



A STRONG START A VIBRANT IMPACT



ANNUAL REPORT 2014

VISION

SPH REIT aims to be a premier retail real estate investment trust in Singapore and Asia Pacific, with a portfolio of quality income-producing retail properties.

MISSION

To be the landlord of choice for our tenants and shoppers and be committed in our delivery of quality products and services.

To provide Unitholders of SPH REIT with regular and stable distributions, and sustainable long-term growth in distribution per unit and net asset value per unit, while maintaining an appropriate capital structure.

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CORPORATE PROFILE

SPH REIT is a Singapore-based Real Estate Investment Trust (“REIT”) established principally to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia-Pacific, as well as real estate-related assets.

SPH REIT was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 24 July 2013 and is sponsored by Singapore Press Holdings Limited (“SPHL” or the “Sponsor”), Asia’s leading media organisation, with publications across multiple languages and platforms.

As at 31 August 2014, SPH REIT comprises two high quality and well located commercial properties in Singapore totalling 900,300 sq ft Net Lettable Area (“NLA”) with an aggregate appraised value of S\$3.16 billion. The portfolio consists of:

- ▶ **Paragon**, a premier upscale retail mall and medical suite/office property located in the heart of Orchard Road, Singapore’s most famous shopping and tourist precinct. Paragon consists of a six-storey retail podium and one basement level with 484,840 sq ft of retail NLA (“Paragon Mall”) with a 14-storey tower and another three-storey tower sitting on top of the retail podium with a total 223,000 sq ft of medical suite/office NLA (“Paragon Medical”); and
- ▶ **The Clementi Mall**, a mid-market suburban mall located in the centre of Clementi town, an established residential estate in the west of Singapore. The retail mall, which also houses a public library, is part of an integrated mixed-use development that includes Housing & Development Board (“HDB”) residential blocks and a bus interchange. The property is connected to the Clementi Mass Rapid Transit (“MRT”) station. The Clementi Mall consists of a five-storey retail podium and one basement level with approximately 192,460 sq ft of retail NLA.

SPH REIT is managed by SPH REIT Management Pte. Ltd. (the “Manager”), a wholly-owned subsidiary of SPHL.

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Proxy Form

Corporate Directory

FOR THE FINANCIAL PERIOD FROM 24 JULY 2013 (LISTING DATE) TO 31 AUGUST 2014 ("FP2014")

	Actual ⁽¹⁾ 2014 S\$'000	Pro forma ⁽²⁾ 2013 S\$'000	Change %	Forecast ⁽³⁾ 2014 S\$'000	Change %
Gross Revenue	222,921	216,850	2.8	221,977	0.4
Net Property Income	165,910	158,997	4.3	161,599	2.7
Total Amount Distributable to Unitholders	150,345	142,726	5.3	144,484	4.1
Distribution per Unit (cents)	5.99	5.71	4.9	5.77	3.8

	As at 31 August 2014 S\$'000
Total Assets	3,269,033
Total Liabilities	915,967
Borrowing	843,125
Net Assets Attributable to Unitholders	2,353,066
Number of Units in Issue ('000)	2,514,276
Net Asset Value per Unit (S\$)	0.93

Financial Ratios

Annualised Distribution Yield (%)

- Based on closing price of S\$1.065 per unit on 29 August 2014 5.08
- Based on Initial Public Offering ("IPO") price of S\$0.90 per unit on 24 July 2013 6.01

Gearing Ratio (%) 26.0

Interest Cover Ratio (times) 6.7

Average All-in-Cost of Debt (% per annum) 2.33

Weighted Average Term to Maturity for Debt (years) 4.0

Notes:

- (1) Although SPH REIT was constituted on 9 July 2013, the results of SPH REIT during its private trust period from 9 July 2013 to 23 July 2013 were insignificant.
- (2) The Pro forma figures were derived from the Prospectus for the financial year ended 31 August 2012 and six-month period ended 28 February 2013 (for the period 24 July 2012 to 28 February 2013). For the period 1 March 2013 to 31 August 2013, the figures were based on unaudited management accounts of Orchard 290 Ltd and CM Domain Pte Ltd after relevant adjustments to ensure consistency with the basis of preparation adopted in the Prospectus's Pro forma Statements.
- (3) The Forecast figures were derived from the Forecast Period 2H FY2013 (for the period 24 July to 31 August 2013) and Projection Year FY2014 (for the period 1 September 2013 to 31 August 2014) as disclosed in the Prospectus dated 17 July 2013.

TOTAL RETURN

25.0%

PRICE APPRECIATION AND TOTAL DISTRIBUTION
FOR FP2014 OVER IPO PRICE OF S\$0.90

DISTRIBUTION PER UNIT

5.99¢

UP 3.8% COMPARED TO FORECAST
AND 4.9% COMPARED TO PRO FORMA

NET PROPERTY INCOME

S\$165.9m

UP 2.7% COMPARED TO FORECAST
AND 4.3% COMPARED TO PRO FORMA

VALUATION OF
INVESTMENT PROPERTIES

S\$3.16b

UP 3.4% FROM IPO VALUATION

COMMITTED OCCUPANCY

100.0%

SOLID TRACK RECORD

GEARING

26.0%

HEALTHY BALANCE SHEET

FINANCIAL
HIGHLIGHTS





BUILDING OUR BRAND

Paragon Mall is one of the most established and well-known retail malls located in Orchard Road. Since it was first acquired by the Sponsor in 1997, the Sponsor has extensively and continually upgraded the property and optimised tenant mix. The mall has since gained a positive reputation amongst affluent shoppers.

The Clementi Mall has quickly established itself as a popular destination for residents within its catchment area.

CHAIRMAN & CEO'S STATEMENT

5.99¢

Distribution
Per Unit

25.0%

Total Return

100.0%

Committed
Occupancy

DEAR UNITHOLDERS

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT, we are pleased to present SPH REIT's inaugural Annual Report to Unitholders for the financial period from listing date on 24 July 2013 to 31 August 2014 ("FP2014").

A STRONG START

SPH REIT made a strong debut when it was listed on the Mainboard of the SGX-ST on 24 July 2013. SPH REIT was well-received by both institutional and retail investors, as can be seen by the units offered at its Initial Public Offering ("IPO"), which was 37 times subscribed. The resounding success was a firm endorsement of investors' confidence in the quality of

the assets, its management and proven track record of its Sponsor, Singapore Press Holdings Limited. On its first trading day, SPH REIT's unit price closed at 98.5 cents, which was 9 per cent above its IPO price of 90 cents.

We are pleased to report that SPH REIT has delivered strong results for Unitholders. For FP2014, the Distribution Per Unit ("DPU") of 5.99 cents outperformed forecast by 3.8% and translated to an annualised yield of 6.0% based on IPO price. The unit price grew steadily during the year and appreciated 18.3% over its IPO price when it closed at S\$1.065 on 29 August 2014. Unitholders were rewarded with a total return of 25.0% taking into account the capital appreciation of unit price and DPU based on IPO issue price.



From left:
Ms Susan Leng Mee Yin, Dr Leong Horn Kee

QUALITY ASSETS

SPH REIT's portfolio offers investors a unique combination of Orchard Road and suburban properties exposure with both retail and healthcare services components.

Paragon is a premier upscale retail mall and medical suite/ office property strategically located in the heart of Orchard Road, Singapore's most famous shopping and tourist precinct. Paragon Mall offers exposure to Singapore's vibrant retail sector and Paragon Medical, which comprises two towers sitting on top of the podium, benefits from the strong medical healthcare services sector.

The Clementi Mall is a mid-market suburban mall located in the centre of Clementi town, an established residential estate in the west of Singapore. It enjoys excellent connectivity due to its co-location with a bus interchange and the Clementi MRT station.

As at 31 August 2014, the portfolio properties were valued at S\$3.16 billion representing an increase of 3.4% since IPO. Net asset value ("NAV") per unit has increased from S\$0.89 to S\$0.93 compared to the pro-forma financial position in the IPO prospectus.

A VIBRANT IMPACT

The Manager's strategy is to manage its properties for sustainable financial returns. In line with this, the Manager works in close partnership with tenants to strengthen business relationships and continually revitalise the tenant mix to refresh the mall. During the year, we welcomed a number of international brands including Balenciaga, Burberry Children, Timberland, Valextra and Versace to Paragon. The Clementi Mall boasts a wide range of familiar favourites like BHG, Cotton On, FairPrice Finest, G2000, Popular Bookstore and Swensen's.

SPH REIT believes in enhancing shoppers' experience by creating a holistic approach through integrating arts and music at its properties. A regular highlight at Paragon is the daily lunch time live music performances that have

captivated many shoppers. Over a 5-day period in July this year, more than 150,000 visitors to Paragon were treated to the "live" sketching of Singapore's cityscape by renowned artist and autistic savant Mr Stephen Wiltshire. His work was drawn from pure memory after a short helicopter ride over the city, and it is now displayed at the URA Singapore City Gallery.

During the year, Paragon received the "Outstanding Efforts in Centre Management" award by the Singapore Retailers Association. This award was based on votes by tenants who are members of the association. The award attests to the outstanding property management standards by the Property Manager. Paragon was also awarded "Most MasterCard Friendly" Mall and winner of Christmas 2013 Best Dressed Building.

We are pleased to report that SPH REIT has delivered strong results for Unitholders. For FP2014, the Distribution Per Unit ("DPU") of 5.99 cents outperformed forecast by 3.8% and translated to an annualised yield of 6.0% based on IPO price.

SUSTAINED PERFORMANCE

With proactive leasing and management of expenditure, SPH REIT turned in a total distribution of S\$150.3 million to Unitholders for FP2014. This exceeded forecast by 4.1%. All leases expiring in FP2014 were renewed or re-let ahead of time with a positive rental reversion at an average of 8.5%. It also maintained its solid track record of 100.0% committed occupancy for the portfolio properties during the year.

SPH REIT has a strong balance sheet with gearing of 26.0% as at 31 August 2014. In line with SPH REIT's prudent capital management strategy, the borrowing of S\$850 million was well-staggered, with a weighted average term to maturity of 4 years. 54.7% of the total borrowings are at fixed interest rate, and this represents 77.5% of the longer tenure tranches maturing in 2018 and 2020. The average cost of debt for FP2014 was 2.33%.

During the year, the Manager has identified three asset enhancement initiatives for Paragon, which would improve operational efficiencies and collectively generate an additional net lettable space of around 10,000 sq ft. These initiatives will start to phase in from FY2016.

LOOKING AHEAD

The Singapore economy is expected to grow modestly, amidst uncertainties in the global environment and constraints of continuing manpower crunch on some domestic-oriented, labour-intensive sectors. The retail sector has been impacted by moderated retail sales and lower tourist arrivals in the first half of 2014. Nevertheless, the retail rental market is expected to hold up, with moderate new supply and Singapore's attractiveness to many international retailers.

Barring any unforeseen circumstances, SPH REIT's properties, which are strategically located and have well-established market positioning, are expected to remain resilient and turn in a steady performance. The Manager remains focused on proactively managing the properties to deliver sustainable returns. We remain confident in our philosophy of continual enhancement to keep our properties relevant. By doing so, we remain at the forefront of the competitive retail arena and will sustain future performance.

ACKNOWLEDGEMENTS

The successful listing of SPH REIT would not have been possible without the tireless efforts, dedication

and commitment of the team who worked on the IPO. We would like to thank the Board of Directors for their counsel and guidance, as well as Unitholders, business partners, advisors, tenants and shoppers for their unwavering support. We would also like to acknowledge and thank our Sponsor for their commitment to grow SPH REIT.

On behalf of all Unitholders, we would like to extend our sincere appreciation to the management team for their continued hard work and dedication. Without their strong commitment, SPH REIT would not have been able to deliver this set of commendable results.

With the commendable start and the strong foundation we have built, we look forward to another good year with your unstinting support.

DR LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND INDEPENDENT DIRECTOR

MS SUSAN LENG MEE YIN

CHIEF EXECUTIVE OFFICER

YEAR IN REVIEW

MAY 2013

- ▶ Eligibility to List ("ETL") Letter by SGX-ST obtained.

JULY 2013

- ▶ Capital Markets Services ("CMS") Licence granted by Monetary Authority of Singapore ("MAS").
- ▶ Registration of Prospectus with MAS.
- ▶ Listing on SGX Mainboard, which was 37 times subscribed and attracted prominent cornerstone investors such as Great Eastern Life Assurance Company Limited, Hong Leong Asset Management Bhd, Morgan Stanley Investment Management Company, Newton Investment Management and Norges Bank.
- ▶ SPH REIT ended its trading debut on 24 July 2013 on a high note, gaining 9.4% from its IPO price of 90.0 cents per unit to close at 98.5 cents.

AUGUST 2013

- ▶ Paragon received the "Outstanding Efforts in Centre Management" award at the Singapore Retailers Association ("SRA") Shopping Centre Awards 2013 ceremony.

DECEMBER 2013

- ▶ Paragon was awarded Winner for the "Best Dressed Building Contest 2013" at the "Christmas on a Great Street" event organised by the Orchard Road Business Association ("ORBA").

As the official card for the event, MasterCard® also awarded Paragon with "The Most MasterCard Friendly Mall" award for its display of MasterCard-related marketing materials.

- ▶ The Clementi Mall was awarded Winner for the "Clean, Dry and Sparkling Toilets Award (Shopping Malls Division)" at the 9th South West Public Health Awards 2013 organised by the South West Community Development Council and the National Environment Agency.

JANUARY 2014

- ▶ SPH REIT announced its first DPU of 1.86 cents for the period from its listing date to 30 November 2013, 2.2% higher than forecast set out in its IPO prospectus.

APRIL 2014

- ▶ SPH REIT announced DPU of 1.39 cents for its 2nd Quarter ended 28 February 2014, 4.5% higher than forecast set out in its IPO prospectus.

JULY 2014

- ▶ SPH REIT announced DPU of 1.35 cents for its 3rd Quarter ended 31 May 2014, 3.1% higher than forecast set out in its IPO prospectus.

AUGUST 2014

- ▶ Valuation of SPH REIT's portfolio of properties increased 3.4% to \$3.16 billion as at 31 August 2014.
- ▶ SPH REIT closed FP2014 at S\$1.065 on 29 August 2014, 18.3% higher than its IPO price; and with a total DPU of 5.99 cents, 3.8% higher than forecast set out in its IPO prospectus.





TRUST STRUCTURE



ORGANISATION STRUCTURE

Board of Directors

Dr Leong Horn Kee

(Chairman, Non-Executive and Independent Director)

Mr Soon Tit Koon

(Non-Executive and Independent Director
Chairman, Audit and Risk Committee)

Mr David Chia Chay Poh

(Non-Executive and Independent Director
Member, Audit and Risk Committee)

Mr Chan Heng Loon Alan

(Non-Executive and Non-Independent Director)

Mr Anthony Mallek

(Non-Executive and Non-Independent Director
Member, Audit and Risk Committee)

Ms Ginney Lim May Ling

(Non-Executive and Non-Independent Director)

Chief Executive Officer

Ms Susan Leng Mee Yin

**Chief Financial Officer &
Head, Investor Relations**

Ms Soon Suet Har

Investment Manager

Ms Belinda Zheng Qinyin

Asset Manager

Mr Lincoln Teo Soon Piang



From left:
David Chia Chay Poh, Ginney Lim May Ling, Soon Tit Koon, Leong Horn Kee,
Chan Heng Loon Alan, Anthony Mallek

LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

Dr Leong is the Chairman of CapitalCorp Partners Private Limited, a corporate finance advisory firm. He is also currently a member of the Securities Industry Council and Singapore's non-resident High Commissioner to Cyprus.

From 1994 to 2008, Dr Leong was an executive director of Far East Organization, CEO of Orchard Parade Holdings Ltd and CEO of Yeo Hiap Seng Ltd. From 1984 to 1993, he worked in the venture capital and merchant banking sector. From 1977 to 1983, he was a deputy director at the Ministry of Finance and Ministry of Trade & Industry. Dr Leong was a Member of Parliament for 22 years from 1984 to 2006.

Dr Leong holds Bachelor degrees in Production Engineering, Economics, and Chinese; MBA from INSEAD; MBR and DBA from the University of Western Australia (UWA).

SOON TIT KOON

NON-EXECUTIVE AND
INDEPENDENT DIRECTOR
CHAIRMAN, AUDIT AND RISK COMMITTEE

Mr Soon is the Adviser to Oversea-Chinese Banking Corporation Limited (OCBC Bank) on contract.

Mr Soon held a series of senior positions in OCBC Bank from 2002 to December 2011 when he retired from the bank.

He was the Chief Financial Officer of OCBC Bank from September 2002 to June 2008, and from April 2010 to November 2011. He was the

Head of Group Investments of OCBC Bank from June 2008 to April 2010.

Mr Soon is also a director of Bank of Ningbo Co, Ltd, AVIC Trust Co., Ltd, Wah Hin and Company Private Limited, and WBL Corporation Limited.

Prior to joining OCBC Bank, from 2000 to 2002, Mr Soon was the Chief Financial Officer of Wilmar Holdings Pte Ltd. From 1983 to 2000, he worked in Citicorp Investment Bank (Singapore) Limited and was Managing Director from 1993 to 2000. Mr Soon holds a Bachelor of Science (Honours) in Applied Chemistry from the University of Singapore and a Master of Business Administration from University of Chicago. He also completed the Advanced Management Program at Harvard Business School in 1997.



BOARD OF DIRECTORS

DAVID CHIA CHAY POH

NON-EXECUTIVE AND
INDEPENDENT DIRECTOR
MEMBER, AUDIT AND RISK COMMITTEE

Mr Chia is the Managing Director and sole proprietor of Associated Property Consultants Pte Ltd, a property consultancy company since late 2002, when it was acquired.

From 1999 to 2002, Mr Chia was the Managing Director and shareholder of FPDSavills (Singapore) Pte Ltd, a leading international property consultancy company.

From 1987 to 1999, he was with Chesterton International Property Consultants Pte Ltd rising to the position of the Executive Director of the company in 1996. From 1981 to 1987, he served as the District Valuer in the Property Tax

Division of the Inland Revenue Authority of Singapore (IRAS). Prior to that, he served as an Estate/Projects Officer in the Singapore Ministry of Defence from 1978 to 1981. Mr Chia was a member of the Property Committee in the Singapore International Chamber of Commerce and a Board Member of CISCO Police from 1996 to 2002.

Mr Chia obtained his professional valuation qualifications in New Zealand in 1978 under a Colombo Plan Scholarship.

He is an Associate Member of the New Zealand Institute of Valuers and a Fellow Member of the Singapore Institute of Surveyors and Valuers.

CHAN HENG LOON ALAN

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

Mr Chan is the Chief Executive Officer of Singapore Press Holdings Limited. Before his appointment as Chief Executive Officer in January 2003, he was the Group President of Singapore Press Holdings Limited (SPH) after joining the SPH Group in July 2002.

Mr Chan is currently on the boards of Singapore Press Holdings Limited and its subsidiaries, Singapore Power Limited and its subsidiaries, MediaCorp TV Holdings Pte. Ltd., MediaCorp Press Ltd and OpenNet Pte. Ltd. He is a member of the Public Service Commission (PSC) and the Singapore Symphony Orchestra Council; Chairman of Singapore-China Foundation; and a director of Business China and the Lee Kuan Yew Fund for Bilingualism. He chaired the Council that revised the Code of Corporate Governance in 2012.

Mr Chan holds a Diplome Ingenieur from Ecole Nationale de l'Aviation Civile and a Master of Business Administration (with distinction) degree from the European Institute of Business Administration (INSEAD), France.

ANTHONY MALLEK

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR
MEMBER, AUDIT AND RISK COMMITTEE

Mr Mallek is the Chief Financial Officer of Singapore Press Holdings Limited (SPH). Before this appointment in January 2010, he served as Executive Vice-President, Finance from July 2006 and Senior Vice-President, Finance when he joined in June 2003.

Prior to this, he was General Manager, Finance for Intraco Limited from 1999 to 2001. Originally from Hong Kong, he started his career in 1978 in the United Kingdom and has been with various U.S. multinationals until 1991 when he was posted to Singapore.

His Singapore experience has mainly been in the healthcare industry, including general manager positions in finance and business development for Parkway Holdings Limited from 1994 to 1997.

Mr Mallek holds a Bachelor of Technology (Honours) degree in Operations Management from The University of Bradford and is a Fellow of the Chartered Institute of Management Accountants. He was elected to the Council of Institute of Singapore Chartered Accountants (ISCA) in 2014.

GINNEY LIM MAY LING

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

Ms Lim is General Counsel, Executive Vice-President, Corporate Communications & CSR, and Group Company Secretary of Singapore Press Holdings Limited (SPH). She joined SPH in 1991 and set up the Secretariat/Legal Division. She is responsible for the corporate secretarial, legal, risk management, insurance and corporate communications functions in SPH Group. She is concurrently the General Manager of Singapore Press Holdings Foundation Limited, an Institution of Public Character established in 2003 by SPH, a position she has held since 2005.

Ms Lim is a director of Times Development Pte. Ltd., Orchard 290 Ltd and SPH Retail Property Management Services Pte. Ltd., all of which are wholly-owned indirect property subsidiaries of SPH. She is also a director of Waterbrooks Consultants Pte Ltd and an alternate director in MediaCorp Press Limited.

