholders' Funds				
Balance at beginning of period	**1,483,840**	**924,098**	**1,755,937**	**910,231**
Operations				
Total return for the period attributable to Unitholders and perpetual securities holders	21,863	13,632	21,776	13,674
Amount reserved for distribution to perpetual securities holders	(1,721)	(1,720)	(1,721)	(1,720)
Net increase in net assets resulting from operations	**20,142**	**11,912**	**20,055**	**11,954**
Unitholders' transactions				
Issuance of new units pursuant to:				
- Management fees paid in units	1,306	-	1,306	-
- Distribution Reinvestment Plan	4,578	-	4,578	-
- Private Placement	100,000	-	100,000	-
Equity costs pursuant to:				
- Distribution Reinvestment Plan	(81)	-	(81)	-
- Private Placement	(2,062)	-	(2,062)	-
- Preferential Offering	-	(177)	-	(177)
Distributions paid to Unitholders	(31,961)	(13,414)	(31,961)	(13,414)
Advanced distribution payable to Unitholders	(30,089)	-	(30,089)	-
Net increase/(decrease) in net assets resulting from Unitholders' transactions	**41,691**	**(13,591)**	**41,691**	**(13,591)**
Balance at end of period	**1,545,673**	**922,419**	**1,817,683**	**908,594**
Perpetual Securities Holders' Funds				
Balance at beginning of period	**152,816**	**152,816**	**152,816**	**152,816**
Amount reserved for distribution to perpetual securities holders	1,721	1,720	1,721	1,720
Distribution to perpetual securities holders	(3,422)	(3,421)	(3,422)	(3,421)
Balance at end of period	**151,115**	**151,115**	**151,115**	**151,115**
Total	**1,696,788**	**1,073,534**	**1,968,798**	**1,059,709**

Statements of Movements in Unitholders' funds (1H2019 vs 1H2018)

	Group		Trust	
	1H2019 S$'000	1H2018 S$'000	1H2019 S$'000	1H2018 S$'000
Unitholders' Funds				
Balance at beginning of period	**1,479,668**	**778,889**	**1,751,967**	**765,063**
Operations				
Total return for the period attributable to Unitholders and perpetual securities holders	52,565	27,851	52,276	27,852
Amount reserved for distribution to perpetual securities holders	(3,422)	(3,422)	(3,422)	(3,422)
Net increase in net assets resulting from operations	**49,143**	**24,429**	**48,854**	**24,430**
Unitholders' transactions				
Issuance of new units pursuant to:				
- Management fees paid in units	3,138	-	3,138	-
- Distribution Reinvestment Plan	4,578	4,031	4,578	4,031
- Private Placement	100,000	-	100,000	-
- Preferential Offering	-	141,939	-	141,939
Equity costs pursuant to:				
- Distribution Reinvestment Plan	(81)	(74)	(81)	(74)
- Private Placement	(2,062)	-	(2,062)	-
- Preferential Offering	-	(1,177)	-	(1,177)
Distributions paid to Unitholders	(58,622)	(25,618)	(58,622)	(25,618)
Advanced distribution payable to Unitholders	(30,089)	-	(30,089)	-
Net increase in net assets resulting from Unitholders' transactions	**16,862**	**119,101**	**16,862**	**119,101**
Balance at end of period	**1,545,673**	**922,419**	**1,817,683**	**908,594**
Perpetual Securities Holders' Funds				
Balance at beginning of period	**151,115**	**151,115**	**151,115**	**151,115**
Amount reserved for distribution to perpetual securities holders	3,422	3,421	3,422	3,421
Distribution to perpetual securities holders	(3,422)	(3,421)	(3,422)	(3,421)
Balance at end of period	**151,115**	**151,115**	**151,115**	**151,115**
Total	**1,696,788**	**1,073,534**	**1,968,798**	**1,059,709**

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

	Note	Trust			
		2Q2019 Units	2Q2018 Units	1H2019 Units	1H2018 Units
Issued units at beginning of the period		**3,170,172,725**	**1,583,701,947**	**3,170,172,725**	**1,313,623,314**
Issuance of new units pursuant to:					
- Management fees paid in units		6,069,885	-	6,069,885	-
- Distribution Reinvestment Plan		8,936,833	-	8,936,833	7,229,019
- Private Placement	(1)	194,174,000	-	194,174,000	-
- Preferential offering		-	-	-	262,849,614
Issued units at end of the period		**3,379,353,443**	**1,583,701,947**	**3,379,353,443**	**1,583,701,947**

Note:

(1) The new units were issued on 26 June 2019 at an issue price of S$0.515 per unit.

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

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

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

Not applicable.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period, which are consistent with those described in the audited financial statements for the financial year ended 31 December 2018, except that in the current financial period, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2019.