Prior to joining SPH, Ms Lim was heading the Legal & Secretariat department as well as the public relations section of NTUC Income, from 1985 to 1991.

Ms Lim was admitted as an advocate and solicitor of the Supreme Court of Singapore and holds a Bachelor of Law (Honours) degree from the National University of Singapore. She is also a Fellow in the Institute of Chartered Secretaries and Administrators and an Associate of the Chartered Insurance Institute.

FURTHER INFORMATION ON BOARD OF DIRECTORS

LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

Date of first appointment as a
director: 10 June 2013

Current Directorships/Principal Commitments:

- Amtek Engineering Ltd*
(Director)
- China Energy Ltd*
(Director)
- Tat Hong Holdings Ltd*
(Director)
- Wilmar International Limited*
(Director)
- Securities Industry Council
(Member)
- Singapore High
Commissioner to Cyprus
(High Commissioner)

Directorships over the past 3 years (1/9/11-31/8/14):

Nil

* Public-listed company.

SOON TIT KOON

NON-EXECUTIVE AND INDEPENDENT
DIRECTOR

Date of first appointment as a
director: 10 June 2013

Board Committee served on:

Audit and Risk Committee
(Chairman)

Current Directorships/Principal Commitments:

Bank of Ningbo Co., Ltd*
(Director)

Directorships over the past 3 years (1/9/11-31/8/14):

Fraser & Neave Limited*
(Director)

* Public-listed company.

DAVID CHIA CHAY POH

NON-EXECUTIVE AND INDEPENDENT
DIRECTOR

Date of first appointment as a
director: 10 June 2013

Board Committee served on:

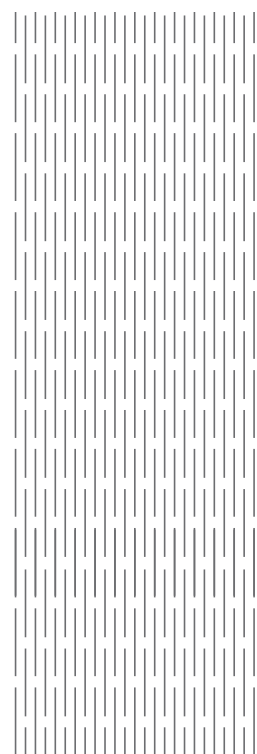
Audit & Risk Committee

Current Directorships/Principal Commitments:

Nil

Directorships over the past 3 years (1/9/11-31/8/14):

Maritime and Port Authority of
Singapore
(Board Member)



FURTHER INFORMATION ON BOARD OF DIRECTORS

CHAN HENG LOON ALAN

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

Date of first appointment as a
director: 1 March 2013

Current Directorships/Principal Commitments:

- Singapore Press Holdings
Foundation Limited
(Director)
- Business China
(Director)
- Public Service Commission
(Member)
- Lee Kuan Yew Fund
for Bilingualism
(Member)
- Centre for Liveable Cities
(Member)
- Singapore Symphony
Orchestra Council
(Member)
- Singapore-China
Foundation Ltd
(Chairman)
- External Review Panel
for SAF Safety
(Chairman)

Directorships over the past 3 years (1/9/11-31/8/14):

- Singapore Power Ltd
(Director)
- SP PowerAssets Ltd
(Chairman)
- PowerGas Ltd
(Chairman)

ANTHONY MALLEK

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

Date of first appointment as a
director: 1 March 2013

Board Committee served on:

Audit and Risk Committee

Current Directorships/Principal Commitments:

Nil

Directorships over the past 3 years (1/9/11-31/8/14):

Nil

GINNEY LIM MAY LING

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

Date of first appointment as a
director: 10 June 2013

Board Committee served on:

Nil

Current Directorships/Principal Commitments:

Nil

Directorships over the past 3 years (1/9/11-31/8/14):

Nil



From left:
Lincoln Teo Soon Piang, Belinda Zheng Qinyin, Susan Leng Mee Yin, Soon Suet Har

SUSAN LENG MEE YIN

CHIEF EXECUTIVE OFFICER

Prior to joining the Manager, from 2011 to 2012, Ms Leng was the General Manager at Capitol Investment Holdings Pte. Ltd., a joint venture between Perennial (Capitol) Pte. Ltd., Chesham Properties Pte. Ltd. and Top Property Investment Pte. Ltd. She was responsible for the overall management of the joint venture company which won the tender to redevelop the historical site of Capitol Theatre, Capitol Building and Stamford House into an integrated mixed-use development with residential, hotel and retail components.

Ms Leng has 16 years of aggregate experience in shopping centre management and property development, and 8 years of accounting and finance experience.

From 2008 to 2010, Ms Leng was Director (Retail Management) at Far East Management (Private) Limited, where her primary responsibility was to steer the leasing and marketing efforts, including public relations to prepare for the opening of West Coast Plaza

and Orchard Central. During the period from 2004 to 2008, Ms Leng was in Beijing with her family as her husband had taken up a diplomatic position in Beijing. From 1997 to 2004, Ms Leng was General Manager at Orchard 290 Ltd, where she was responsible for the profitability and continual growth of Paragon. From 1992 to 1997, she was General Manager at Scotts Holding Limited, where she was responsible for maximising the profitability of Scotts Shopping Centre and keeping the mall relevant to the changing dynamics of the retail scene.

Ms Leng is a Fellow of the Chartered Association of Certified Accountants (FCCA), United Kingdom.

SOON SUET HAR

CHIEF FINANCIAL OFFICER &
HEAD, INVESTOR RELATIONS

Prior to her appointment, Ms Soon was a Manager in Singapore Press Holdings Limited and had, since 2010, been involved in the evaluation of numerous property projects in Singapore covering government land bid sites and private treaty deals.

MANAGEMENT TEAM

Ms Soon was responsible for investor relations in SPH since December 2011, ensuring strategic communications with SPH's shareholders, investors and analysts. Ms Soon's prior experiences include overseeing the financial operations and management reporting of several principal SPH subsidiaries in property, investments and radio broadcasting business.

Ms Soon holds a Master of Business Administration (Accountancy) from Nanyang Technological University (Dean's Honours List) and a Bachelor of Social Science: Second Class Honours (Upper Division) in Economics from National University of Singapore. She is a member of the Institute of Singapore Chartered Accountants.

BELINDA ZHENG QINYIN
INVESTMENT MANAGER

Prior to joining the Manager, Ms Zheng was Manager, Corporate Development Division, with Singapore Press Holdings Limited since 2007 where she was responsible for developing and executing a spectrum of corporate development initiatives, including handling property transactions, new strategic corporate projects, mergers

and acquisitions and joint venture partnerships. From 2006 to 2007, Ms Zheng was a Senior Associate at Deloitte & Touche Corporate Finance Pte Ltd where she advised clients on mergers and acquisitions, initial public offerings and valuations. From 2003 to 2005, Ms Zheng was at Deloitte & Touche Singapore's Audit & Assurance Division, where she was involved in statutory audits and special assignments, including forensic audits, quarterly reviews, audit certifications and internal controls reviews.

Ms Zheng holds a Masters in Applied Finance from Macquarie University, Sydney, Australia and a Bachelor of Commerce (Accounting & Finance) from the University of Queensland, Brisbane, Australia.

LINCOLN TEO SOON PIANG
ASSET MANAGER

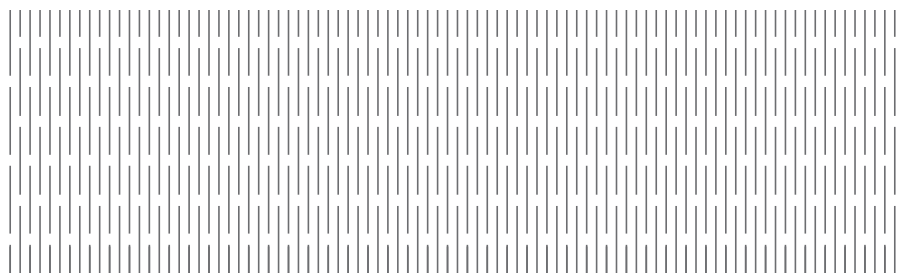
Before joining the Manager, Mr Teo was the Project Director at Times Properties, a wholly-owned subsidiary of Singapore Press Holdings Limited (SPH) since September 2010, where he was responsible for the project management of The Seletar Mall and the property management of SPH News Centre, SPH Media Centre and Sky@eleven.

He was also involved in the evaluation of numerous government land bid sites to expand the SPH Group's real estate portfolio. From 2006 to 2010, Mr Teo was a Project Director at Times Development Private Limited (a wholly-owned subsidiary of SPH), where he was responsible for the design, project and property management of Sky@eleven.

Prior to joining the SPH Group, Mr Teo was a Project Manager at Hong Leong Holdings Limited. From 2000 to 2004, Mr Teo was a Senior Architectural Associate at CPG Consultants Pte Ltd, and from 1998 to 2000, Mr Teo was an Architect at the Housing Development Board, Singapore.

Mr Teo brings with him 16 years of experience in design, project and property management; and real estate development.

Mr Teo holds a Masters of Science (Facility and Environment Management) (with distinction) degree from University College London; and a Masters of Science (Project Management) degree, a Bachelor of Architecture (with honours) degree and a Bachelor of Arts (Architectural Studies) degree from the National University of Singapore.





From left:
Carin Chye, Tan Poh Seng, Goh Wee Wang, Sng Ngoi May, Ina Se, Lim Chin Peng

SNG NGOI MAY

EXECUTIVE VICE-PRESIDENT,
RETAIL PROPERTY MANAGEMENT, SPHL

GOH WEE WANG

GENERAL MANAGER

TAN POH SENG

FINANCIAL CONTROLLER

CARIN CHYE

HEAD, LEASING

LIM CHIN PENG

HEAD, FACILITIES &
PROJECT MANAGEMENT

INA SE

HEAD, ADVERTISING & PROMOTIONS

PROPERTY MANAGEMENT TEAM

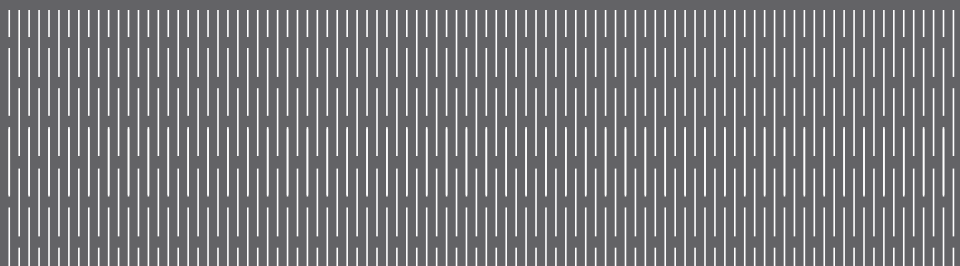
FORGING OUR FUTURE



The Manager manages its properties for sustainable financial returns by working in close partnership with tenants to strengthen business relationships.

The key factors in achieving this objective are to have consistency and clarity in its market positioning, staying relevant to its customers and continually refreshing its physical environment and optimising tenant mix.





OPERATIONS REVIEW

100.0%
Committed
Occupancy

8.5%
Rental
Reversion



PROACTIVE ASSET MANAGEMENT AND LEASING STRATEGY

The Manager's proactive asset management and leasing strategy have enabled the portfolio to rein in strong operational performance for FP2014.

The Manager's strategy is to manage its properties for sustainable financial returns and in line with this, the Manager treats the relationship

with tenants as a partnership. Through active asset management, the Manager seeks to ensure that the interest of all stakeholders including unitholders, tenants and shoppers are protected while keeping SPH REIT's properties at the forefront of evolving retail mall trends and relevant to the changing demands of consumers.

The Manager's strategy for organic growth is to continue to strengthen strong business





relationships with existing tenants, while also continually revitalising the tenant mix of the properties. Typically, SPH REIT's leases are structured with three-year tenures comprising base rent and turnover rent. To provide for organic growth, some of the leases are embedded with step-up clauses which provide for increases in the base rent during the lease term.

PARAGON

During the year, new store concepts and new brands were introduced to keep Paragon refreshed. These were complemented with strategically planned advertising

and promotional activities drawing 18.4 million visitors, enabling Paragon to achieve \$679 million in tenants' sales with an occupancy cost of 18.1% despite the challenging retail environment. These performances were marginally lower than FY2013⁽¹⁾ due mainly to weaker retail sentiments and slower tourist arrivals in the first half of 2014. In FY2013, visitor arrivals were 18.6 million and tenants' sales were \$711 million with an occupancy cost of 16.8%. Paragon achieved a tenant retention rate of 89.9% by NLA, maintained a 100.0% committed occupancy and a positive rental reversion of 10.5% reflecting tenants' confidence in the property.

THE CLEMENTI MALL

The Clementi Mall officially opened in May 2011 and went through its first tenancy renewal cycle in FP2014. It maintained a 100.0% committed occupancy with a high tenant retention rate of 92.9% by NLA and ended FP2014 with a positive rental uplift of 5.5%.

The Clementi Mall continued to be a popular destination for residents in its catchment area. For FY2014⁽²⁾, it achieved a 0.8% increase in visitorship to 29.4 million, but a marginal decline of 3.2% in tenants' sales to \$234 million with a slight increase in occupancy cost from 15.0% in FY2013 to 15.3%.

SUMMARY OF RENEWALS/NEW LEASES FOR FP2014

	Number of renewals/new leases	Retention Rate	NLA		Rental Reversion ^(b)
			Area (sq ft)	% of property	
Paragon	102	82.4%	282,316	39.9%	10.5%
The Clementi Mall	127	83.5%	153,272	79.6%	5.5%
SPH REIT Portfolio	229	83.0%	435,588	48.4% ^(a)	8.5%

Notes:

(1) FY2013 refers to the period from 1 September 2012 to 31 August 2013.

(2) FY2014 refers to the period from 1 September 2013 to 31 August 2014.

(a) As a % of SPH REIT portfolio's total NLA of 900,300 sq ft as at 31 August 2014.

(b) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases are typically committed three years ago.

LEASE EXPIRY PROFILE

As at 31 August 2014, SPH REIT's portfolio lease expiry profile was well staggered, with 16.9% of the leases by Gross Rental Income due for renewal in FY2015. This comprises 82 leases expiring in FY2015.

The lease expiry profile of SPH REIT remained healthy with a Weighted Average Lease Expiry (WALE) of 2.2 years by NLA as at 31 August 2014.

2.2 years
WALE (by NLA)

91.0%
Tenant Retention
(by NLA)



PORTFOLIO COMMITTED OCCUPANCY

	As at 28 February 2013 ^(a)	As at 30 November 2013	As at 28 February 2014	As at 31 May 2014	As at 31 August 2014
Paragon	100.0%	100.0%	100.0%	100.0%	100.0%
The Clementi Mall	100.0%	100.0%	100.0%	100.0%	100.0%
SPH REIT Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

Note:

(a) As disclosed in SPH REIT's Prospectus dated 17 July 2013.

PORTFOLIO LEASE EXPIRY AS AT 31 AUGUST 2014

	FY2015	FY2016	FY2017	FY2018	FY2019 and beyond
Number of leases expiring	82	113	195	45	7
Expiries as a % of total NLA	16.3%	26.1%	35.3%	18.9%	3.4%
Expiries as a % of Gross Rental Income	16.9%	25.9%	31.2%	15.6%	10.4%

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TENANT PROFILE

The SPH REIT portfolio has a large tenant base of 442 tenants as at 31 August 2014 covering a wide variety of trade sectors, providing SPH REIT with trade diversification.

Top 10 tenants by Gross Rental Income

SPH REIT's top 10 tenants in terms of Gross Rental Income contributed 24.6% of Gross Rental Income for the month of August 2014. No single trade sector accounted for more than 26.7% of Gross Rental Income in the same period.

The top 10 tenants⁽¹⁾ of the portfolio (by Gross Rental Income for the month of August 2014) are, in alphabetical order: Burberry (Singapore) Distribution Company Pte Ltd, Cold Storage Singapore (1983) Pte Ltd, Ermenegildo Zegna Far-East Pte Ltd, Ferragamo (Singapore) Pte Ltd, FJ Benjamin (Singapore) Pte Ltd, Metro (Private) Limited, Pacific Healthcare Holdings Ltd, Prada Singapore Pte Ltd, Tod's Singapore Pte Limited and Wing Tai Retail Management Pte Ltd.



Note:

(1) In this context, the list of top 10 tenants does not take into account one of the tenants which has not consented to the disclosure of its tenancy arrangements.

The table below sets out selected information about the top 10 tenants⁽¹⁾ of the portfolio based on Gross Rental Income for the month of August 2014:

TOP 10 TENANTS

Tenant ⁽¹⁾⁽²⁾	Trade Sector	Lease Expiry (FY) ⁽³⁾	% of Gross Rental Income
Tenant A	Luxury Brands, Jewellery & Watches	2nd Half 2019	5.5%
Tenant B	Departmental Stores & Supermarket, Medical Suite/Office	Between 2nd Half 2016 and 2nd Half 2017	4.2%
Tenant C	Luxury Brands, Jewellery & Watches, Lifestyle	Between 2nd Half 2014 and 2nd Half 2017	2.6%
Tenant D	Medical Suite/Office	Between 2nd Half 2015 and 1st Half 2017	2.5%
Tenant E	Luxury Brands, Jewellery & Watches	2nd Half 2016	1.9%
Tenant F	Luxury Brands, Jewellery & Watches	Between 2nd Half 2015 and 2nd Half 2016	1.7%
Tenant G	Departmental Stores & Supermarket, Lifestyle	Between 1st Half 2016 and 2nd Half 2016	1.7%
Tenant H	Luxury Brands, Jewellery & Watches	Between 2nd Half 2014 and 1st Half 2019	1.6%
Tenant I	Fashion, Handbags, Shoes, Accessories & Optical, Lifestyle	Between 1st Half 2015 and 2nd Half 2017	1.5%
Tenant J	Luxury Brands, Jewellery & Watches	1st Half 2018	1.4%
Total			24.6%

Notes:

- (1) The list of top 10 tenants above does not take into account one of the tenants which has not consented to the disclosure of its tenancy arrangements in the Annual Report.
- (2) The names of the tenants cannot be matched to the information set out above for confidentiality reasons.
- (3) Some of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.

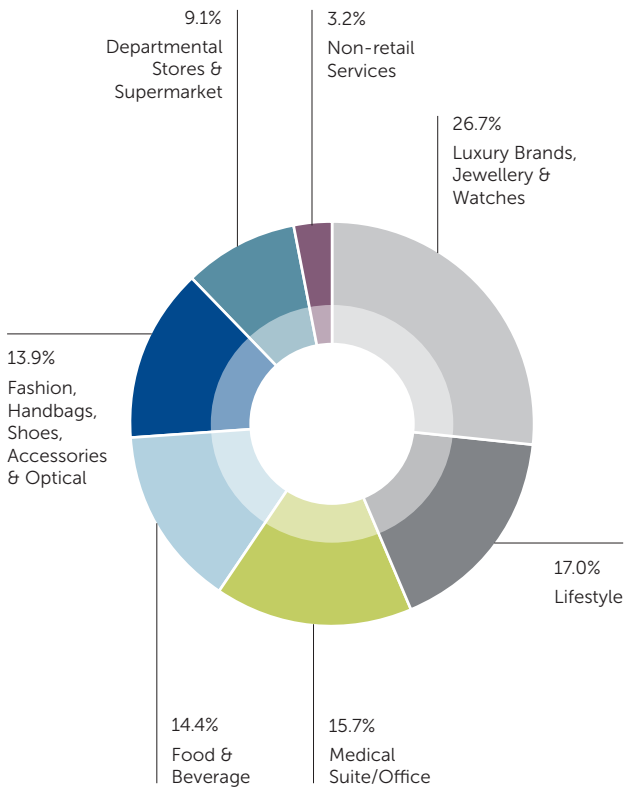


By Trade Mix

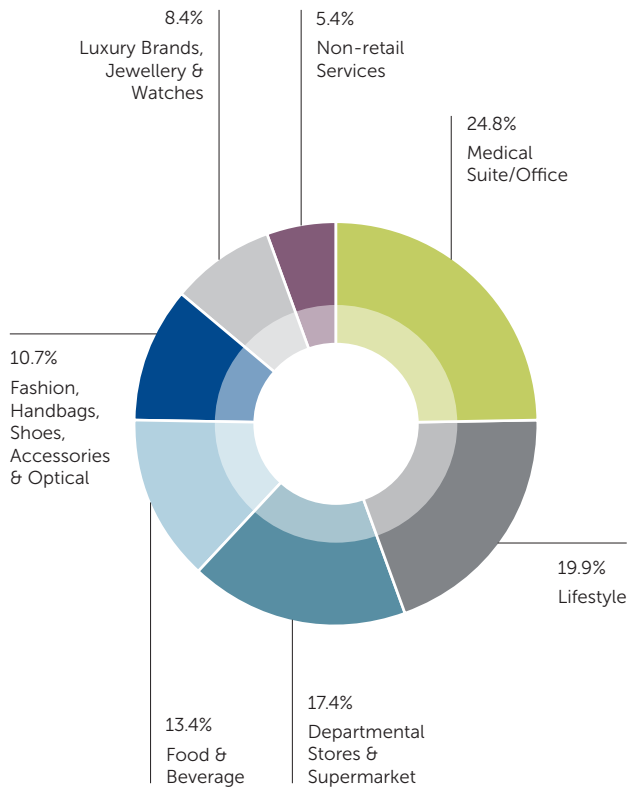
SPH REIT's portfolio is well-diversified and relies on different trade sectors for rental income.

The following charts provide a breakdown by Gross Rental Income and NLA of the different trade sectors represented in the portfolio as at 31 August 2014:

PORTFOLIO – TRADE MIX BY GROSS RENTAL INCOME



PORTFOLIO – TRADE MIX BY NLA





With proactive leasing and management of expenditure, SPH REIT turned in a total distribution of S\$150.3 million to Unitholders.

The Manager's philosophy of continual enhancement to keep the properties relevant and remain at the forefront of the competitive retail arena will sustain future performance.

EXCEEDING OUR EXPECTATIONS





**STATEMENT OF NET INCOME AND DISTRIBUTION
FOR THE PERIOD FROM 24 JULY 2013 TO 31 AUGUST 2014 ("FP2014")**

	Actual 2014 S\$'000	Pro forma 2013 S\$'000	Change %	Forecast 2014 S\$'000	Change %
Gross revenue	222,921	216,850	2.8	221,977	0.4
Property operating expenses	(57,011)	(57,853)	(1.5)	(60,378)	(5.6)
Net property income	165,910	158,997	4.3	161,599	2.7
Income support ⁽¹⁾	5,092	5,775	(11.8)	5,316	(4.2)
Amortisation of intangible asset	(5,092)	(5,775)	(11.8)	(5,316)	(4.2)
Manager's management fees	(17,125)	(16,948)	1.0	(16,767)	2.1
Trust expenses ⁽²⁾	(1,748)	(2,507)	(30.3)	(2,505)	(30.2)
Finance income	219	139	57.6	–	NM
Finance costs	(21,898)	(22,104)	(0.9)	(22,087)	(0.9)
Net income	125,358	117,577	6.6	120,240	4.3
Add: Non-tax deductible items ⁽³⁾	24,987	25,149	(0.6)	24,244	3.1
Total amount distributable to Unitholders	150,345	142,726	5.3	144,484	4.1
Distribution per unit (cents) ("DPU")	5.99	5.71	4.9	5.77	3.8

Notes:

- (1) Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support.
- (2) Includes recurring trust expenses such as trustee's fees, listing fees, valuation fees, audit and tax adviser's fees, cost associated with the preparation of annual reports, and investor communication costs.
- (3) Non-tax deductible items refer to the Manager's management fees paid in units, trustee's fees, amortisation of income support and amortisation of debt issuance costs.

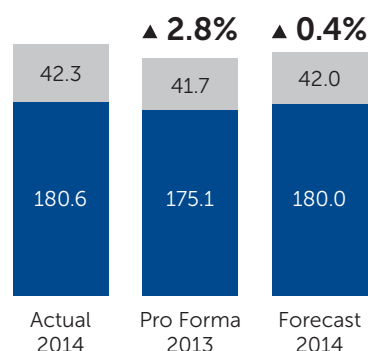


GROSS REVENUE

For FP2014, gross revenue rose S\$6.1 million (2.8%) to S\$222.9 million and was in line with forecast.

The performance was driven by healthy rental reversion of 10.5% and 5.5% for Paragon and The Clementi Mall respectively for the new or renewed leases during the financial period. Through proactive leasing strategy, both properties continued to maintain their track record of full occupancy.

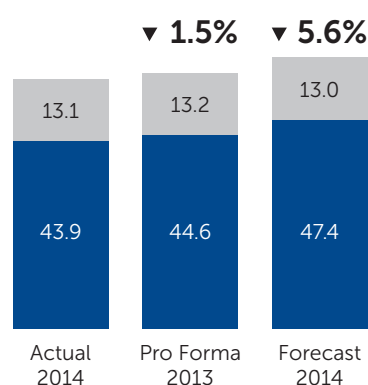
All Figures (S\$ millions)



PROPERTY OPERATING EXPENSES

Property operating expenses of S\$57.0 million was lower by S\$0.8 million (1.5%) compared to Pro forma, and by S\$3.4 million (5.6%) compared to forecast.

The continued efforts to improve operational efficiencies and manage cost has resulted in lower expenses.



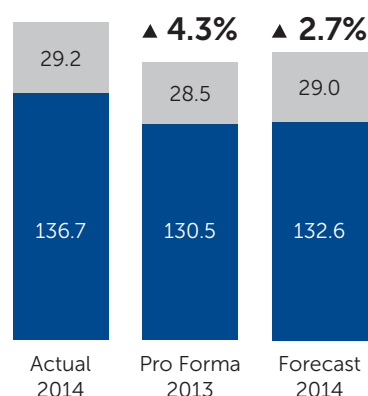
NET PROPERTY INCOME

Net property income (NPI) of S\$165.9 million exceeded Pro forma by S\$6.9 million (4.3%), and by S\$4.3 million (2.7%) compared to the forecast.

As a result, NPI margin improved to 74.4%, from the margin of about 73% for both Pro forma and forecast.

Both Paragon and The Clementi Mall registered higher NPI contribution, and outperformed forecast by 3.1% and 0.8% respectively.

The required income support for The Clementi Mall was S\$5.1 million for FP2014. With higher NPI, the amount was lower by S\$0.2 million (4.2%) compared to forecast.



NET INCOME

Net income for FP2014 was S\$125.4 million, an increase of S\$7.8 million (6.6%) against Pro forma, and S\$5.1 million (4.3%) compared to forecast. This was mainly attributable to higher net property income and savings in trust expenses.

■ Paragon
■ The Clementi Mall

DISTRIBUTION

The total amount of income available for distribution to Unitholders of S\$150.3 million was 4.1% above the forecast of S\$144.5 million. This translated to DPU of 5.99 cents, outperforming the forecast DPU of 5.77 cents by 3.8%.

Quarter Ended	Payment Date	Actual DPU (cents)	Forecast DPU (cents)	Change %
24 July 2013 (listing date) to 30 November 2013	14 February 2014	1.86	1.82	2.2
28 February 2014	14 May 2014	1.39	1.33	4.5
31 May 2014	14 August 2014	1.35	1.31	3.1
31 August 2014	14 November 2014	1.39	1.31	6.1
Total FP2014		5.99	5.77	3.8

VALUATION OF PROPERTIES

As at 31 August 2014, SPH REIT's properties were valued at S\$3.16 billion by DTZ Debenham Tie Leung (SEA) Pte Ltd. The increase of 3.4%, compared to IPO valuations of S\$3.05 billion as at 28 February 2013, was supported by the improved performance of the properties.

Property	Valuation (S\$m)			Capitalisation Rate (%)
	31 August 2014	28 February 2013 ⁽¹⁾	Change	31 August 2014 and 28 February 2013 ⁽¹⁾
Paragon	2,588.0	2,500.0	88.0	Retail: 4.85% Medical suite/office: 4.25%
The Clementi Mall	571.0 ⁽²⁾	553.0 ⁽²⁾	18.0	5.00%
SPH REIT Portfolio	3,159.0	3,053.0	106.0	-
Representing:				
Additions			3.4	
Fair value change			102.6	

Notes:

(1) Valuations for the IPO were the average of CBRE Pte. Ltd. and DTZ Debenham Tie Leung (SEA) Pte Ltd as at 28 February 2013.

(2) The Clementi Mall's valuation was without income support.

NET ASSET VALUE ("NAV") PER UNIT

As of 31 August 2014, SPH REIT's Net Asset Value ("NAV") was S\$0.93 per unit. This was 4.5% higher than the NAV of S\$0.89 per unit at IPO.

CASH FLOWS AND LIQUIDITY

As at 31 August 2014, SPH REIT's cash and cash equivalents amounted to S\$90.7 million.

Net cash generated from operating activities for FP2014

was S\$225.0 million. Net cash used in investing activities was S\$1,327.2 million, mainly for the acquisition of Paragon and The Clementi Mall of S\$1,306.0 million. Net cash generated from financing activities was S\$1,192.9 million. This included

borrowing of S\$850.0 million and proceeds from issue of units during IPO of S\$503.9 million, partially offset by distribution payment of S\$115.3 million to Unitholders.

USE OF PROCEEDS

On 24 July 2013, SPH REIT raised gross proceeds of S\$2,250.9 million from the public offering, cornerstone units as well as consideration units issued in part satisfaction for the purchase price of Paragon and The Clementi Mall. On the same day, a term loan facility of S\$850.0 million was drawn down.

The proceeds have been applied to the acquisition of the two properties, plant and equipment, payment of issue expenses and

debt-related transaction costs. The use of proceeds was in accordance with the stated uses in the Prospectus dated 17 July 2013.

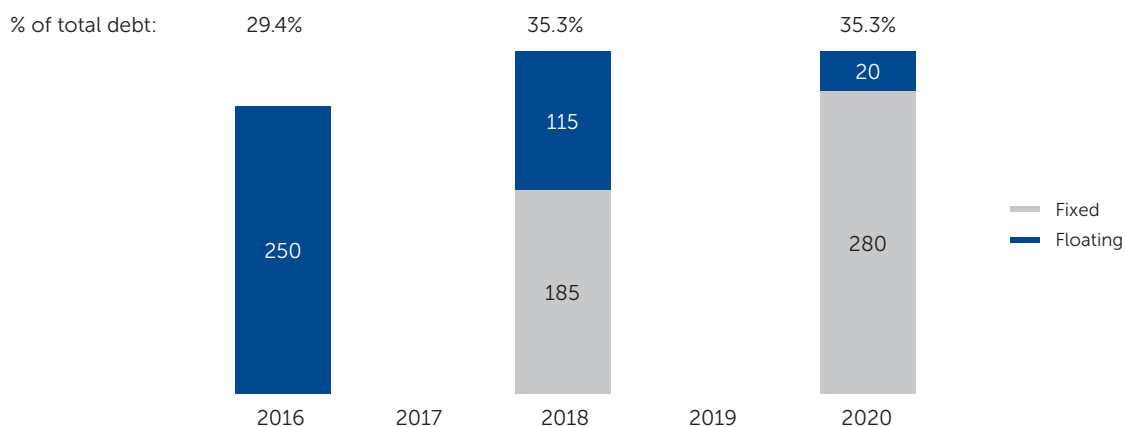
CAPITAL MANAGEMENT

On 24 July 2013, SPH REIT established a term loan facility of S\$975 million obtained from DBS Bank Ltd. and Overseas-Chinese Banking Corporation Limited. The amount drawn down was S\$850 million as at 31 August 2014. The term loan is secured by way of a first legal mortgage on Paragon, first legal charge over the tenancy account and sales proceeds account for Paragon, and an assignment of certain insurances taken in relation to Paragon.

In line with SPH REIT's prudent capital management strategy, the debt maturity profile was well-staggered with weighted average term to maturity of 4.0 years. There will be no refinancing requirement till 2016. Refinancing will occur in three tranches of approximately equal size. It registered gearing level of 26.0% and average cost of debt of 2.33% as at 31 August 2014.

To mitigate exposure to interest rate risk, SPH REIT has entered into fixed rate loan and interest rate swaps to fix an amount of S\$465 million, or 54.7% of total borrowing as at 31 August 2014. As interest rate risk will vary over time, 77.5% of the longer tenure tranches maturing in 2018 and 2020, have been fixed.

DEBT MATURITY PROFILE (\$ MILLION)



Key Indicators	Actual as at 31 August 2014	Pro forma as at Listing Date
Gearing ratio	26.0%	27.3%
Interest coverage ratio	6.7 times	6.3 times
Weighted average term to maturity	4.0 years	5.0 years
Average all-in interest rate	2.33%	2.35%
Derivative financial instruments ⁽¹⁾ as a % of NAV	0.37%	–

Note:

(1) The derivative financial instruments refer to the fair value of interest rate swap contracts as at 31 August 2014.

UNIT PRICE PERFORMANCE

SPH REIT was listed on the Mainboard of the SGX-ST on 24 July 2013 following its IPO at the price of S\$0.90.

SPH REIT's unit price grew steadily during the year. The closing price of S\$1.065 on 29 August 2014 represented an appreciation of 18.3% over its issue price. The Unitholders of SPH REIT have enjoyed a commendable total return of 25.0% for FP2014, taking into account both price appreciation and aggregate distribution for FP2014 over IPO issue price.

Based on month-end closing price from listing date to 29 August 2014, SPH REIT outpaced both the FTSE Straits Times and FTSE Straits Times Real Estate Investment Trust Indices, which both rose 3%.

Key Statistics (listing date to 29 August 2014)

IPO issue price	S\$0.900
Highest closing price	S\$1.085
Lowest closing price	S\$0.940
29 August 2014 closing price	S\$1.065
Total trading volume (million units)	517.2
Average daily trading volume (million units) ⁽¹⁾	1.13

Source: Bloomberg

Return on Investment in SPH REIT (listing date to 29 August 2014)

Total return ⁽²⁾	25.0%
Price appreciation ⁽³⁾	18.3%
Annualised distribution yield ⁽⁴⁾	6.0%

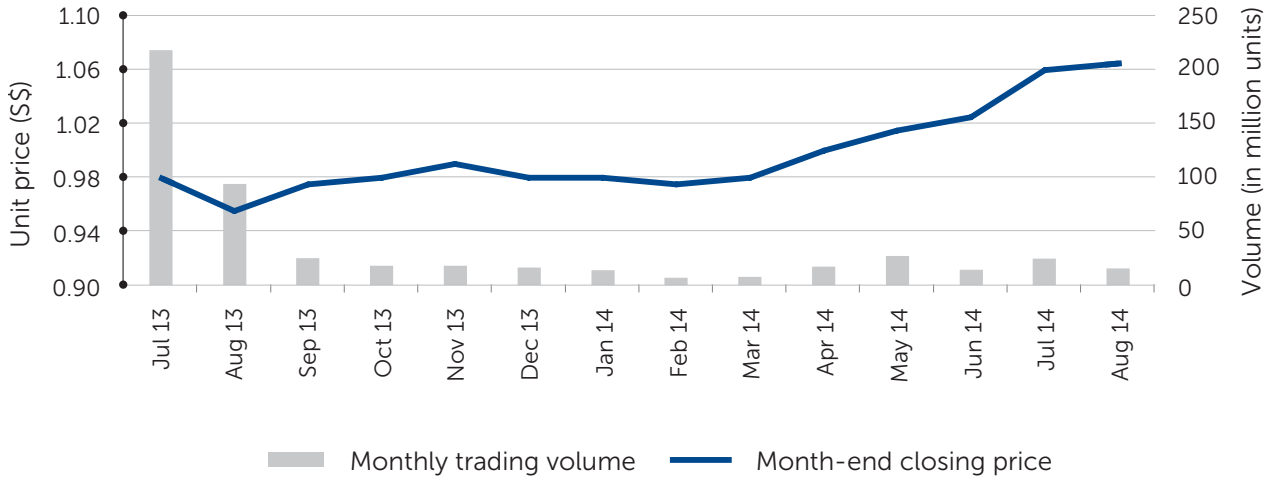
Notes:

- (1) Excludes the first 5 days of trading from listing date to remove IPO effect.
- (2) Sum of price appreciation and distributions for FP2014 over IPO issue price of S\$0.90.
- (3) Based on the IPO issue price of S\$0.90 and closing unit price of S\$1.065 on 29 August 2014.
- (4) Based on total DPU of 5.99 cents annualised for the period from listing date to 29 August 2014 and IPO issue price of S\$0.90.

Constituent of Key Indices

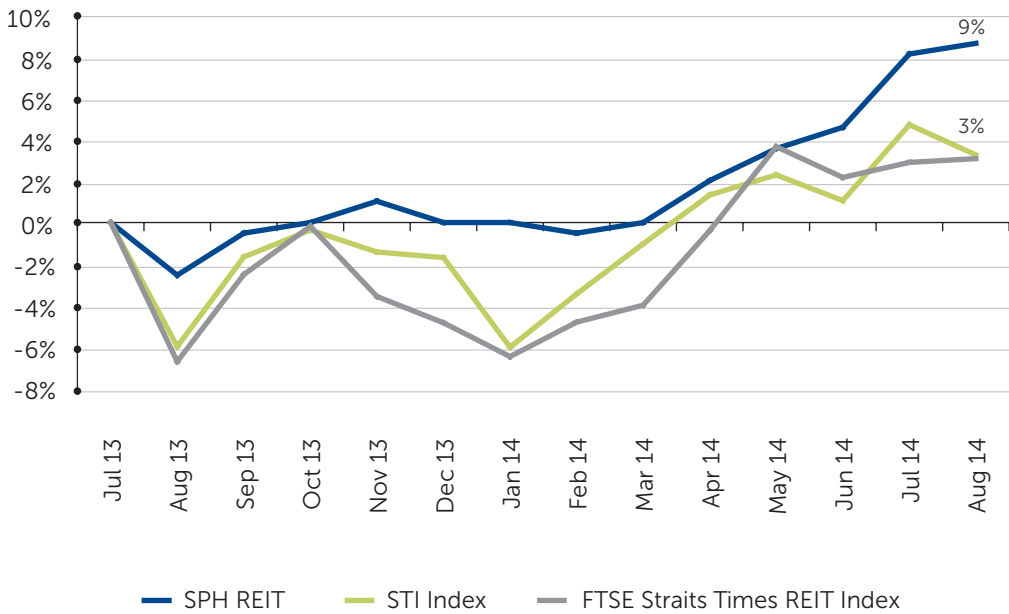
- FTSE Straits Times Mid-Cap Index
- FTSE Straits Times Real Estate Index
- FTSE Straits Times Real Estate Investment Trusts Index
- Thomson Reuters/Global Property Research/Asia Pacific Real Estate Association Composite Index
- Thomson Reuters/Global Property Research/Asia Pacific Real Estate Association Composite REIT Index
- Thomson Reuters/Global Property Research/Asia Pacific Real Estate Association Investable REIT 100 Index - effective as of 22 September 2014 (start of trading)

MONTHLY SHARE PRICE AND VOLUME OF SPH REIT (LISTING DATE TO 29 AUGUST 2014)



Source: Bloomberg

MONTHLY COMPARATIVE PRICE TRENDS (LISTING DATE TO 29 AUGUST 2014)

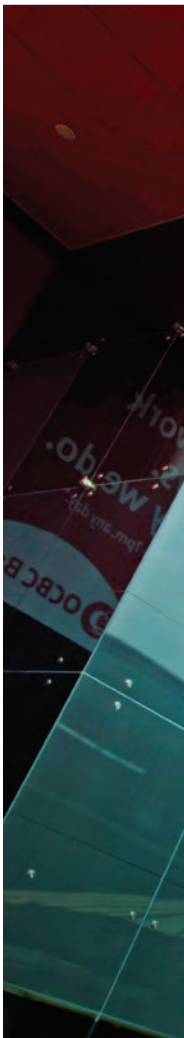


Source: Bloomberg

PORTFOLIO OVERVIEW



—
SPH REIT's portfolio offers investors a unique combination of Orchard Road and suburban properties exposure with both retail and healthcare services components
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PARAGON

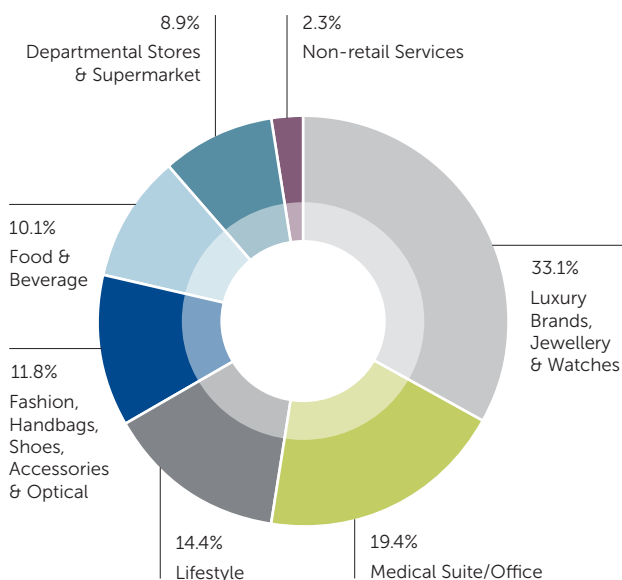


PROPERTY INFORMATION

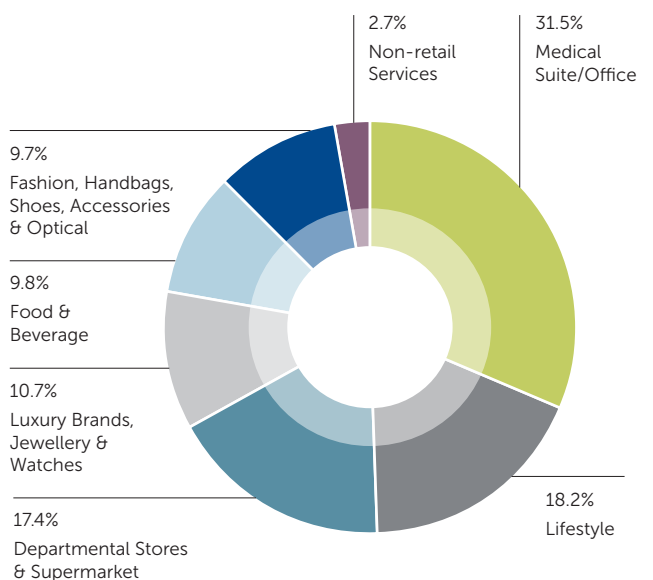
Description	A 6-storey retail podium with 1 basement level, together with a 14-storey medical suite/office tower and another 3-storey medical suite/office tower both sitting on top the retail podium. It also includes a basement carpark
Net Lettable Area	Retail: 484,840 sq ft Medical suite/office: 223,000 sq ft Total: 707,840 sq ft
Number of tenants	292
Car Park Lots	416
Title	99 years commencing 24 July 2013
Gross Revenue⁽¹⁾	S\$180.6m
Net Property Income⁽¹⁾	S\$136.7m
Market Valuation	S\$2,588m as at 31 August 2014
Committed Occupancy	100.0% as at 31 August 2014
Key Tenants	Balenciaga, Burberry, Ermenegildo Zegna, Etro, Givenchy, Gucci, Miu Miu, Prada, Salvatore Ferragamo, Tod's, Versace Crystal Jade Golden Palace Restaurant, Din Tai Fung, Imperial Treasure Super Peking Duck Restaurant Citigold Private Client, Marks & Spencer, Metro, MUJI, Paragon Market Place Fitness First, Pacific Healthcare Specialist Centre
Awards and Accolades	<ul style="list-style-type: none"> • Singapore Retailers Association ("SRA") Shopping Centre Awards 2013 - Outstanding Efforts in Centre Management • Orchard Road Christmas Light Up, Best Dressed Building Contest 2013 - Winner • Most MasterCard® Friendly Mall Award 2013 - Winner

Note:
(1) FP2014.