Other than the adoption of FRS 116 *Leases* with effect from 1 January 2019, the adoption of these standards did not have any material effect on the financial statements of the Group. Please refer to note (d) under Section 1(a) for more details on the effects of the adoption of FRS 116 *Leases*.

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

Please refer to item 4 above.

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

		Group			
	Note	2Q2019	2Q2018	1H2019	1H2018
EPU					
Total return after income tax before distribution for the period (S$'000)		20,142	11,912	49,143	24,429
Weighted average number of units ('000)		3,187,889	1,583,702	3,179,080	1,456,496
Basic and diluted EPU (cents)	(a)	0.632	0.752	1.546	1.677
DPU					
Total amount available for distribution for the period (S$'000)		32,077	15,849	64,039	29,275
Applicable number of units for calculation of DPU ('000)		3,195,012	1,583,702	3,184,436	1,583,702
DPU (cents)	(b)	1.004	1.001	2.011	1.848

Notes:

(a) The basic EPU was calculated using total return after income tax before distribution for the period and the weighted average number of units in issue during the period. The basic and diluted EPU were the same as there were no dilutive instruments in issue during the period.

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

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

	Note	Group		Trust	
		30-06-19	31-12-18	30-06-19	31-12-18
NAV per unit (cents)	(a)	**45.7**	**46.7**	**53.8**	**55.3**

Note:

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

The decrease in NAV per unit was mainly due to the advanced distribution for the period from 1 April 2019 to 25 June 2019 of S$30.1 million payable to Unitholders as at 30 June 2019. Excluding the advanced distribution payable to Unitholders, the NAV per unit of the Group would have been 46.6 cents as at 30 June 2019.

8 Review of the performance

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

9 Review of the performance against Forecast/Prospect Statement

The Group has not disclosed any forecast to the market.

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

(a) Market Outlook

Based on advanced estimates released on 12 July 2019 by the Ministry of Trade and Industry ("MTI"), Singapore's GDP grew by 0.1% on a year-on-year basis in 2Q2019, lower than the 1.1% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 3.4% reversing the 3.8% growth in the preceding quarter. All three sectors of services, construction and manufacturing saw a reduction. The lackluster performance could further cut Singapore's full year economic forecast which was expected at "1.5% to 2.5%" in May 2019.

Singapore Purchasing Managers' Index ("PMI") for June 2019 declined further by 0.3 points from the previous month to 49.6. This is the second contraction for Singapore manufacturing PMI after recording 32 months of consecutive expansion. The weaker manufacturing activity was driven by first-time contractions in the key indicators of new orders, factory output, inventory and employment level. New exports and imports slowed, though remaining in growth territory. However, the sub-indices for finished goods, input prices and supplier deliveries all saw faster expansion. The order backlog index also improved despite contracting for the ninth straight month.

The economic outlook for 2019 is expected to ease from 2018's level of economic expansion across the major advanced and regional economies. This is due to the impact of the ongoing trade tensions between US and its key trading partners, especially China which has a profound impact on global supply chains. In addition, the weakening of global economic outlook could lead to pullback of investment and consumption growth. Notwithstanding the interest rate hikes, trade and geopolitical tensions leading to slowdown in the global and Singapore economies, the market outlook could improve if the trade tension between US and China can be resolved soon.

According to JTC's market report for 1Q2019, the occupancy rate of the overall industrial property market remained unchanged as compared to the previous quarter. Prices and rental of industrial space remained relatively stable. Price index fell marginally by 0.1% while rental index was flat as compared to the previous quarter. However, rental index fell by 0.2% while price index remained unchanged compared to a year ago.

In 2019, another 1.2 million sqm of industrial space is expected to come on-stream, which is about 3% of the current industrial stock. As a comparison, the average annual supply and demand of industrial space were around 1.4 million sqm and 1.1 million sqm respectively in the past 3 years. As global manufacturing slowdown and rising trade tensions have lowered Singapore's growth outlook, the Singapore Government has reduced industrial land supply under the Industrial Government Land Sales programme for the second half of 2019. Four sites in the confirmed list and six sites in the reserve list will be released, comprising 9.98 ha of the total supply for the second half of 2019, the lowest since the last peak in the first half of 2013.

During 2Q2019, the Manager secured new leases and renewed existing leases totaling approximately 327,700 sqft across the various sub-sectors. All master leases expiring in 2019 have been renewed except for one expiring in 4Q2019 for which the asset has been identified for divestment.

The Manager expects the industrial leasing market to remain very competitive due to uncertainties surrounding the on-going global trade tensions resulting in risk-averse behavior amongst industrialists on the demand side in the short to medium term. The Manager will continue to focus on its marketing and leasing efforts so as to improve portfolio occupancy and rentals while identifying new emerging industrialists, and continue to rejuvenate and reposition certain assets in order to ensure that its portfolio remains "future-ready".