**TRADE MIX – BY GROSS RENTAL INCOME
FOR THE MONTH OF AUGUST 2014**



**TRADE MIX – BY NLA
FOR THE MONTH OF AUGUST 2014**





ABOUT PARAGON

A premier upscale retail mall and medical suite/office property strategically located in the heart of Orchard Road, Singapore's most famous shopping and tourist precinct. Paragon consists of a six-storey retail podium and one basement level with 484,840 sq ft of retail NLA ("Paragon Mall") and features an all-glass facade with 136 metres of prime Orchard Road frontage, showcasing duplex flagship stores of top international fashion brands. A 14-storey tower and another three-storey tower sit on top of the retail podium with a total 223,000 sq ft of medical suite/office NLA ("Paragon Medical").

Paragon Medical is ideally positioned to capitalise on

medical tourists, an important sub-group of Orchard Road's total tourist market. Paragon Mall benefits from a regular catchment of patients, both local and medical tourists, and their accompanying relatives by virtue of Paragon's location immediately adjacent to Mount Elizabeth Hospital and Mount Elizabeth Medical Centre, a renowned private hospital and its specialist medical centre, respectively.

ORCHARD ROAD PRECINCT

Orchard Road, Singapore's premier shopping and tourist precinct, is a 2.2 kilometre boulevard located in the central region of Singapore flanked by approximately 45 retail centres with approximately 7.5 million sq ft of NLA and about 11,000 guest rooms and serviced

Paragon is a premier upscale retail mall and medical suite/office property strategically located in the heart of Orchard Road



apartments in the vicinity. The precinct is well connected by underground pedestrian walkways and linkages between buildings.

Orchard Road is an epicentre for shopping, leisure activities, entertainment, events and festive celebrations. It is regularly visited by the local population as well as tourists. This famous street was ranked number one in "The Most Beautiful Avenues of the World International Survey 2011/2012" conducted by French survey company, Presence.

Paragon is well connected by way of the Central Expressway. It is also well served by the public transport network with bus stops and two MRT stations within close walking distance. Paragon is located in close proximity to other landmark tourist attractions in Singapore including The Istana (0.9km away), Clarke Quay (1.8km away), Singapore Botanic Gardens (2.4km away), Boat Quay (2.4km away), Singapore Flyer (3.4km away), Marina Bay Sands (3.4km away), Sentosa (5.5km away) and Gardens by The Bay (6.3km away).



THE CLEMENTI MALL

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PROPERTY INFORMATION

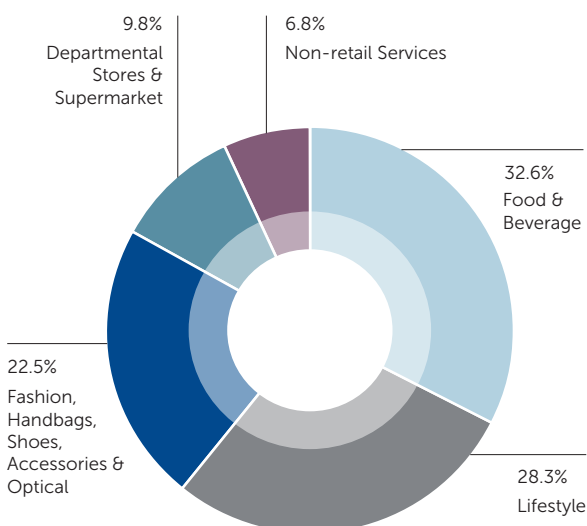
Description	A 5-storey retail podium including a basement carpark, a public library, with direct transport links to the bus interchange on the ground floor and the Clementi MRT station on the 3rd floor via a linkbridge
Net Lettable Area	Retail: 192,460 sq ft
Number of tenants	150
Car Park Lots	166
Title	99 years commencing 31 August 2010
Gross Revenue⁽¹⁾	S\$42.3m
Net Property Income⁽¹⁾	S\$29.2m
Market Valuation⁽²⁾	S\$571.0m as at 31 August 2014
Committed Occupancy	100.0% as at 31 August 2014
Key Tenants	Charles & Keith, Cotton On, G2000, The Body Shop BreadTalk, Foodfare, Ichiban Sushi, McDonald's, Soup Restaurant, Swensen's Best Denki, BHG, Clementi Public Library, FairPrice Finest, Popular Bookstore
Award	South West Community Development Council and National Environment Agency's 9th South West Public Health Awards 2013 – Clean, Dry and Sparkling Toilets Awards (Shopping Malls Division) – Winner

Notes:

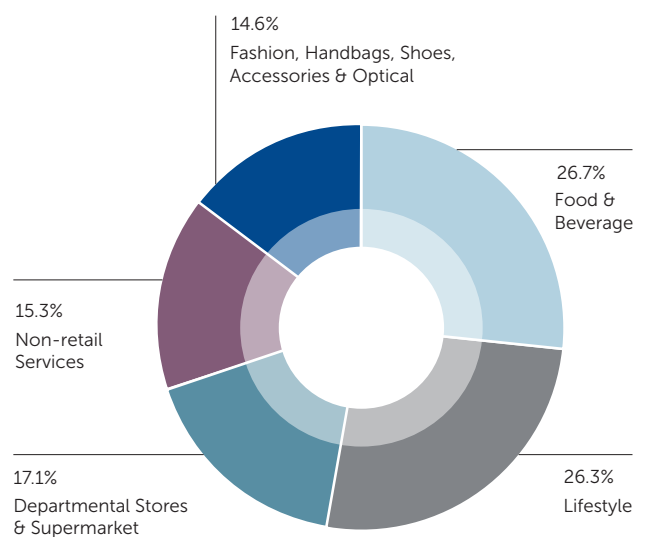
(1) FP2014.

(2) The Clementi Mall's valuation excludes income support. The guaranteed NPI per year is S\$31 million and the aggregate top up NPI shall not exceed S\$20 million over five years.

**TRADE MIX – BY GROSS RENTAL INCOME
FOR THE MONTH OF AUGUST 2014**



**TRADE MIX – BY NLA
FOR THE MONTH OF AUGUST 2014**



ABOUT THE CLEMENTI MALL

A mid-market family-oriented suburban mall strategically located in the centre of Clementi town, a well-established residential area in the west of Singapore. The Clementi Mall consists of a five-storey retail podium and one basement level with 192,460 sq ft of retail NLA. The retail mall, which opened in 2011, is part of the first mixed-use development in Singapore with a public library, bus interchange, HDB residential blocks and commercial components. The property is also connected to the Clementi MRT station via a linkbridge on level three.

Its strategic location, direct transport connectivity and positioning to cater to the necessity shopping segment, has enabled The Clementi Mall to enjoy higher levels of footfall than a mall of similar size.

THE CLEMENTI PRECINCT

The Clementi district is located about 7km west of Orchard Road. It is well-connected to the rest of Singapore via the Ayer Rajah Expressway.

The Clementi MRT station services the East-West line that links directly to downtown Singapore and eastwards to Changi Airport.





Going in the other direction further west, the MRT line serves the Jurong Lake District consisting of two complementary precincts, Jurong Gateway and Lakeside, which will be the biggest commercial hub outside the Central Business District.

The Clementi bus interchange has 14 bus lines which connect the town centre and MRT station with the suburbs.

The Clementi Planning Area has about 92,000 residents and more than 60,000 tertiary students in the Clementi and Queenstown Planning areas. In addition, there are 169,000 residents in the neighbouring Bukit Timah and Queenstown Planning Areas.

The first mixed-use development in Singapore with a public library, bus interchange, HDB residential blocks and commercial components



MARKET OVERVIEW

1.0 MACRO-ECONOMIC OVERVIEW

1.1 GDP Growth and Retail Sales

Following the stronger economic expansion in 2013, growth in H1 2014 was moderate

According to the Ministry of Trade and Industry ("MTI"), Singapore's real Gross Domestic Product ("GDP") grew by 3.9% in 2013, higher than the 2.5% in 2012, supported mainly by finance & insurance and wholesale & retail trade. Real GDP growth moderated in H1 2014, decelerating from 6.9% in Q4 2013 to 1.8% in Q1 2014 and 0.1% in Q2 2014 on a q-o-q seasonally adjusted annualised rate.

Retail sales growth has been moderating

Private Consumption Expenditure ("PCE"), a reflection of consumer confidence and household retail spending, has been growing at a slower pace since 2010. This is despite the growth in wages and personal disposable income (5% in 2013, higher than the annual average over the past decade of 4.3%).

The Household Expenditure Survey 2012/13 by the Department of Statistics Singapore ("DOS") also found that annual growth in average household expenditure between 2007/08 and 2012/13 (4.4% per annum) has not matched up to that for average household income (5.3% per annum).

With more affordable international travel and e-retailing, more residents are spending abroad. This is reflected in private consumption patterns, where 16% of PCE (including non-residents' expenditure) is accounted by residents' expenditure abroad in 2013, compared with 14% in 2007.

Excluding motor vehicles, real retail sales grew by 1.1% in 2013 and continued to increase by 0.8% y-o-y in Q1 2014. However, it contracted by 2.0% y-o-y in Q2 2014.

1.2 Tourism

The tourism sector expanded in 2013, though its performance moderated in H1 2014

According to the Singapore Tourism Board ("STB"), Orchard/Scotts Road is the most popular shopping destination for tourists and has consistently been the most visited free-access attraction⁽¹⁾ in Singapore. As such, the Singapore retail market is significantly driven by the performance of the tourism sector.

After achieving the upper limit of the STB's international visitor arrival target for 2012 (14.5 million), Singapore attracted 15.6 million visitors in 2013, exceeding its projection of 14.8 million to 15.5 million. Notwithstanding, growth in the tourism sector has been moderating, amid the strengthening SGD and inflation.

Visitor arrivals in Singapore amounted to 8.9 million for the period of January to July 2014, a 2.5% y-o-y decline, largely due to a decline in the number of visitors from Mainland China. To address this, the government has partnered the private sector to launch a \$1 million⁽²⁾ campaign to attract more Mainland Chinese.

(1) According to the STB's Overseas Visitors Survey in 2012, which covers a sample of about 26,000 visitors departing Singapore, 43% of the respondents visited Orchard Road, the highest compared with other free-access attractions e.g., Chinatown and Little India.

(2) All currencies in this report are in SGD.

visitors. On the other hand, tourism receipts continued to grow by 1.8% (\$23.5 billion) in 2013. Q1 2014 saw tourism receipts growing by 5% y-o-y to \$6 billion.

1.3 Outlook

Singapore's economy is expected to perform modestly in 2014, though conditions are likely to improve in 2015

Global economic recovery is expected to pick up in 2014, underpinned by more optimistic economic growth expectations in the US and a reduced pace of fiscal consolidation in the Eurozone. However, some uncertainties in the US and China as well as Singapore's labour constraints may pose some risks to recovery. The government expects Singapore's real GDP growth forecast for 2014 to be between 2.5% and 3.5% (Table 1.1). Going into 2015, Oxford Economics ("OE") expects economic conditions to improve, with real GDP growing by 3.9%.

Table 1.1: Key Macro-economic Forecasts

Indicator	2013	2014 F	2015 F
Real GDP Growth	3.9%	2.5% to 3.5% (MTI)	3.9% (OE)
Inflation	2.4%	1.5% to 2.5% (MAS)	2.8% (OE)
Population Growth	1.6%	1.4% (OE)	1.3% (OE)
International Visitor Arrivals (STB)	15.6 million	16.3 to 16.8 million (8.9 million in Jan-Jul 2014 - actual)	17 million (STB Tourism 2015 target)
Tourism Receipts (STB)	23.5 billion	\$23.8 to \$24.6 billion (\$6 billion in Q1 2014 - actual)	\$30 billion (STB Tourism 2015 target)

Source: MTI, DOS, MAS, Oxford Economics, DTZ Consulting & Research, August 2014

Slower tourism and retail sales growth in 2014, though conditions are likely to pick up in 2015

Consumer confidence and retail sales in Singapore are expected to be lukewarm in 2014 due to the overall market uncertainties. Notwithstanding, this situation is likely to improve in 2015 as the economy restructures towards more value-added growth.

In 2011, the STB announced its target to achieve \$30 billion of tourism receipts and 17 million visitor arrivals by 2015. Meanwhile, it targets to attract 16.3 to 16.8 million visitors and achieve \$23.8 to \$24.6 billion of tourism receipts in 2014. In view of the changing tourism landscape, the government is restructuring the tourism sector to focus on increasing yield though visitor spend, rather than visitor arrivals.

This drive towards more quality and value-added tourism programming is expected to benefit the retail market, especially in Orchard/Scotts Road.

2.0 PRIVATE RETAIL PROPERTY MARKET⁽³⁾

2.1 Retail Trends

Key consumer and retailer trends have a generally positive impact on Singapore

Rise of Asian consumerism – Asia's growing prosperity amid a rising middle class⁽⁴⁾ in major Asian economies i.e., Mainland China and India has fuelled the rise of Asian consumerism. Supported by strong expansion of the low-cost carrier industry and ASEAN Economic Community 2015, Singapore's consumer-facing industries e.g., retail and healthcare services will benefit from the rise of Asian consumerism.

Greater use of technology – Consumers are increasingly seeking convenience, "express" products and services as they find themselves time-starved. With the proliferation of e-commerce and social media, Singapore, with its readily available IT and physical infrastructure, has an edge in attracting consumers.

More households are dining out – According to the DOS Household Expenditure Survey 2012/13, expenditure patterns among households reflect lifestyles changes and consumption of higher quality products and services.

More households were noted to be dining out, with food serving services accounting for 64% of the expenditure on food in 2012/13, up from 62% in 2007/08. Notably, the share of spending in restaurants increased from 27% to 35% over the same period.

Growing presence of international retailers – Despite intensifying competition among retailers locally and regionally, Singapore continues to attract international retailers.

Premier malls in Orchard/Scotts Road remain in vogue – Premier luxury malls in Orchard/Scotts Road such as Paragon are top choices for international retailers. For instance, Paragon has attracted many exclusive and new-to-market brands such as:

- Spanish label Adolfo Dominguez (ADZ.MC), with its first Singapore flagship store at Paragon;

(3) This report focuses on retail space held by the private sector. According to the URA, the private sector refers to individuals, organisations or companies registered with the Accounting and Corporate Regulatory Authority. It includes clan associations and other organisations registered under the Societies Act, Charities Act, Cooperative Societies Act, etc.

(4) According to the Organisation for Economic Co-operation and Development ("OECD") in 2010, Asia is expected to account for two-thirds of the world's middle class by 2030, a significant increase from the 28% estimated in 2010. A global middle class is defined by OECD as those living in households with daily per capita incomes from USD10 to USD100 (SGD12 to SGD124) per day in purchasing power parity terms.

- Blackbarrett – menswear designer Neil Barrett's second store in Asia outside Japan;
- Caramel Baby & Child, a luxury childrenswear and homewares brand well known in London;
- American luxury handbag brand Judith Leiber, with its first standalone boutique at Paragon.

Non-shop⁽⁵⁾ retail trades such as F&B are growing in importance – In line with the lifestyle changes, non-shop retail trades such as F&B, entertainment and health & fitness have become a critical component for retail, comprising about 30% to 51% of retail space, based on the URA's Q2 2014 statistics.

2.2 Existing Supply⁽⁶⁾

Islandwide retail stock was 45.4 million sq ft as at Q2 2014

Total private retail stock in Singapore rose by 3.0% y-o-y (1.3 million sq ft) in 2013. There were limited completions in Orchard/Scotts Road in 2013 and supply was led by the Suburban Areas e.g., JEM (584,000 sq ft) and Westgate (410,000 sq ft) in the Jurong Lake District.

H1 2014 saw the completion of orchardgateway (167,000 sq ft) at Orchard/Scotts Road. This brought private retail stock up to 45.4 million sq ft in Q2 2014. Majority of the stock was in the Suburban Areas (22.4 million sq ft; 49%), while Orchard/Scotts Road accounted for about 17% (7.5 million sq ft). The remaining 34% (15.5 million sq ft) was in the Other City Areas.

Retail developments continue to rejuvenate

Completions in Orchard/Scotts Road and Other City Areas since 2013 were smaller in scale and mainly from redevelopment/refurbishment projects e.g., orchardgateway, The Heeren and Suntec City Mall.

2.3 Potential Supply

Ample pipeline supply, especially in 2014

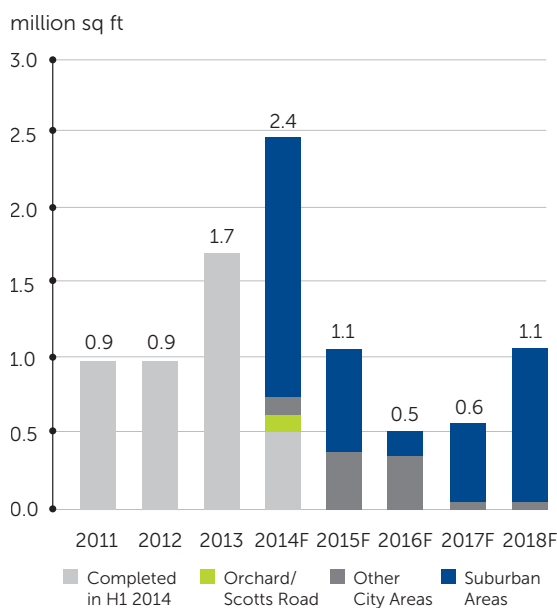
There is an ample new supply of private retail space completing from Q3 2014 to 2018 (5.2 million sq ft), which is about 12% of islandwide stock in Q2 2014.

Some 36% (1.9 million sq ft) of the pipeline supply is completing in H2 2014. Including the completions in H1 2014, some 2.4 million sq ft of retail space will complete in year 2014, higher than the 1.1 million sq ft⁽⁷⁾ annual average over the past decade.

Majority of the pipeline supply from Q3 2014 to 2018 is in the Suburban Areas, while potential supply in Orchard/Scotts Road is very limited

Of the pipeline supply from Q3 2014 to 2018, about 75% (4.1 million sq ft) is accounted by the Suburban Areas and 20% (1.1 million sq ft) by the Other City Areas (Figure 2.1).

Figure 2.1: Retail New Supply (2011 to 2018)



Source: URA, DTZ Consulting & Research, August 2014

Meanwhile, there is very limited potential supply in Orchard/Scotts Road (0.2 million sq ft; 4%), with most of this concentrated in H2 2014 i.e., 268 Orchard Road (122,000 sq ft) and refurbishment of Shaw Centre (110,000 sq ft⁽⁸⁾).

Pipeline supply in the Suburban Areas are mainly in growth areas

Potential supply in the Suburban Areas is mainly in regional/sub-regional centres earmarked by the government e.g., Big Box at Jurong Lake District and OneKM at Paya Lebar Central. Notably, Big Box is the largest project in the pipeline supply for the Suburban Areas. It is developed under the Economic Development Board's Warehouse Retail Scheme introduced in 2004, which allows industrial land to be used for retail and warehousing.

There are also many new mid-sized shopping malls (150,000 to 200,000 sq ft) opening at relatively under-served residential catchments e.g., The Seletar Mall (188,000 sq ft) in Sengkang.

(5) Retail property statistics from the URA from 2004 to 2011 are based on shop space, which is defined as space used or intended to be used for any trade where the primary purpose is the sale of goods by retail, for example, provision shop, take-away food shop, departmental store. Space used for the provision of services, such as tailoring, barber/beauty salon, photographic and medical services are also included.

With effect from Q1 2014, the URA's coverage of the retail property market was expanded to include non-shop retail uses i.e., F&B, entertainment and health & fitness and will be referenced as retail space. This is only applicable for figures from 2012 onwards.

(6) Retail supply, demand and occupancy figures in this report are based on URA's statistics.

(7) DTZ's estimate.

(8) Of the 110,000 sq ft, 14,000 sq ft of Shaw Centre's refurbished space was completed in Q2 2014.

Meanwhile, there is limited retail supply in Clementi Planning Area. There is only one pipeline project in Clementi, namely WE Cinemas, a six-storey entertainment complex, featuring 10 digital cinema halls, with supporting retail and is positioned differently from the likes of The Clementi Mall.

2.4 Demand and Occupancy

Robust demand in 2013, driven by the completion of fully- or almost-fully committed suburban malls

Demand for private retail space reached a high of 1.6 million sq ft in 2013 since 2010, resulting from the opening of large suburban shopping malls e.g., Jem and Bedok Mall opened at full occupancy in June 2013 and December 2013 respectively, while Westgate opened at 90% occupancy in December 2013.

Moderated retail sales and lower visitor arrivals had some impact on demand in H1 2014

Islandwide retail space demand came under some pressure in H1 2014, contracting by 323,000 sq ft on the back of some retailers vacating their spaces e.g., Franc Franc's closure of its outlets in Singapore and PARCO vacating its space at Millena Walk.

Following the increase in 2013, islandwide occupancy fell in H1 2014

With net absorption⁽⁹⁾ (1.6 million sq ft) surpassing net supply⁽¹⁰⁾ (1.3 million sq ft) in 2013, islandwide retail occupancy rose from 94.1% in 2012 to 95.0% in 2013. However, the curtailed demand alongside the increased supply saw islandwide occupancy declining from 95.0% in Q4 2013 to 93.4% in Q2 2014.

Take-up in Orchard/Scotts Road was healthy in 2013, with occupancy rising to a high of 95.6%

Orchard/Scotts Road remains an attractive venue for international retailers, with various new-to-market brands continuing to launch their stores in the area e.g., South Korean shoemaker Spur and Hong Kong fashion retailer i.t.

Occupancy in Orchard/Scotts Road rose by 0.8% points from 94.8% in 2012 to 95.6% in 2013, partly driven by Robinson's taking up about 186,000 sq ft at The Heeren, increasing from the 130,000 sq ft it previously occupied at The Centrepoint.

Occupancy in Orchard/Scotts Road saw some respite in Q2 2014, while that for the Suburban Areas remained resilient

Occupancy in Orchard/Scotts Road fell to 92.3% in Q1 2014, though this was partly attributed to the fit-out period by tenants who were preparing to move into orchardgateway.

On a positive note, net absorption in Orchard/Scotts Road improved and occupancy rose to 92.7% in Q2 2014, with the opening of orchardgateway's main wing, which was almost fully committed. Meanwhile, occupancy in the Suburban Areas was relatively stable at 93.9% in Q2 2014, reflecting the strong position of suburban malls with strong catchments.

2.5 Rents

Rents in Orchard/Scotts Road and the Suburban Areas are resilient

Weaker retail sales growth, consumer sentiments and tighter labour market conditions since 2013, have generally made tenants more resistant to rent increases.

Nonetheless, average fixed gross retail rents in Orchard/Scotts Road and the Suburban Areas were resilient, falling marginally by 0.2% and 0.1% in 2013 respectively, as retailers' interest in these areas remain strong e.g., Orchard/Scotts Road being the most established retail, leisure and entertainment belt and the Suburban Areas being earmarked for many new key commercial hubs.

Retail rents for the Other City Areas declined by 0.8% in 2013. Recent retail additions/changes to the areas and rejuvenation plans have been less impactful in the Other City Areas (e.g., retail podiums of office buildings), amid the increased competition.

Rents held up in H1 2014

According to DTZ, average prime fixed-gross rents⁽¹¹⁾ across all segments held up in H1 2014, though leasing deals took longer to complete due to differing expectations between retailers and landlords. As at Q2 2014, average prime first-storey fixed gross rents in Orchard/Scotts Road were \$40.05 per sq ft per month, while those in the Suburban Areas were \$33.70 per sq ft per month, remaining unchanged since 2013.

2.6 Outlook

Retail rents are expected to hold up

Singapore remains well-positioned as a global-Asia hub to capitalise on the strong expansion of consumerism in Asia Pacific. Many international retailers in the F&B and lifestyle segments are expected to continue to be attracted to set up store in Singapore.

(9) Demand is reflected by net absorption, the change in the total occupied or let floor space over a specified period of time, either positive or negative.

(10) Net supply is new supply less retail space that is undergoing refurbishment and/or redevelopment.

(11) Refers to the rents of prime specialty retail shops, for example those with good frontage or pedestrian footage, are used to compute average gross rents. They exclude turnover rents.

Retail rentals in Singapore, especially in Orchard/Scotts Road and the Suburban Areas are generally expected to hold up for the rest of 2014, though overall prospects were impacted by declining tenant sales at some shopping malls. Retailers also continue to be cost-conscious as they grapple with the rising business costs, amid the labour crunch.

Going into 2015, retail rents are likely to improve, in view that the economy is expected to perform better as well as the pipeline supply in the year being more moderate.

2.7 Implications on Paragon

Given the limited pipeline supply, retail rents in Orchard/Scotts Road are likely to remain resilient, with potential upside in 2015

Retail rents in Orchard/Scotts Road are expected to stay firm from Q2 2014 to Q2 2015, with potential upside of up to 2%, amid the limited supply.

Notably, Orchard/Scotts Road accounts for only about 4% of the total pipeline supply up till 2018. Well-managed premier shopping malls in the area like Paragon are likely to see a stronger upside for its rental prospects.

Retail developments in Orchard/Scotts Road completing in 2014 have achieved healthy pre-commitments e.g., the soon-to-be refurbished Shaw Centre has a pre-commitment rate of about 90%. Furthermore, the vacated premises by Robinsons at The Centrepoint have already been taken up by Metro, reflecting Orchard/Scotts Road's mainstay as the prime retail and tourist shopping destination in Singapore.

Orchard/Scotts Road, the most popular shopping and tourist precinct in Singapore, with a total of 7.5 million sq ft of retail space, is also supported by over 11,000 hotel rooms and serviced apartments in the vicinity and is well connected by underground pedestrian walkways and linkages between buildings.

Paragon, an established premier luxury shopping mall, is well-positioned to ride on the positive rental prospects in Orchard/Scotts Road.

2.8 Implications on The Clementi Mall

Retail rents in the Suburban Areas are expected to stay firm

While majority of the pipeline supply is located in the Suburban Areas, rents in the area are expected to stay firm for the rest of 2014, with some upside going into 2015.

Most suburban malls enjoy strong demand from both the local primary catchments and from retailers seeking to expand their presence into the Suburban Areas. In addition, many high-profile brands (e.g., Coach and Swedish high-end fashion brand Cos) have already established their presence in the suburban malls and are continuing to do so.

Most of the large-scale suburban malls completing in 2014 have achieved high pre-commitment rates (from 70% to fully committed), reflecting the strong retailer interest setting up a presence in the Suburban Areas.

Suburban retail spaces, which are in close proximity or integrated with transport nodes such as The Clementi Mall, are expected to remain at the forefront of the market. Such developments are also likely to experience stronger rental growth prospects.

The Clementi Mall, strategically located at the heart of Clementi Planning Area⁽¹²⁾, is expected to continue to outperform other malls in the area. It enjoys excellent transport connectivity due to its co-location with a bus interchange and connection to the Clementi MRT station. Apart from serving about 92,000 residents⁽¹³⁾ in the Clementi Planning Area and about 169,000 residents in the neighbouring Bukit Timah and Queenstown Planning Areas, The Clementi Mall is also supported by more than 60,000 students from tertiary institutions in the area as well as the significant working population at one-north.

3.0 MEDICAL SUITE PROPERTY MARKET

3.1 Healthcare Services Industry Trends

Key industry trends have driven the demand for medical and healthcare services in Singapore

The rise of Asian consumerism has brought about a demand for quality healthcare services in the region. Healthcare spending in Asia Pacific is expected to grow from USD1.34 trillion in 2013 to USD2.2 trillion in 2018⁽¹⁴⁾. The "opening up" of several smaller countries/regions e.g., IndoChina and Mongolia has helped drive demand.

Regional competition for the medical tourism dollar, amid the strong growth potential in the region

Despite the growing healthcare services market in Asia, competition from other countries in the region e.g., Thailand, Malaysia and India has been intensifying, amid more affordable travel options and online connectivity.

(12) Based on the URA's planning boundaries.

(13) Based on the DOS Singapore's Population Census 2010.

(14) Source: Frost and Sullivan.

Regional competitors are mainly competing in terms of being able to offer more affordable healthcare services, while Singapore's advantage is its position as a leading medical hub for high-quality medical treatments.

Singapore has a niche in offering high-quality and sophisticated medical surgical procedures and services, usually sought after by the more affluent target markets. Its appeal to this high-net-worth target market is reinforced by its reputation as a politically stable and safe country.

Singapore has a solid base of international accreditation, with 21 Joint Commission International (JCI)⁽¹⁵⁾ accredited organisations, versus 13 in Malaysia and 37 in Thailand, as at August 2014. Its cosmopolitan image also appeals to the global market.

Singapore's competitive advantage as a leading medical hub for high-quality medical treatments is reflected by the healthy growth of medical tourism receipts. According to the latest statistics from the STB, medical tourism receipts grew by 13% to \$1.1 billion in 2012, similar to the growth in 2011.

3.2 Existing Supply

Over 1,500 medical suites in Singapore

DTZ estimates that there are over 1,500 medical suites in Singapore, as at August 2014, of which about 65% (982 units) are hospital-supported medical suites, while the remaining 35% (540 units) are standalone medical suites.

Limited standalone medical suites that are for lease only

Of the islandwide medical suite stock, about 25% (378 units) are standalone medical suites that are for lease only and are held by REITs, developers or major medical group practices such as Raffles Medical Group and Thomson Medical. This implies that the market for professionally managed and operated medical suites is limited.

Orchard Road/Tanglin accounts for a large proportion of standalone medical suites that are for lease only (219 units). They are generally well-managed as reflected by Paragon Medical (75 units) being renowned as a world-class specialist medical centre.

Orchard Road/Tanglin is Singapore's premier healthcare services and medical cluster

Some 46% of the medical suites in Singapore are located in Orchard Road/Tanglin, spread across more than 10 different facilities. Mount Elizabeth Medical Centre (Orchard) (232 units) and Gleneagles Medical Centre (164 units), which are owned by Parkway Pantai Ltd, are the two developments with the most medical suites and are integrated with hospital facilities.

Mount Elizabeth Orchard and Gleneagles have established a strong brand positioning for medical and healthcare services globally and have been critical in uplifting Orchard Road/Tanglin's profile as a medical destination.

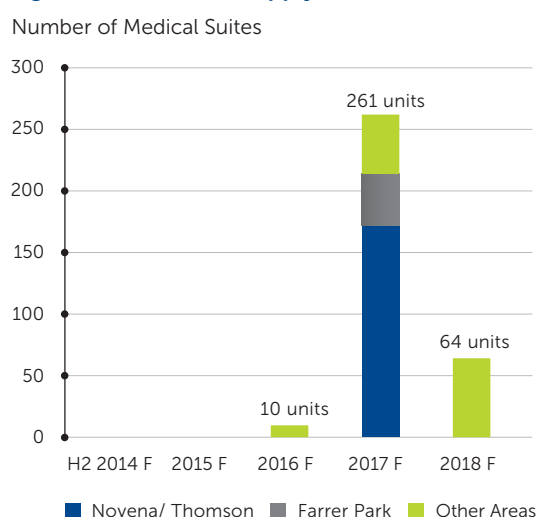
Paragon Medical, while not directly integrated with these hospitals, enjoys the closest proximity to Mount Elizabeth Orchard's 24-hour hospital. Other medical suites in the area are relatively further away from hospital facilities. Furthermore, Paragon Medical is supported by a comprehensive range of hotel and retail amenities.

3.3 Potential Supply

Estimated 335 medical suites in the pipeline till 2018

There is an estimated 335 medical suites expected to complete from H2 2014 to 2018. This pipeline supply forms about 22% of the existing stock in August 2014 and will mostly complete in 2017, reflecting limited medical suite supply from H2 2014 to 2016 (Figure 3.1).

Figure 3.1: Potential Supply



Source: DTZ Consulting & Research, August 2014

(15) JCI is an internationally recognised accreditation that looks at structures, processes and outcomes of health care organisations. Currently this accreditation programme covers 6 areas: ambulatory care, clinical laboratories, hospitals, medical transport organisations, care continuum and disease- or condition-specific care. Moving forward, it will expand into Primary care services.

No new supply expected in Orchard Road/Tanglin till 2018

There is no potential supply in the Orchard Road/Tanglin till 2018, furthering the scarcity of medical suites in the area.

Bulk of the potential supply will come from Royal Square in Novena/Thomson, a mixed-use commercial development with retail, medical suites and hotel components developed by a joint venture between Hoi Hup Realty and Sunway Developments.

All the medical suite pipeline projects till 2018 are part of mixed-use commercial developments e.g., office, medical suites and hotel uses and are mostly developed by real estate property developers, rather than medical group practices or practitioners.

The size of many of the medical suites for the upcoming projects e.g., Royal Square was significantly smaller (420 sq ft to 786 sq ft), compared to the average size of units at existing medical centres in Orchard Road/Tanglin (600 sq ft to 1,200 sq ft). This was done to appeal to investors, as smaller units are more affordable on a quantum basis.

These smaller medical suites may not be suitable for some medical practices e.g., specialities involving day surgery as these activities require more supporting facilities. In addition, some of these upcoming medical suites, especially those in the city centre do not enjoy proximity to established private hospitals and lack the strong branding observed in Orchard Road/Tanglin. They may also not be as professionally managed as they are owned by individual owners.

3.4 Demand and Occupancy

Demand for medical suites has sustained relatively well

Driven by healthy growth in its medical tourism sector (in terms of foreign patients and medical tourism receipts), rising number of medical practitioners and strong support from the government, the demand for medical suites has sustained relatively well over the recent years. Nonetheless, the demand dynamics by location varies considerably, with stronger demand for medical suites in established areas, namely Orchard Road/Tanglin, followed by Novena/Thomson.

Strong demand for hospital-supported and well-positioned medical suites, particularly those at Orchard Road/Tanglin

Amid the limited medical suite supply in Orchard Road/Tanglin as well as the area's hospitals and medical centres having developed internationally recognised standards and specialties, occupancy for medical suites in Orchard Road/Tanglin are strong.

Many healthcare services professionals are keen to occupy medical suites which are directly supported by hospitals, especially those which are well-recognised. For example, Mount Elizabeth Medical Centre Orchard is estimated to be near full occupancy. In particular, Paragon Medical, which is immediately adjacent to Mount Elizabeth Hospital Orchard and Mount Elizabeth Medical Centre Orchard, has maintained full occupancy over the past decade.

3.5 Rents

Medical suite rents have grown at a steady pace over the past decade, particularly for Orchard Road/Tanglin

On the back of the sustained demand and limited supply for medical suites, average gross rents for medical suites have risen at a steady pace over the past decade. The growth in rents was the most significant for medical suites which were integrated as part of hospitals. In addition, the growth in rents is most significant in Orchard Road/Tanglin.

For instance, asking monthly rents for medical suites at Mount Elizabeth Medical Centre Orchard are estimated to have, at least doubled from about \$8 per sq ft in 2003 to \$16 – \$27 per sq ft in 2013, translating to average annual growth rate of about 9% to 15%. Rents at Paragon Medical are estimated to have grown from about \$7 – \$7.50 per sq ft in 2005 to about \$11 – \$14 in 2013, which translates to a 7% to 11% average annual growth over the period. Meanwhile, rentals at Novena/Thomson have been growing at a more gradual pace, at about 5% to 7% per annum over the same period.

Notably, average monthly gross office rentals in Orchard Road have been on a rise, registering a 4.7% y-o-y growth in 2013 and increasing by 5.6% q-o-q in Q1 2014 and 2.6% q-o-q in Q2 2014. It is likely that medical suite rentals are trending in a similar fashion.

3.6 Outlook

Limited supply and steady demand are expected to sustain rental growth

The medical suite market plays an important role in the growth of the overall healthcare services industry in Singapore. On the back of the government restructuring the healthcare model, which is expected to increase healthcare accessibility, there is growing demand of local and foreign patients for high quality healthcare and medical services. In addition, various medical group practices have been active in expanding their presence, particularly in Orchard Road/Tanglin.

On the supply side, there is no new supply of medical suites expected till 2016. In addition, many of the medical suites in the pipeline are positioned differently from existing medical suites, being strata-titled for sale and having smaller unit sizes. They may also not be as professionally managed as those in Orchard Road/Tanglin and lack branding.

Despite growing competition in the region, Singapore has a strong competitive advantage in offering high-quality healthcare and medical services.

Rentals for medical suites in Singapore are expected to grow steadily, in view of the strong rental prospects for the office market. In addition, rental growth for medical suites is likely to outperform that for office.

3.7 Implications on Paragon Medical

Orchard Road/Tanglin is Singapore's leading medical cluster and well-managed medical suites nearer to prominent hospitals such as Paragon Medical will see strong rental growth prospects

Medical suite rental growth in Orchard Road/Tanglin is expected to outperform the other clusters in Singapore, given the area's strong brand and positioning as a venue for high quality healthcare and medical services e.g., presence of renowned hospitals and a diverse range of retail and hotel amenities, which are key success factors for medical tourism.

There is no upcoming new supply in Orchard Road/Tanglin and the already limited availability of medical suites in the area will bolster stronger rental growth. Medical suite rentals for Orchard Road/Tanglin are expected to continue to increase over the next 12 months.

In particular, medical suites near prominent and well-established hospitals which are professionally managed e.g., Paragon Medical are well-positioned to ride the strong rental prospects for medical suites.

LIMITING CONDITIONS

Where it is stated in the report that information has been supplied to us in the preparation of this report by the sources listed, this information is believed to be reliable and we will accept no responsibility if this should be otherwise. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with relevant government authorities.

The forward statements in this report are based on our expectations and forecasts for the future. These statements should be regarded as our assessment of the future, based on certain assumptions on variables which are subject to changing conditions. Changes in any of these variables may significantly affect our forecasts.

Utmost care and due diligence has been taken in the preparation of this report. We believe that the contents are accurate and our professional opinion and advice are based on prevailing market conditions as at the date of the report. As market conditions do change, we reserve the right to update our opinion and forecasts based on the latest market conditions.

DTZ gives no assurance that the forecasts and forward statements in this report will be achieved and undue reliance should not be placed on them.

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CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL SUSTAINABILITY

GREEN INITIATIVES

The Manager practises proactive energy conservation to improve operational efficiency and reduce operating expenses of its properties.

At Paragon, car park light fittings have been changed to energy-saving LED light tubes which have longer shelf life and consume less electricity. Fire escape staircase lightings are also fitted with LED light tubes and are controlled by motion sensors. Other ongoing efforts include fitting carbon monoxide sensors to control ventilation fan speed for better air quality at the basement carpark; and replacing old air-conditioning chillers with more energy efficient models.



Photo credit: Calvin Klein Jeans

In support of Earth Hour 2014 on 29 March 2014, Paragon switched off its facade lightings from 8.30pm to 9.30pm. Its Orchard Road street-front facing tenants, such as Calvin Klein Jeans, Gucci, Miu Miu, Prada, Salvatore Ferragamo, and Tod's, also supported the initiative by switching off their signage and window display lightings and dimming their in-store lighting.

At The Clementi Mall, chilled water and condenser water pumps with variable speed drives have been installed to regulate electricity

consumption to adjust to the environmental climate.

TENANT ENGAGEMENT

PARTNERING INITIATIVES

The Manager invests time and effort in a variety of tenant engagement activities to foster good relationships, create opportunities to exchange ideas for more effective collaborations. This partnership approach is extended to the line staff where informal dialogues and feedback are encouraged.

Tenant engagement takes place through both formal and informal channels. Monthly bulletins are issued to keep tenants updated on tenancy changes, opportunities on advertising and promotional participation and other key matters on the properties.

An annual tenant satisfaction survey is conducted to gather feedback to assess the effectiveness of the mall's programmes and to guide the planning of the mall's future activities.

SHOPPER AND COMMUNITY ENGAGEMENT

ART, CULTURAL AND MUSIC INITIATIVES

The Manager believes in creating a holistic shopping experience in its malls through art, culture and music.

At Paragon, several sculptures by renowned artists can be found for shoppers' enjoyment. Daily lunch time live music performances, "Music EnVogue", at the atriums help to provide a relaxing shopping experience.

At The Clementi Mall, stage performances during festive seasons such as Chinese New Year, Mid-Autumn Festival and Christmas liven up the

atmosphere. Cultural shows such as sand art performances, cultural dances, school band and choir performances are routinely organised to add to the festive cheer.

The following sections highlight significant performances and community events that took place at Paragon and The Clementi Mall in the past year.



Orchard Road Christmas Light-Up 2013

Paragon, November 2013

As part of the celebration, Paragon hosted performances by local school choirs, namely, Tao Nan School, CHIJ St Nicholas Girls School (Primary), Xin Min Primary School and Queenstown Secondary School; as well as the renowned local jazz band, Lounge Lizards.