(b) Preferential Offering

On 17 June 2019, the Manager launched an equity fund raising exercise to raise gross proceeds of up to S$150 million comprising a Private Placement and a non-renounceable Preferential Offering of new units to fund the acquisition of 49% interest in 48 Pandan Road and the proposed AEIs at 7000 Ang Mo Kio Avenue 5 ("7000 AMK") and UE BizHub EAST; and repay existing debt. On 26 June 2019, the Manager completed a Private Placement of 194,174,000 new units at an issue price of S$0.515 per unit to raise gross proceeds of approximately S$100.0 million. As gross proceeds of approximately S$100 million have been raised from the Private Placement, the gross proceeds to be raised from the Preferential Offering will not exceed S$50 million.

To demonstrate its support and commitment for ESR-REIT and the equity fund raising exercise, as well as alignment of interests with Unitholders, the Sponsor, ESR Cayman Limited, will provide an undertaking to the Manager to subscribe for new units under the Preferential Offering for up to S$50 million.

The Manager will be issuing a Circular to Unitholders in due course, setting out the details of, and other relevant information in relation to, the Preferential Offering.

(c) Acquisition of 49% interest in 48 Pandan Road

As disclosed in note (d) under Section 1(b)(i), ESR-REIT has entered into a joint venture with PTC through a limited liability partnership in Singapore in which ESR-REIT holds 49% interest. The JV has entered into a put and call option agreement with PTC for the acquisition of 48 Pandan Road from PTC at a purchase consideration of S$225.0 million. Upon completion of the JV's acquisition of 48 Pandan Road, the said property will be leased back by the JV (as landlord) to PTC (as tenant) for a term of ten years with fixed annual rental escalations. The above transactions are expected to be completed in 3Q2019.

(d) Proposed AEIs at 7000 AMK and UE BizHub EAST

The Manager has announced plans to conduct AEIs on two existing properties within the portfolio, which include utilising untapped plot ratio to develop a modern high-specification industrial facility on the site of 7000 AMK and rejuvenation works at UE BizHub EAST.

The development of a new building at 7000 AMK will increase its plot ratio from 1.7 to 2.1, with c.270,000 sqft of brand new high-specification industrial gross floor area. Subject to regulatory approvals, the proposed AEI is expected to commence in 4Q2019 and targeted to complete in 18 to 24 months.

UE BizHub EAST will be undergoing AEI to enhance its work-live-play offerings to offer a city-lifestyle experience to attract surrounding working professionals and quality tenants. The proposed scope of works includes improving the accessibility of the property with an extended drop-off area, a reconfiguration of the access lobbies and internal food street. The façade of the property will be given a facelift for a sleek and contemporary look. The proposed AEI is expected to commence in 4Q2019 and targeted to complete in 4Q2020.

The proposed AEIs are projected to cost approximately S$45.7 million. Both properties are expected to be fully operational with limited downtime expected during the course of the AEI works.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period:	Yes
Name of distribution:	**55th** distribution for the period from 26 June 2019 to 30 June 2019 (Note: Distribution for the period from 1 April 2019 to 25 June 2019 of 0.945 cents per unit will be paid on or around 26 July 2019)
Distribution Type:	Taxable income/Other gains
Distribution Rate:	0.059 cents per unit comprising: (a) Taxable income 0.053 cents per unit (b) Other gains 0.006 cents per unit
Par value of units:	Not meaningful
Tax Rate:	Taxable income distribution The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets). Other gains distribution The distribution from other gains is not a taxable distribution to the Unitholders.
Books closure date:	31 July 2019
Date payable:	30 August 2019

The Manager has determined that the DRP **will not apply** to the distribution for the period from 26 June 2019 to 30 June 2019.

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period:	Yes
Name of distribution:	**50th** distribution for the period from 1 April 2018 to 30 June 2018
Distribution Type:	Taxable income/Other gains
Distribution Rate:	1.001 cents per unit comprising: (a) Taxable income 0.888 cents per unit (b) Other gains 0.113 cents per unit
Par value of units:	Not meaningful
Tax Rate:	Taxable income distribution The distribution is made out of ESR-REIT's taxable income. Unitholders receiving distributions will be subject to Singapore income tax on the distributions received except for individuals where the distribution is exempt from tax (unless they hold their units through partnership or as trading assets). Other gains distribution The distribution from other gains is not a taxable distribution to the Unitholders.

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

Not applicable.

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

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

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

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

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

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

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

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

BY ORDER OF THE BOARD

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

Adrian Chui
Chief Executive Officer and Executive Director
22 July 2019