Unveiling of the 'Noeud Rouge' Sculpture by Jean-Michel Othoniel

Paragon, January 2014

A sculpture by world-renowned sculptor Mr Jean-Michel Othoniel named "Noeud Rouge" (meaning Red Knot) was commissioned as part of Paragon's exterior upgrading to complement its image as a premium fashion mall and to contribute to the international art scene along Orchard Road. Mr Othoniel's works are well represented worldwide in major museums and in fashion institutions such as Chanel, LVMH, the Gucci Group and the Cartier Foundation. The sculpture was jointly unveiled by SPH Chairman Dr Lee Boon Yang and Mr Othoniel.



SPH 30th Anniversary Celebrations and SPH Gift of Music 2014 Concert Series
Paragon, March 2014

Paragon played host to SPH's 30th anniversary celebrations, with a special concert by the Singapore Symphony Orchestra ("SSO"), in conjunction with the "SPH Gift of Music 2014" free concert series, which SPH has sponsored since 2005. The concert was conducted by SSO Associate Conductor Joshua Tan, with performances by the talented children from the Singapore Symphony Children's Choir.



Blossoms, Ikebana International Singapore Chapter Annual Floral Exhibition
Paragon, April 2014

Paragon hosted this public exhibition showcasing the delicate Japanese art of flower arrangement. Members

of Ikebana International Singapore Chapter and their guests were also treated to a Floral Fashion Show. 60 magnificent exhibits brought joy and admiration to countless shoppers over a twelve-day period.



Fashion Reimagined
Paragon, May 2014

As part of the annual Fashion Steps Out ("FSO") campaign organised by the Orchard Road Business Association ("ORBA"), Paragon hosted a public exhibition by promising local fashion designers of Raffles Design Institute ("RDI") to showcase their creativity by converting shopping bags from Paragon's participating tenants into exclusive wearable and fashionable apparel. In total, 14 outfits designed by 30 RDI students, featuring shopping bags from Paragon, Adolfo Dominguez, Anteprema, G-Star Raw, GUESS, Karen Millen and POIS, were exhibited.

School Holidays Special Programme - Get Creative with Paper Market

The Clementi Mall, June 2014

In collaboration with its tenant, Paper Market, The Clementi Mall organised a scrapbooking workshop to foster family bonding whilst learning basic paper crafting tools and techniques.



Choralation Choir Performance

Paragon, June 2014

Paragon hosted a one-day performance by Choralation, a premier choir from Westlake Girls and Boys High Schools, New Zealand, before the choir headed to Vienna to compete in the Summa Cum Laude Festival.

SPH "See The Big Picture" with Stephen Wiltshire

Paragon, July 2014

As part of SPH's 30th anniversary celebrations, internationally renowned artist and autistic savant Mr Stephen Wiltshire was commissioned to sketch the cityscape of Singapore publicly at the atrium of Paragon over a five-day period. More than 150,000

people visited Paragon to catch Mr Wiltshire in action, and to view a public showcase of his past artwork. Visitors included President Tony Tan Keng Yam, students from School of the Arts, La Salle College of the Arts, Nanyang Academy of Fine Arts, Pathlight School, Very Special Arts and The Business Times' Little Arts Academy. This artwork is now displayed at the URA Singapore City Gallery.



INVESTOR RELATIONS

SPH REIT's Investor Relations practices are built upon firm adherence to a high standard of corporate governance and transparency. The Manager is committed to deliver clear, consistent and timely updates to the investment community and develop long-term relationships with Unitholders. After listing, the Manager carefully planned and set up various activities and communication platforms to ensure that all segments of the investment community are engaged. Valuable feedback and insights from these engagements are highlighted to the Board of Directors ("Board"). The Board also receives regular updates on Unitholders' statistics, investors' and analysts' views.

PROACTIVE ENGAGEMENT WITH INVESTORS

The Manager interacts actively with the investment community through multiple platforms to provide business updates as well as to understand and address issues that matter to investors. These include one-on-one meetings, quarterly post-results briefings, property-related conferences and overseas roadshows. Briefings are held to update analysts on SPH REIT's half-year and full-year financial results, operational performance and market outlook. The Manager holds annual media briefings for the full-year results. In addition, property tours are arranged upon request to enable institutional investors to gain a sense of the properties' vibrancy and better understand their operations.

Continual engagement with retail investors is done through public forums such as the annual Invest Fair and the Securities Investors Association (Singapore) ("SIAS") Corporate Profile and Investment Seminar.

SPH REIT's Investor Relations website is a key source of relevant and comprehensive information to the investment community. It is updated in a timely manner with quarterly financial performance and other announcements. Senior management's audio webcasts of SPH REIT's half-year and full-year financial results with slide presentations are also available for viewing through the website. It also archives all corporate announcements and presentations and provides email alerts on the latest announcements.

Unitholders are encouraged to access the SPH REIT corporate website at www.sphreit.com.sg for the latest updates. Queries can be posted via the investor relations email address, ir@sphreit.com.sg.

Investor Relations Calendar

HALF YEAR 2014 (LISTING DATE ON 24 JULY 2013 – 28 FEBRUARY 2014)

- ShareInvestor's Invest Fair 2013, Singapore
- Announcement of first financial results for the period from listing date to 30 November 2013
- Payment of the distribution for the period from listing date to 30 November 2013
- Post-results investors meeting

3RD QUARTER 2014 (MARCH – MAY 2014)

- Credit Suisse event – "Investing in REITs: Creating and Preserving Wealth", Hong Kong[#]
- Non-deal roadshow, Hong Kong
- J.P. Morgan Asia Pacific Real Estate Conference, Singapore[#]
- Announcement of results for the period from 1 December 2013 to 28 February 2014 ("2Q FY2014") and analysts' briefing with audio webcast
- Payment of 2Q FY2014 distribution
- Post-results investors meeting

4TH QUARTER 2014 (JUNE – AUGUST 2014)

- Announcement of 3Q FY2014 results for the period from 1 March 2014 to 31 May 2014 ("3Q FY2014")
- Post-results investors meeting
- Payment of 3Q FY2014 distribution
- ShareInvestor's Invest Fair 2014, Singapore

[#] Investor conferences attended.

Financial Calendar

2014

13 OCTOBER

Announcement of financial results for FP2014

21 OCTOBER

Books Closure

14 NOVEMBER

Payment of 4Q FY2014 distribution

28 NOVEMBER

Annual General Meeting ("AGM")

2015*

12 JANUARY

Announcement of 1Q FY2015 Results

13 APRIL

Announcement of 2Q FY2015 Results

7 JULY

Announcement of 3Q FY2015 Results

12 OCTOBER

Announcement of FY2015 Results

* The dates are indicative and subject to change. Please refer to SPH REIT website, www.sphreit.com.sg, for the latest updates.

RISK MANAGEMENT

RISK MANAGEMENT APPROACH & PHILOSOPHY

Risk management is an integral part of the business of SPH REIT and the Board is responsible for establishing the overall risk strategy and governance. SPH REIT advocates a continuous and evolving process for enhancing risk awareness and this has been implemented across the organisation through an Enterprise-wide Risk Management ("ERM") framework.

The risk management framework assists the Board and the Manager to assess, mitigate and monitor risk with the objective of mitigating losses and capital preservation and increases resilience during cyclical changes in business conditions or on occurrence of unexpected events. The framework also facilitates effective decision-making processes with due consideration to the risk-return trade-offs.

The Board, through the Audit & Risk Committee ("ARC"), oversees the proper implementation and maintenance of the risk management programme; and the management team, together with the property management team and risk management department, is accountable to the Board by identifying, assessing, monitoring, testing and recommending the appropriate tolerance levels of risks.

The Manager maintains a system of risk management and internal controls to safeguard stakeholders' interests and its assets. SPH REIT's management philosophy is built on a culture where risk exposures are mitigated to acceptable levels while achieving its business plans and goals.

In pursuit of SPH REIT's risk management philosophy, the following ERM principles apply:

- Risks can be managed but cannot be totally eliminated
- ERM is aligned with, and driven by business values, goals and objectives
- Every level of management must assume ownership of risk management
- Engagement of ARC on material matters relating to various types of risk and development of risk controls and mitigation processes
- Risk management processes are integrated with other processes including budgeting, mid/long term planning and business development

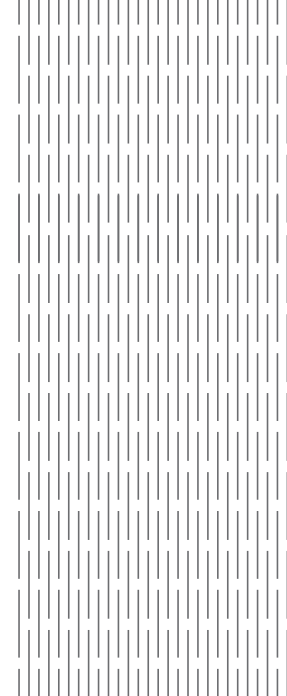
The key outputs of SPH REIT's risk management are:

- Defining a common understanding of risk classification and tolerance
- Identifying key risks affecting business objectives and strategic plans
- Identifying and evaluating existing controls and developing additional plans required to treat these risks
- Implementing measures and processes to enable ongoing monitoring and review of risk severity and treatment effectiveness

A robust internal control system is in place to provide greater assurance of the effectiveness of risk management, financial reporting and compliance objectives. Periodical internal audit is conducted to ensure that directions, policies, procedures and practices are adhered to.

REAL ESTATE MARKET RISKS

Real estate market risks, such as volatility in rental rates



and occupancy, competition and regulatory changes may have an adverse effect on property yields. Such risks are monitored closely to ensure that the existing portfolio of assets are optimally leveraged and realised, if appropriate, for better growth opportunities. Any significant change to the risk profile is reported to the ARC for assessment and mitigation.

OPERATIONAL RISKS

Day-to-day operations are premised on Standard Operating Procedures ("SOPs") which include structured reporting and monitoring processes to mitigate operational risks. They are intertwined with all daily operations to ensure timeliness of business deliverables, operational growth and continuity to ensure quality operational performance, human capital output and overall business sustainability.

A comprehensive Business Continuity Plan ("BCP") is in place to minimise the potential impact from disruptions to critical businesses, in the event of catastrophes such as terrorism, pandemics and natural disasters. The Manager practises risk transfer by procuring relevant insurance policies to underwrite certain financial losses. Operating and supporting service providers, as well as tenants are involved to ensure operational preparedness.

CREDIT RISKS

All leases are subject to prior assessment of business proposition and credit standing. To further mitigate risks, security deposits in the form of cash or banker's guarantees are required for tenancy agreements and debtor balances are closely monitored to manage potential bad debts.

FINANCING & INTEREST RATE RISKS

The Manager proactively manages the financing risk of SPH REIT by ensuring its debt maturity profile is spread out without major concentration of maturities in a single year, as well as maintaining an appropriate overall gearing level and average tenure for its borrowing.

The Manager monitors the portfolio exposure to interest rate fluctuations arising from floating rate borrowing and hedges its exposure by way of interest rate swaps and fixed rate loan. As at 31 August 2014, 54.7% of the borrowing has been hedged into fixed rate. More specifically, 77.5% of the longer tenure tranches maturing in 2018 and 2020, have been hedged into fixed rates.

In addition, the gearing limit is monitored to ensure compliance with the Code on Collective Investment Schemes issued by MAS.

LIQUIDITY RISKS

The Manager actively manages the cash flow position and operational requirements to ensure there is sufficient working capital to fund daily operations and meet other obligations. In addition, to manage bank concentration risks, the Manager places its cash balances as well as establishes its debt facility with more than one reputable bank of high credit rating.

INVESTMENT RISKS

All investment proposals are subject to a rigorous and disciplined assessment taking into consideration the asset valuation, yield enhancement and sustainability. Sensitivity

analysis is included in each review to assess the impact of a change in assumptions used. Potential acquisitions will be reviewed and analysed before any recommendations are tabled for deliberation and approval by the Board. Upon the Board's approval, the investment transaction will be submitted to the Trustee for final endorsement.

In addition, all acquisition and disposal transactions are monitored for compliance with the MAS Property Funds Appendix and SGX-ST Listing Rules.

LEGAL, REGULATORY & COMPLIANCE RISKS

The Manager takes compliance seriously, observing all laws and regulations including, restrictions and requirements of the Listing Manual of SGX-ST, MAS Property Funds Appendix and the provisions in the Trust Deed. Written corporate policies and procedures facilitate staff awareness and provide clear instructions for implementation of operational and business processes to minimise inadvertent contravention of applicable legislations, regulations, counterparty obligations and all contractual agreements. Quarterly reports on significant legal, regulatory and compliance matters are submitted to ARC for guidance.

Formal processes for Workplace Safety and Health compliance have also been implemented in respect of the properties. In addition, a compliance framework containing policies and practices to regulate the proper management of personal data in the group is installed to respond to the requirements of the Personal Data Protection Act.

FRAUD RISKS

The Manager has in place a code of business ethics and employee conduct ("Code of Conduct") which states that the organisation does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work. The Code of Conduct covers areas such as fraud, business and workplace behavior, safeguarding of assets, proprietary information and intellectual property. Any breach of the Code of Conduct may result in disciplinary action including dismissal or termination of the employment contract. The Board has established a whistle blowing

policy for employees and any other persons to raise concerns about potential or actual improprieties in financial or other operational matters.

TECHNOLOGY & CYBER RISKS

Information Technology ("IT") plays an important role in the sustainability of the business and the Manager is cognizant of the evolving risks in technology and cyber security. IT system failures may cause downtime in business operation and adversely affect operational efficiency and integrity. The Manager has implemented tight controls within the corporate systems to address the threats.

In this respect, IT policies are prescribed to guide staff on appropriate and acceptable use of IT resources including computers, networks, hardware, software, email, applications and data in order to ensure the efficiency and integrity of these computing resources.

All systems are regularly reviewed to ensure that the security features are adequate for safeguarding and preventing unauthorised access or disclosure of any data that is in the organisation's possession. As part of the BCP, an IT disaster recovery programme is also in place to ensure systematic off-site back-up of data and security updates.

CORPORATE GOVERNANCE

The board and management of SPH REIT Management Pte. Ltd., and the manager of SPH REIT (the "Board"; the "Management"; the "Manager"), are committed to good corporate governance as they firmly believe that it is essential in protecting the interests of the unitholders of SPH REIT ("Unitholders"). Good corporate governance is also critical to the performance and success of the Manager.

The Manager adopts the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore (the "MAS") on 2 May 2012 (the "2012 Code") as its benchmark for corporate governance policies and practices. The following describes the Manager's main corporate governance policies and practices, with specific reference to the 2012 Code.

The Annual Report should be read in totality for the Manager's full compliance.

THE MANAGER OF SPH REIT

The Manager has general powers of management over the assets of SPH REIT. The Manager's main responsibility is to manage SPH REIT's assets and liabilities for the benefit of Unitholders.

The Manager discharges its responsibility for the benefit of Unitholders, in accordance with applicable laws and regulations as well as the trust deed constituting SPH REIT dated 9 July 2013 ("Trust Deed"). The Manager sets the strategic direction of SPH REIT and gives recommendations to DBS Trustee Limited, as trustee of SPH REIT (the "Trustee") on the acquisition, divestment, development and/or enhancement of assets of SPH REIT in accordance with its stated investment strategy. As a REIT manager, the Manager is granted a Capital Market Services Licence ("CMS Licence") by the MAS.

The Manager uses its best endeavours to ensure that SPH REIT conducts its business in a proper and efficient manner; and conducts all transactions with or for SPH REIT on an arm's length basis and on normal commercial terms.

The Manager's other functions and responsibilities include:

1. preparing business plans on a regular basis, which may contain proposals and forecasts on gross revenue, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions;
2. ensuring compliance with the applicable provisions of the Securities and Futures Act and all other relevant legislation such as the SGX-ST Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Appendix 6 of the Code on Collective Investment Schemes issued by the MAS (the "Property Funds Appendix"), the Trust Deed, the CMS Licence and any tax ruling and all relevant contracts;
3. attending to all regular communications with Unitholders; and
4. supervising SPH Retail Property Management Services Pte Ltd, the property manager that manages the day-to-day property management functions (including leasing, accounting, budgeting, marketing, promotion, property management, maintenance and administration) for SPH REIT's properties, pursuant to the property management agreements signed for the respective properties.

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Board's Leadership and Control

The Board is responsible for the overall management and corporate governance of the Manager and SPH REIT including establishing goals for Management and monitoring the achievement of these goals.

The key roles of the Board are to:

1. guide the corporate strategy and directions of the Manager;
2. ensure that senior management discharges business leadership and demonstrates the necessary management capability with integrity and enterprise;
3. oversee the proper conduct of the Manager; and
4. safeguard the interests of SPH REIT unitholders and SPH REIT's assets.

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee has been constituted with written terms of reference.

The Board has put in place a set of internal controls containing approval limits for operational and capital expenditures, investments and divestments, bank borrowings and cheque signatory arrangements. In addition, sub-limits are also delegated to various management levels to facilitate operational efficiency.

Matters requiring the Board's decision and approval include:

1. Major funding proposals, investments, acquisitions and divestments including SPH REIT's commitment in terms of capital and other resources;
2. The annual budgets and financial plans of SPH REIT;
3. Annual and quarterly financial reports;
4. Internal controls and risk management strategies and execution; and
5. Appointment of directors and key management staff, including review of performance and remuneration packages.

The names of the members of the Board Committee are set out in the Corporate Information page of this Annual Report.

Board Attendance

The Board meets on a quarterly basis and as warranted by particular circumstances. Four Board meetings were held in the financial year ended 31 August 2014 ("FY2014") to discuss and review the Manager's and SPH REIT's key activities, including its business strategies and policies for SPH REIT, proposed acquisitions and disposals, the annual budget, the performance of the business and the financial performance of SPH REIT and the Manager. The Board also reviews and approves the release of the quarterly, half and full-year results. A Director who is unable to attend any meeting in person may participate via telephone or video conference. The attendance of the Directors at meetings of the Board and Audit and Risk Committee, and the frequency of such meetings, is disclosed on page 74. A Director who fails to attend three Board meetings consecutively, without good reason, will not be nominated for re-appointment and will be deemed to have resigned.

Training for Directors

Upon the appointment of a Director, he is provided with a formal letter setting out his key responsibilities.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as Directors' duties and responsibilities, changes to laws, regulations, accounting standards and industry-related matters so as to be updated on matters that affect or may enhance their performance as Board or Audit and Risk Committee members.

Directors are informed and encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, Singapore Exchange Limited, and business and financial institutions and consultants.

For FY2014, Directors were provided with training in the areas of directors' duties, SGX-ST regulations and corporate governance.

Directors may, at any time, request for further explanations, briefings or informal discussions on any aspect of SPH REIT's or the Manager's operations or business issues from Management.

They have been provided with the Code of Dealings in SPH REIT's units as they are privy to price sensitive information.

Board Composition and Guidance

Principle 2: Strong and Independent Board

Currently, the Board comprises six Directors, of whom three are non-executive and independent Directors and three are non-executive Directors. Each Director has been appointed on the strength of his/her calibre and experience. The Directors possess core competencies such as accounting, finance, business or management experience, industry knowledge and strategic planning experience.

The independence of each Director is assessed by the Board in accordance with Guideline 2.3 of the 2012 Code.

Key information regarding the Directors, including directorship and chairmanship both present and those held over the preceding three years in other listed companies, and other principal commitments, are set out in the Board of Directors' section and on pages 17 to 18 which provides further information on them.

The Board and Management are given opportunities to engage in open and constructive debate for the furtherance of strategic objectives of the Manager and SPH REIT. All Board members are supplied with relevant, complete and accurate information on a timely basis and non-executive Directors may challenge Management's assumptions and also extend guidance to Management, in the best interest of SPH REIT.

Non-executive Directors meet at least once annually without the presence of Management.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities between Chairman and Chief Executive Officer to ensure a balance of power and authority

The Chairman and CEO are separate persons and are not related, to maintain an effective check and balance. The Chairman is a non-executive and independent Director. The CEO bears executive responsibility for SPH REIT's business and implements the Board's strategic decisions. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman sets the agenda for Board meetings, ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of non-executive Directors, and facilitates effective communications with shareholders. He takes a lead role in promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management.

The Manager does not have any lead Independent Director given that the Chairman and CEO are not the same person and are not immediate family members, the Chairman is not a part of the management team and is an independent Director.

Board Membership

Principle 4: Formal and transparent process for appointment of new directors

As the Manager is not a listed entity, it does not have a nominating committee. Thus, the Board performs the functions that such a committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members. Directors of the Manager are not subject to periodic retirement by rotation.

The composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, is determined using the following principles:

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

Guideline 4.4 of the 2012 Code recommends that the Board determine the maximum number of listed companies board representations which any director may hold and disclose this in the annual report. The Board is of the view that, the limit on the number of listed company directorships that an individual may hold should be six but this serves only as a guide. The Board has the discretion to decide whether to adhere to the guide on a case-by-case basis, as a person's available time and attention may be affected by many different factors such as whether they are in full-time employment and their other responsibilities. A Director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of the Manager in managing the assets and liabilities of SPH REIT for the benefit of Unitholders. In considering the nomination of Directors for appointment, the Board will take into account, amongst other things, the competing time commitments faced by Directors with multiple Board memberships. All Directors have confirmed that notwithstanding the number of their individual listed company board representations and other principal commitments, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of SPH REIT for the benefit of Unitholders. The Board is of the view that current commitments of each of its Directors are reasonable and each of the Directors is able to and has been able to carry out his/her duties satisfactorily.

The Board will review the composition of the Board and Audit and Risk Committee periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

The Board regularly reviews the balance and mix of expertise, skills and attributes of the Directors in order to meet the business and governance needs of the Manager, shortlists candidates with the appropriate profile for nomination or re-nomination and recommends them to the Board for approval. It looks out for suitable candidates to ensure continuity of Board talent. Some of the selection criteria used are integrity, independent mindedness, diversity of competencies, ability to commit time and effort to the Board, track record of good decision-making experience in high-performing companies and financial literacy. The Board may seek advice from external search consultants where necessary.

The Board reviews annually whether a Director is considered an independent director based on the 2012 Code's definition of an "independent director" and guidance as to possible relationships, which might deem a Director to be independent. The Board has ascertained that for the period under review, the non-executive Directors, namely Dr Leong Horn Kee, Mr Soon Tit Koon and Mr David Chia, are independent.

The Board does not appoint alternate directors as recommended by Guideline 4.5 of the 2012 Code.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board and contribution of each director

The Board's performance is reviewed on an annual basis, based on performance criteria as agreed by the Board.

The Board has implemented a process for assessing the effectiveness of the Board as a whole, its Board Committee and for assessing the contribution by Directors to the effectiveness of the Board.

This process includes having Directors complete a Questionnaire seeking their views on various aspects of Board performance, such as Board composition, access to information, process and accountability. The Company Secretary compiles Directors' responses to the Questionnaire into a consolidated report. The report is discussed at the Board meeting.

For FY2014, the Questionnaire on the performance of the Board and Board Committees was reviewed in accordance with the best practices on board evaluation. The Questionnaire was completed by Directors, and reviewed by the Board. The performance of the Board was reviewed as a whole, taking into account the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with the Management.

The Chairman also assessed the performance of individual Directors based on factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings and industry and business knowledge.

Access to Information

Principle 6: Provision of complete, adequate and timely information prior to board meetings and on an on-going basis

The Board is provided with quarterly financial accounts, other financial statements and progress reports of the Group's business operations, as well as analysts' reports on the Manager. The quarterly financial results and annual budget are presented to the Board for approval. The monthly internal financial statements are made available to members of the Board. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period. The Board also receives regular updates on the industry and technological developments. Such reports enable Directors to keep abreast of key issues and developments in the industry, as well as challenges and opportunities for SPH REIT.

As a general rule, board papers are sent to Directors at least one week in advance in order for Directors to be adequately prepared for the meeting. Senior Management attends Board meetings to answer any queries from the Directors. The Directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and provided with such additional information as needed to make informed and timely decisions.

The Company Secretary works closely with the Chairman in setting the agenda for board meetings. He attends all Board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flow within the Board and the Audit and Risk Committee, and between Management and Directors. The Company Secretary also organises orientation and training for Directors, as well as provides updates and advises Directors on all governance matters. The Articles provide that the appointment and removal of the Company Secretary is subject to the approval of the Board.

Should Directors, whether as a group or individually, need independent professional advice relating to the Manager's affairs, the Company Secretary will appoint a professional advisor to render the relevant advice and keep the Audit and Risk Committee informed of such advice. The cost of such professional advice will be borne by the Manager.

Remuneration Matters

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors

Level and Mix of Remuneration

Principle 8: Appropriate remuneration to attract, retain and motivate directors and key management

Disclosure on Remuneration

Principle 9: Clear disclosure on remuneration policy, level and mix

As the remuneration of Directors and staff of the Manager is paid by the Manager, and not by SPH REIT, the Manager does not consider it necessary to include information (other than as provided in the table on page 70 of the Annual Report) on the remuneration of the Directors and its key executives in this report. The Manager is not a listed entity and so it does not have a remuneration committee.

The Board has carefully considered the remuneration policies and practices of the Manager's holding company, Singapore Press Holdings Ltd ("SPH"), and believes that these are transparent and suitable for adoption by the Manager. SPH has a remuneration committee that determines and recommends to the SPH board of directors the framework of remuneration, terms of engagement, compensation and benefits for senior executives of SPH and its subsidiaries, which include the Chief Executive Officer and Management.

Directors' fees for FY2014 comprise a basic retainer fee as a Director, and an additional fee for serving on the Audit and Risk Committee.

Non-executive Directors, who are full-time management staff of SPH, received Directors' fees which are payable by way of cash to SPH.

Name	Board Member S\$	Audit & Risk Committee S\$	Total Fees S\$
Leong Hong Kee	70,000 (Chairman)	–	70,000
Soon Tit Koon	40,000	20,000 (Chairman)	60,000
David Chia Chay Poh	40,000	13,000	53,000
Chan Heng Loon Alan*	40,000	–	40,000
Anthony Mallek*	40,000	13,000	53,000
Ginney Lim May Ling*	40,000	–	40,000
Total Fees			S\$316,000

* Directors who are full-time SPH management staff.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the CFO.

Accountability and Audit

Principle 10: Board presents the company's performance, position and prospects

The Board seeks to keep Unitholders updated on SPH REIT's financial performance, position and prospects through quarterly and full year financial reports within the time frame set out in the SGX-ST Listing Manual. In presenting the financial reports, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of SPH REIT's performance, position and prospects.

Management provides the Board on a regular basis with management accounts and such explanation and information as the Board may require from time to time, to enable the Board to effectively discharge its duties. In addition, an executive summary of SPH REIT's performance is furnished to the Board on a monthly basis. This report, which consists of key financial figures, keeps the Board informed of SPH REIT's performance and prospects.

Risk Management and Internal controls

Principle 11: Risk governance and sound system of internal controls

The Audit and Risk Committee ("ARC") assists the Board in overseeing the risk governance of the Manager to ensure that the Manager maintains a sound system of risk management and internal controls to safeguard Unitholders' interests and SPH REIT's assets.

The Manager also determines the nature and extent of the risks which the Board is willing to accept in achieving its strategic objectives.

The ARC is made up of two non-executive and independent Directors, namely, Mr Soon Tit Koon (Chairman) and Mr David Chia, and one non-executive Director, Mr Anthony Mallek. The ARC's objectives include the following:

- a. Oversee and advise the Board on SPH REIT's and the Manager's risk exposure, risk appetite and risk strategy;

- b. Review and guide Management in the formulation of SPH REIT's and the Manager's risk policies and in the execution of risk assessment processes and mitigation strategies; and
- c. Annually review the adequacy and effectiveness of SPH REIT's and the Manager's risk management and internal control systems, including financial, operational, compliance and information technology controls.

SPH's Risk Management Department implements the Manager's risk management policies and processes, and develops the framework to assist the operating units in identifying, monitoring and managing the risks. The framework strengthens the Manager's capability to recognise risks and measures, and new challenges and opportunities from risk perspectives so as to add value to Management's decision-making, business planning, resource allocation and operational management.

The Risk Management Report is found on page 62.

The SPH's Internal Audit Division ("IAD") has an annual audit plan, which complements that of the external auditors. IAD's plan focuses on material internal control systems including financial, operational, IT and compliance controls, and risk management. IAD also assesses security and control in new systems development, recommends improvements to effectiveness and economy of operations, and contributes to risk management and corporate governance processes. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the ARC.

Based on the audit reports and the management controls in place, the ARC is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable. In the course of their statutory audit, the Manager's external auditors will highlight any material internal control weaknesses which have come to their attention in carrying out their annual audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the ARC.

The CEO and Chief Financial Officer at the financial year-end have provided a letter of assurance to the Board on the integrity of the financial records/statements, as well as the effectiveness of the company's risk management and internal control systems.

Such assurance includes the following:

- internal controls were established and maintained;
- material information relating to the Manager is disclosed on a timely basis for the purposes of preparing financial statements; and
- the Manager's internal controls were effective as at the end of the financial year.

Based on the internal controls established and maintained by the Manager, work performed by the auditors, and regular reviews performed by Management, the Board and ARC are of the opinion that the Manager's risk management systems and internal controls were adequate and effective as at 31 August 2014 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to its operations.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Manager will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

CODE OF DEALINGS IN SECURITIES

The Manager has in place a Code of Dealings in SPH REIT units, which prohibits dealings in SPH REIT units by all Directors of the Manager, SPH and certain employees, within certain trading "black-out" periods. The "black-out" periods are two weeks prior to the announcement of the Manager's financial statements for each of the first three quarters of its financial year and one month prior to the announcement of the Manager's full year financial statements. Directors and employees are also reminded to observe insider trading laws at all times,

and not to deal in SPH REIT units when in possession of any unpublished price-sensitive information regarding the Manager or SPH REIT, or on short-term considerations. In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Manager issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealings in SPH REIT units as set out above.

Audit and Risk Committee

Principle 12: Establishment of an Audit and Risk Committee with written terms of reference

The ARC currently comprises three members, all of whom are non-executive Directors and two of whom are independent Directors. The Chairman is Mr Soon Tit Koon and its members are Mr David Chia and Mr Anthony Mallek.

The Board is of the view that the members of the ARC have sufficient financial management expertise and experience to discharge the ARC's functions given their experience as directors and/or senior management in accounting, financial and industry areas. The ARC performs the functions as set out in the 2012 Code including the following:

- a) reviewing the annual audit plans and audit reports of external and internal auditors;
- b) reviewing the financial statements of SPH REIT before they are submitted to the Board for approval;
- c) reviewing the significant financial reporting issues so as to ensure the integrity of the financial statements of SPH REIT and any announcements relating to SPH REIT's financial performance;
- d) reviewing the auditors' evaluation of the system of internal controls;
- e) reviewing and reporting to the Board the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls;
- f) reviewing the scope, results and effectiveness of the internal audit function;
- g) reviewing the scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;
- h) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- i) reviewing the Manager's whistle-blowing policy, and to ensure that channels are open for possible improprieties to be raised and independently investigated, and for appropriate follow-up action to be taken;
- j) overseeing any internal investigation into cases of fraud and irregularities;
- k) reviewing interested person transactions;
- l) approving (or participating in) the hiring, removal, evaluation and compensation of the head of the internal audit function; and
- m) ensuring that the internal audit function is adequately resourced and has adequate support within the Company.

The ARC has the authority to investigate any matter within its terms of reference, full access to and co-operation by management, and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The ARC has conducted an annual review of the performance of the external auditor and the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, before confirming their re-nomination. The aggregate amount of fees paid to the external auditors for the period ended 31 August 2014 was S\$179,000, and the fees paid in total for audit and non-audit services were S\$165,000 and S\$14,000 respectively.

The ARC meets with the external and internal auditors, in each case, without the presence of Management, at least once a year. The audit partner of the external auditors is rotated every five years, in accordance with the requirements of the SGX-ST Listing Manual.

Quarterly financial statements and the accompanying announcements are reviewed by the ARC before presentation to the Board for approval, to ensure the integrity of information to be released.

During the financial year, the ARC reviewed the quarterly financial statements prior to approving or recommending their release to the Board, as applicable; the annual audit plan of the external and internal auditors and the results of the audits performed by them, the list of interested person transactions and non-audit services rendered by the external auditors, and the re-appointment of the external auditors and its remuneration. Management's assessment of fraud risks, adequacy of the whistle-blower arrangements and whistle-blower complaints are reviewed by the ARC.

The ARC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants.

The Manager confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the SGX-ST Listing Manual.

None of the ARC members is a former partner of the Manager's existing auditing firm.

CODE OF BUSINESS ETHICS AND EMPLOYEE CONDUCT POLICY

The Manager has an existing Code of Business Ethics and Employee Conduct Policy ("Ethics Code"), to regulate the ethical conduct of its employees. The Manager also has a Whistleblowing Policy & Procedure to allow staff and external parties such as suppliers, customers, contractors and other stakeholders, to raise concerns or observations in confidence to the Manager, about possible irregularities for independent investigation and appropriate follow up action to be taken. Such concerns include dishonesty, fraudulent acts, corruption, legal breaches and other serious improper conduct; unsafe work practices and any other conduct that may cause financial or non-financial loss to the Manager or damage to the Manager's reputation. The Whistleblowing Policy encourages staff and external parties to identify themselves whenever possible to facilitate investigations, but will also consider anonymous complaints, in certain circumstances. It makes available to staff and external parties the contact details of the Receiving Officer, who may also forward the concern to the respective superiors, CEO, Audit and Risk Committee Chairman and/or Chairman.

Internal Audit

Principle 13: Establishment of an internal audit function that is independent of the functions it audits

The internal audit function of the Manager is performed by IAD.

The role of the internal auditor is to assist the ARC to ensure that SPH REIT and the Manager maintain a sound system of internal controls by reviewing the key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular audits of high risk areas.

IAD is staffed with eight audit executives, including the Head of Internal Audit. Most of the IAD staff have professional qualifications, and are members of the Institute of Internal Auditors, Inc. ("IIA"). Some are qualified IT auditors and/or Certified Fraud Examiners. All IAD staff have to adhere to a set of code of ethics adopted from The Institute of Internal Auditors, Inc. The Head of Internal Audit reports directly to the Chairman of the ARC on audit matters. IAD has adopted the Standards for Professional Practice of Internal Auditing set by IIA and ensures staff competency through the recruitment of suitably qualified and experienced staff, provision of formal and on-the-job training, and appropriate resource allocation in engagement planning.

IAD's reports are submitted to the ARC for deliberation with copies of these reports extended to the relevant senior management personnel. In addition, IAD's findings and recommendations are discussed at the ARC meetings. To ensure timely and adequate closure of audit findings, the status of the implementation of the actions agreed by Management is tracked and discussed with the ARC. The ARC also reviews and approves the annual IA plans and resources to ensure that IAD has the necessary resources to adequately perform its functions.

Shareholder Rights & Responsibilities

Principle 14: Fair and equitable treatment of shareholders

Communication with Shareholders

Principle 15: Regular, effective and fair communication with shareholders

Conduct of Shareholder Meetings

Principle 16: Greater shareholder participation at AGMs

The Manager is committed to treating all Unitholders fairly and equitably and keeping all Unitholders and other stakeholders and analysts informed of the performance and changes in SPH REIT or its business which would be likely to materially affect the price or value of Units, on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions.

The Manager provides accurate and timely disclosure of material information on SGXNET. Unitholders are notified in advance of the date of release of SPH REIT's financial results through an announcement via SGXNET. The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of SPH REIT's quarterly and full year results. During these briefings, Management will review SPH REIT's most recent performance as well as discuss the business outlook for SPH REIT. In line with the Manager's objective of transparent communication, briefing materials are simultaneously released through the SGX-ST via SGXNET and also made available at SPH REIT's website.

All Unitholders are entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings. All Unitholders are also informed of the rules, including voting procedures, governing such meetings.

Resolutions will be, as far as possible, structured separately and may be voted on independently. All polls are conducted in the presence of independent scrutineers. The Manager will conduct electronic poll voting system to ensure greater transparency and efficiency in the voting procedures. The results of the electronic poll voting will be published instantaneously at the meeting.

All Directors and senior management are in attendance at the AGM to allow Unitholders the opportunity to air their views and ask Directors or Management questions regarding SPH REIT. The external auditors also attend the AGM to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report.

DIRECTORS' ATTENDANCE AT BOARD AND AUDIT AND RISK COMMITTEE

(for the financial period ended 31 August 2014)

Directors' attendance at Board and Audit & Risk Committee meetings

for the period from 24 July 2013 to 31 August 2014

Name of Director	Board	Audit & Risk Committee
Leong Horn Kee (Board Chairman) (Appointed on 10 June 2013)	4 out of 4	–
David Chia Chay Poh (Appointed on 10 June 2013)	4 out of 4	3 out of 3
Soon Tit Koon (Audit & Risk Committee Chairman) (Appointed on 10 June 2013)	4 out of 4	3 out of 3
Chan Heng Loon Alan (Appointed on 1 March 2013)	4 out of 4	–
Anthony Mallek (Appointed on 1 March 2013)	4 out of 4	3 out of 3
Ginney Lim May Ling (Appointed on 10 June 2013)	4 out of 4	–

Additional Information

Interested Person Transactions

All interested person transactions are undertaken only on normal commercial terms and the ARC regularly reviews all related party transactions to ensure compliance with the internal control system as well as with relevant provisions of the SGX-ST Listing Manual and Property Funds Appendix. In addition, the Trustee also has the right to review such transactions to ascertain that the Property Funds Appendix has been complied with.

In particular, the following procedures are in place:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S\$100,000 in value, but below 3.0% of SPH REIT's net tangible assets, will be subject to review and approval by the ARC;
2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of SPH REIT's net tangible assets, will be subject to the review and approval of the ARC, and SGX announcement requirements under the SGX-ST Listing Manual and Property Funds Appendix;
3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of SPH REIT's net tangible assets will be subject to review and approval by the ARC which may, as it deems fit, request for advice on the transaction from independent sources or advisors, including the obtaining of valuations from professional valuers, as well as SGX announcement requirements under the SGX-ST Listing Manual and the Property Funds Appendix and such transactions would have to be approved by Unitholders at a meeting of Unitholders; and
4. the ARC's approval shall only be given if the transactions are on normal commercial terms and consistent with similar types of transactions undertaken by the Trustee with third parties which are unrelated to the Manager.

The interested person transactions undertaken by the Manager in the financial period ended 31 August 2014 which are subject to disclosure requirements under the SGX-ST Listing Manual can be found on page 116 of this Annual Report.

CONFLICTS OF INTEREST

The Manager has instituted the following procedures to deal with potential conflicts of interests issues:

- a. The Manager will not manage any other real estate investment trust ("REIT") which invests in the same types of properties as SPH REIT.
- b. All key executive officers work exclusively for the Manager and do not hold executive positions in other entities.
- c. At least one-third of the Board comprises independent directors. The Chairman of the Board is an independent director.
- d. All resolutions in writing of the Directors in relation to matters concerning SPH REIT must be approved by at least a majority of the Directors, including at least one independent Director.
- e. In respect of matters in which the Sponsor (Singapore Press Holdings Ltd) and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. For such matters, the quorum must comprise a majority of the independent directors of the Manager and must exclude nominee directors of the Sponsor and/or its subsidiaries. The Manager and the Property Manager (SPH Retail Property Management Services Pte Ltd) are indirect wholly-owned subsidiaries of the Sponsor.

- f. There is a separation of the roles of CEO and Chairman to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.
- g. Directors disclose promptly all interests in a transaction or proposed transaction to fellow Board members.
- h. The independence of each Director is reviewed upon appointment, and thereafter annually. A Director who has no relationship with the Manager, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment is considered independent.
- i. The Audit and Risk Committee comprises two independent directors and one non-executive Director. Its Chairman is independent.
- j. All matters relating to Interested Person transactions are conducted in accordance with the procedures set out in the section on 'Interested Person Transactions'.

The Trust Deed provides that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of SPH REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of SPH REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement. The Directors of the Manager will have a duty to ensure that the Manager so complies. Notwithstanding the forgoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of SPH REIT with a related party of the Manager, and the Trustee may take such action as it deems necessary to protect the interests of the unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

FINANCIAL STATEMENTS

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REPORT OF THE TRUSTEE

For the period from 9 July 2013 (date of constitution) to 31 August 2014

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of SPH REIT (the "Trust") held by it in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of SPH REIT Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 9 July 2013 between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages 81 to 113 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,

DBS Trustee Limited



Jane Lim
Director

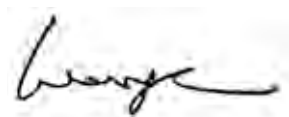
Singapore
13 October 2014

STATEMENT BY THE MANAGER

For the period from 9 July 2013 (date of constitution) to 31 August 2014

In the opinion of the directors of SPH REIT Management Pte. Ltd., the accompanying financial statements of SPH REIT (the "Trust") set out on pages 81 to 113, comprising the Balance Sheet, Statement of Total Return, Distribution Statement, Statement of Changes in Unitholders' Funds, the Statement of Cash Flows, Portfolio Statement of the Trust, and Notes to the Financial Statements have been drawn up so as to present fairly, in all material respects, the financial position of the Trust as at 31 August 2014, and the total return, distributable income and changes in Unitholders' funds and cash flows of the Trust for the period from 9 July 2013 (date of constitution) to 31 August 2014 in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
SPH REIT Management Pte. Ltd.



Leong Horn Kee
Chairman



Anthony Mallek
Director

Singapore
13 October 2014

INDEPENDENT AUDITORS' REPORT

To the Unitholders of SPH REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 9 July 2013)

We have audited the accompanying financial statements of SPH REIT (the "Trust"), which comprise the Balance Sheet and Portfolio Statement of the Trust as at 31 August 2014, and the Statement of Total Return, Distribution Statement and Statement of Changes in Unitholders' Funds and the Statement of Cash Flows for the period from 9 July 2013 (date of constitution) to 31 August 2014, and a summary of significant accounting policies and other explanatory information, as set out on pages 81 to 113.

Manager's responsibility for the financial statements

The Manager of the Trust ("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 misstatements, whether due to fraud or error.

Auditors' responsibility

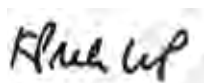
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements 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 Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Trust present fairly, in all material respects, the financial position of the Trust as at 31 August 2014 and the total return, distributable income, changes in unitholders' funds and cash flows of the Trust for the period then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants.



KPMG LLP

Public Accountants and Chartered Accountants

Singapore

13 October 2014

BALANCE SHEET

As at 31 August 2014

	Note	31 August 2014 S\$'000
Non-current assets		
Plant and equipment	4	1,055
Investment properties	5	3,159,000
Intangible asset	6	12,408
		3,172,463
Current assets		
Trade and other receivables	7	5,912
Cash and cash equivalents	8	90,658
		96,570
Total assets		3,269,033
Non-current liabilities		
Borrowing	9	843,125
Derivative financial instruments	10	8,758
Trade and other payables	11	28,953
		880,836
Current liabilities		
Trade and other payables	11	35,131
		35,131
Total liabilities		915,967
Net assets attributable to Unitholders		2,353,066
Represented by:		
Unitholders' funds		2,353,066
Units in issue ('000)	13	2,514,276
Net asset value per unit (\$)		0.93

STATEMENT OF TOTAL RETURN

For the period from 9 July 2013 (date of constitution) to 31 August 2014

	Note	2014 S\$'000
Gross revenue	15	222,921
Property operating expenses	16	(57,011)
Net property income		165,910
Income support		5,092
Amortisation of intangible asset		(5,092)
Manager's management fees	17	(17,125)
Trustee's fees		(518)
Other trust expenses	18	(1,230)
Finance income		219
Finance costs	19	(21,898)
Net income		125,358
Fair value change on investment properties	5	102,603
Total return for the period before taxes and distribution		227,961
Less: income tax	20	–
Total return for the period after taxes and before distribution		227,961
Earnings per unit (cents)		
Basic and diluted	21	9.09

DISTRIBUTION STATEMENT

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2014
S\$'000

Amount available for distribution to Unitholders at beginning of the period	–
Net income	125,358
Add: Net tax adjustments (Note A)	24,987
Total amount distributable to Unitholders for the period	150,345
Distribution to Unitholders during the period	
– Distribution of 1.86 cents per unit for the period from 24 July 2013 to 30 November 2013	(46,519)
– Distribution of 1.39 cents per unit for the period from 1 December 2013 to 28 February 2014	(34,840)
– Distribution of 1.35 cents per unit for the period from 1 March 2014 to 31 May 2014	(33,891)
	(115,250)
Amount available for distribution to Unitholders at end of the period	35,095
Note A – Net tax adjustments	
Non-tax deductible items:	
– Manager's management fees	17,125
– Trustee's fees	518
– Amortisation of intangible asset	5,092
– Amortisation of upfront fee for loan facility	2,125
– Depreciation of plant and equipment	127
Net tax adjustments	24,987

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STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

	2014 S\$'000
Balance as at beginning of period	–
Operations	
Total return for the period/net increase in assets resulting from operations	227,961
Hedging reserve	
Effective portion of changes in fair value of cash flow hedges	(8,758)
Unitholders' transactions	
Issue of new units on listing	2,250,896
Issue expenses	(18,908)
Distribution to unitholders	(115,250)
Manager's fee paid/payable in units	17,125
	2,133,863
Balance as at end of period	2,353,066

STATEMENT OF CASH FLOWS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2014
S\$'000

Cash flows from operating activities

Total return for the period	227,961
Adjustments for:	
Fair value change on investment properties	(102,603)
Manager's fee paid/payable in units	17,125
Depreciation of plant and equipment	127
Finance income	(219)
Finance costs	21,898
Amortisation of intangible asset	5,092
Operating cash flow before working capital changes	169,381
Changes in operating assets and liabilities	
Trade and other receivables	(5,893)
Trade and other payables	61,497
Net cash from operating activities	224,985

Cash flows from investing activities

Acquisition of investment properties	(1,306,000)
Capital expenditure on investment properties	(2,729)
Acquisition of intangible asset	(17,500)
Purchase of plant and equipment	(1,178)
Interest received	214
Net cash used in investing activities	(1,327,193)

Cash flows from financing activities

Proceeds from issue of units	503,896
Issue expenses paid	(18,908)
Proceeds from bank loan (net of transaction costs)	840,965
Distribution to unitholders	(115,250)
Interest paid	(17,837)
Net cash from financing activities	1,192,866

Net increase in cash and cash equivalents **90,658**

Cash and cash equivalents at beginning of the period –

Cash and cash equivalents at end of the period **90,658**

Significant non-cash transactions

SPH REIT acquired Paragon and The Clementi Mall from Orchard 290 Ltd and CM Domain Pte Ltd respectively on 24 July 2013 (listing date). The acquisition was partially settled by way of issuance of units in the Trust amounting to S\$1,747,000,000.

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PORTFOLIO STATEMENT

For the period from 9 July 2013 (date of constitution) to 31 August 2014

Description of Property	Location	Tenure of Land	Term of Lease
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 Jul 2013 (Listing date)
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 Aug 2010

Portfolio of investment properties

Other assets and liabilities (net)

Unitholders' funds

The carrying amount of the investment properties were based on independent valuations as at 31 August 2014 conducted by DTZ Debenham Tie Leung (SEA) Pte Ltd ("DTZ"). DTZ has appropriate professional qualifications and experience in the locations and category of the properties being valued. The valuations of the investment properties were based on the discounted cash flow and capitalisation methods. The net change in fair value has been recognised in the Statement of Total Return.

Remaining Term of Lease 31 August 2014	Occupancy Rate as at 31 August 2014 (%)	At Acquisition 24 July 2013 S\$'000	At Valuation 31 August 2014 S\$'000	Percentage of Unitholders' funds 31 August 2014 (%)
98 years	100.0	2,500,000	2,588,000	110
95 years	100.0	553,000	571,000	24
			3,159,000	134
			(805,934)	(34)
			2,353,066	100

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL INFORMATION

SPH REIT (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 9 July 2013, (the "Trust Deed") between SPH REIT Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 24 July 2013 and was included under the Central Provident Fund ("CPF") Investment Scheme on 17 July 2013.

The principal activity of the Trust is to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia-Pacific, as well as real estate-related assets with the primary objective of providing Unitholders with regular and stable distributions and sustainable long-term growth.

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

(a) Trustee's fees

The Trustee's fee shall not exceed 0.1% per annum of the value of all the assets of the Trust ("Deposited Property") (subject to a minimum of \$15,000 per month) and shall be payable out of the Deposited Property monthly in arrears. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

(b) Manager's management fees

The Manager is entitled under the Trust Deed to the following management fees:

- (i) a base fee of 0.25% per annum of the value of Deposited Property; and
- (ii) an annual performance fee of 5% per annum of the Net Property Income (as defined in the Trust Deed)

The management fees payable to the Manager will be paid in the form of cash and/or units, quarterly in arrears. The Management fees payable in units will be issued at the volume weighted average price for a unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

For the period from 24 July 2013 (listing date) to 31 August 2014, the Manager has elected to receive 100% of Management fees in units.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

1. GENERAL INFORMATION (CONT'D)

(c) Property management fees

Under the Property Management Agreement, SPH Retail Property Management Services Pte. Ltd. (the "Property Manager") is entitled to receive the following fees:

- 2.0% per annum of Gross Revenue for the relevant property;
- 2.0% per annum of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period); and
- 0.5% per annum of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period) in lieu of leasing commissions otherwise payable to the Property Manager and/or third party agents.

The property management fees are payable to the Property Manager in the form of cash and/or units. For the period from 24 July 2013 (listing date) to 31 August 2014, the property management fees are payable in cash.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the *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 the accounting policies adopted to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards.

The accounting policies set out below have been applied consistently by the Trust.

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

(b) Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of the Trust. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

(c) Currency translation

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation changes and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are taken to the statement of total return. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investment properties

Investment properties comprise office and retail buildings that are held for long-term rental yields. Investment properties are initially recognised at cost and subsequently measured at fair value. Any gains or losses arising from the changes in their fair values are taken to the statement of total return.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written-off to the statement of total return. The cost of maintenance, repairs and minor improvements is charged to the statement of total return when incurred.

Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the CIS Code.

On disposal of an investment property, the difference between the net disposal proceeds and its carrying amount is taken to the statement of total return.

(e) Plant and equipment

(i) Measurement

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(ii) Depreciation

Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the expected useful lives of the assets. The estimated useful lives for this purpose are:

Plant and equipment	3 – 10 years
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The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the statement of total return when the changes arise.

No depreciation is charged on capital work-in-progress.

(iii) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the statement of total return when incurred.

(iv) Disposal

On disposal of an item of plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets

Intangible asset relating to income support from the vendors of The Clementi Mall is measured initially at cost. Following initial recognition, the intangible asset is measured at cost less any accumulated amortisation and accumulated impairment losses.

The intangible asset is amortised in the statement of total return on a systematic basis over its estimated useful life.

(g) Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

(h) Financial assets

(i) Classification

The Trust classifies its financial assets as loans and receivables. The classification depends on the nature of the assets and the purpose for which the assets were acquired. The Manager determines the classification of its financial assets on initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables comprise bank balances and fixed deposits and trade and other receivables.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Trust commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Trust has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in the statement of total return. Any amount in the fair value reserve relating to that asset is also transferred to the statement of total return.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Trust 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.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (Cont'd)

(v) Impairment

The Trust assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are objective evidence that these financial assets are impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in the statement of total return. When the asset becomes uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are recognised in the statement of total return.

The allowance for impairment loss account is reduced through the statement of total return in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

(i) Derivative financial instruments and hedging activities

Derivative financial instruments are used to manage exposure to interest rate risks arising from financing activities. Derivative financial instruments taken up by the Trust are not used for trading purposes.

A derivative financial instrument is initially recognised at its fair value on the date the derivative contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Trust designates its derivatives for hedging purposes as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), or hedges of highly probable forecast transactions (cash flow hedge). The Trust has no fair value hedge at balance sheet date.

The Trust documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Derivative financial instruments and hedging activities (Cont'd)

(i) Cash flow hedge

The Trust has entered into interest rate swaps that are cash flow hedges for the Trust's exposure to interest rate risk on its borrowing. These contracts entitle the Trust to receive interest at floating rates on notional principal amounts and oblige the Trust to pay interest at fixed rates on the same notional principal amounts, thus allowing the Trust to raise borrowing at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of these interest rate swaps are recognised in the statement of unitholders' funds and transferred to the statement of total return in the periods when the interest expense on the borrowing is recognised in the statement of total return. The gain or loss relating to the ineffective portion is recognised immediately in the statement of total return.

(ii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of total return.

(j) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of non-financial assets

- Intangible asset
- Plant and equipment

Intangible asset, Plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the statement of total return.

An impairment loss for an asset is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the statement of total return.

(l) Units and unit issuance expenses

Unitholders' funds represent the Unitholders' residual interest in the Trust's net assets upon termination and is classified as equity.

Incremental costs directly attributable to the issue of units are recognised as a deduction from Unitholders' funds.

(m) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Trust's activities. Revenue is presented, net of goods and services tax, rebates, discounts and returns.

The Trust recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the following are met as follows:

- Revenue from rental and rental-related services is recognised on straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.
- Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to (or recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable returns.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Trust expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Current and deferred taxes are recognised as income or expense in the statement of total return, except to the extent that the tax arises from a transaction which is recognised directly in equity.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of its taxable income, the Trust will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the amount distributed for the next distribution following the agreement with the IRAS.

The distributions made by the Trust out of its taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the Trust's distributions (the "tax transparency ruling"). The Trust is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust except:

- where the beneficial owners are individuals or Qualifying Unitholders, the Trust will make the distributions to such Unitholders without withholding any income tax; and
- where the beneficial owners are foreign non-individual investors or where the Units are held by nominee Unitholders who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the Trust will withhold tax at a reduced rate of 10% from the distributions.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes (Cont'd)

A "Qualifying Unitholder" is a Unitholder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a body of persons, other than a company or a partnership, incorporated or registered in Singapore (for example, a town council, a statutory board, a registered charity, a registered co-operative society, a registered trade union, a management corporation, a club and a trade and industry association); or
- a Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting a waiver from tax deduction at source in respect of distributions from SPH REIT.

A "Qualifying Non-resident Non-individual Unitholder" is a person who is neither an individual nor 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 by that person to acquire the Units are not obtained from that operation.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

(o) Distribution policy

Distributions for the period from 24 July 2013 (listing date) to 31 August 2014 will be based on 100% of the Trust's specified taxable income, comprising rental and other property related income from its business of property letting, interest income and top-up payments from income support and after deducting allowable expenses and applicable tax allowances. Thereafter, the Trust will distribute at least 90% of its specified taxable income.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Expenses

(i) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(a).

(ii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(b).

(iii) Property operating expenses

Property operating expenses are recognised on an accrual basis. Included in property operating expenses are property management fees which are based on the applicable formula stipulated in Note 1(c).

(iv) Borrowing costs

Borrowing costs are recognised in the statement of total return using the effective interest method.

(q) Borrowing

Borrowing is initially recognised at fair value (net of transaction costs incurred) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of total return over the period of the borrowing using the effective interest method.

Borrowing is presented as a current liability unless the Trust has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(r) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Trust prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade and other payables are initially carried at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(t) Operating leases – as a lessor

Leases where the Trust retains substantially all risks and rewards incidental to ownership are classified as operating leases. Assets leased out under operating leases are included in investment properties. Rental income from operating leases is recognised in the statement of total return on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents are recognised as income in the statement of total return when earned.

(u) Segment reporting

Segmental information is reported in a manner consistent with the internal reporting provided to the management of the Manager who conducts a regular review for allocation of resources and assessment of performance of the operating segments.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties have significant effect on the amounts recognised. The fair value of investment properties is based on independent professional valuations, determined using valuation techniques and assumptions (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

4. PLANT AND EQUIPMENT

	2014 S\$'000
Cost	
At 9 July 2013 (date of constitution)	–
Additions	1,182
At 31 August 2014	1,182
Accumulated Depreciation	
At 9 July 2013 (date of constitution)	–
Depreciation charge for the period	127
At 31 August 2014	127
Net Book Value	
At 9 July 2013 (date of constitution)	–
At 31 August 2014	1,055

5. INVESTMENT PROPERTIES

	2014 S\$'000
Cost	
At 9 July 2013 (date of constitution)	–
Acquisition	3,053,000
Additions	3,397
Fair value change	102,603
At 31 August 2014	3,159,000

The fair value of the investment properties as at balance sheet date was stated based on independent professional valuations by DTZ Debenham Tie Leung (SEA) Pte Ltd. In determining the fair value, the valuers have used discounted cash flow analysis and capitalisation approach. The discounted cash flow analysis involves an assessment of the annual net income streams over an assumed investment horizon and discounting these net income streams with an internal rate of return. The capitalisation approach estimates the gross rent income at a mature sustainable basis from which total expenses have been deducted and net income capitalised at an appropriate rate. Details of valuation techniques and inputs used are disclosed in Note 23 (f).

The net change in fair value of the investment properties has been recognised in the statement of total return in accordance with the Trust's accounting policies.

The Paragon on Orchard Road, with a carrying value of S\$2,588 million, is mortgaged to banks as security for the loan facility of S\$850 million [Note 9].

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

6. INTANGIBLE ASSET

	2014 S\$'000
Cost	
At 9 July 2013 (date of constitution)	–
Additions	17,500
At 31 August 2014	17,500
Accumulated amortisation	
At 9 July 2013 (date of constitution)	–
Amortisation for the year	5,092
At 31 August 2014	5,092
Carrying amounts	
At 9 July 2013 (date of constitution)	–
At 31 August 2014	12,408

Intangible asset represents the unamortised income support receivable by the Trust under the Deed of Income Support entered into with CM Domain Pte Ltd, the vendor of The Clementi Mall. The income support has a remaining period of approximately 4 years.

7. TRADE AND OTHER RECEIVABLES

	2014 S\$'000
Current	
Trade receivables from non-related parties	1,935
Amount owing by related parties	2,861
Other receivables	886
Deposits	114
Accrued interest	5
Prepayments	111
	5,912

The amounts owing by related parties are trade, unsecured, interest free, and repayable on demand. There is no impairment loss arising from these outstanding balances.

8. CASH AND CASH EQUIVALENTS

	2014 S\$'000
Cash held as fixed bank deposit	20,000
Cash and bank balances	70,658
	90,658

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 0.42% per annum. During the financial period, fixed bank deposits were placed for varying periods of generally under 2 months, with interest rate ranging from 0.12% to 0.46% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

9. BORROWING

	2014 S\$'000
Secured term loan	850,000
Less: Unamortised transaction costs	(6,875)
	843,125

On 24 July 2013, the Trust established a term loan facility available for drawdown up to the amount of S\$975 million. As at the balance sheet date, the amount drawn down was S\$850 million. The amount of S\$843.1 million represented the loan stated at amortised cost. The loan has repayment terms ranging from three to seven years, of which S\$250 million is repayable on 23 July 2016, S\$300 million on 23 July 2018 and S\$300 million on 22 July 2020.

The term loan is secured by way of a first legal mortgage on Paragon [Note 5], first legal charge over the tenancy account and sales proceeds account for Paragon, and an assignment of certain insurances taken in relation to Paragon.

In respect of bank borrowing, where appropriate, the Trust's policy is to minimise its interest rate risk exposure by entering into fixed rate loan and/or interest rate swaps over the duration of its borrowing. Accordingly, the Trust entered into interest rate swap contracts to swap floating rates for fixed interest rates as part of their interest rate risk management. Under the interest rate swaps, the Trust agreed with other parties to exchange at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

As at 31 August 2014, fixed rate loan and interest rate swaps amounted to S\$465 million. The fixed interest rates were from 1.44% to 2.31% per annum. The floating rates are referenced to Singapore dollar swap offer rate and repriced every three months. The effective interest rate as at the balance sheet date on the outstanding term loan of S\$850 million was 2.33% per annum.

The notional principal amounts of the outstanding interest rate swap contracts and their corresponding fair values as at 31 August 2014 are:

	2014 S\$'000
Notional due (Note 10):	
Between 1 – 5 years	35,000
After 5 years	280,000
	315,000
Fair values* (Note 10)	(8,758)

* The fair values of interest rate swap contracts had been calculated (using rates quoted by the Trust's bankers) assuming the contracts are terminated at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

10. DERIVATIVE FINANCIAL INSTRUMENTS

Analysed as:

	Contract Notional Amount S\$'000	Fair Value Liabilities S\$'000
2014		
Non-current		
Cash flow hedge		
– Interest-rate swaps [Note 9]	315,000	8,758

11. TRADE AND OTHER PAYABLES

	2014 S\$'000
Non-current	
Deposits received	28,953
Current	
Trade payable to non-related parties	197
Amount owing to related parties	2,628
Other payables	7,916
Accrued expense	5,162
Interest payable	1,917
Deposits received	16,546
Collections in advance	765
	<u>35,131</u>

The amounts owing to related parties are trade, unsecured, interest-free and repayable on demand.

12. HEDGING RESERVE

	2014 S\$'000
At 9 July 2013 (date of constitution)	–
Fair value change	15,518
Transferred to finance costs	(6,760)
At 31 August 2014	<u>8,758</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

13. UNITS IN ISSUE

	2014 '000
<u>Units in issue</u>	
At 9 July 2013 (date of constitution)	–
Issue of new units:	
- Placement at listing	2,500,995
- Manager's fee paid in units	13,281
At 31 August 2014	2,514,276

During the financial year, the Trust issued 13,281,488 new units at the issue price range of \$0.9525 to \$1.0205 per unit, in respect of the payment of management fees to the Manager in units. The issue prices were determined based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for the last 10 business days of the relevant quarter on which the fees accrued.

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 of any estate or interest in any asset (or part thereof) of the Trust;
- Attend all Unitholders meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and

The restrictions of a Unitholder include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A Unitholder has no right to request the Manager to redeem his units while the units are listed on SGX-ST.

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

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

14. CAPITAL AND OTHER COMMITMENTS

(a) Commitments for capital expenditure

2014
S\$'000

Authorised and contracted for	
- Investment properties	14,694

(b) Operating lease commitments – where the Trust is a lessor

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

2014
S\$'000

Within 1 year	183,657
Between 1 – 5 years	283,776
After 5 years	2,833
	470,266

The Trust leases retail space to third parties under non-cancellable operating lease agreements with varying terms, escalation clauses and renewal rights.

15. GROSS REVENUE

2014
S\$'000

Gross rental income	212,826
Car park income	7,941
Other income	2,154
	222,921

16. PROPERTY OPERATING EXPENSES

2014
S\$'000

Property tax	19,097
Property management fees	8,827
Maintenance	11,417
Utilities	8,954
Marketing	5,860
Staff cost	2,555
Others	301
	57,011

Staff cost is primarily reimbursed to the Property Manager in respect of agreed employee expenditure incurred by the Property Manager for providing its services as provided for in the Property Management Agreement. There are no employees on the Trust's payroll as its daily operations and administrative functions are provided by the Manager and the Property Manager.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

17. MANAGER'S MANAGEMENT FEES

	2014 S\$'000
Base fee	8,829
Performance fee	8,296
	<u>17,125</u>

18. OTHER TRUST EXPENSES

	2014 S\$'000
Audit fees	179
Valuation expense	63
Consultancy and other professional fees	307
Other expenses	681
	<u>1,230</u>

19. FINANCE COSTS

	2014 S\$'000
Interest on borrowing	19,754
Amortisation of upfront fee for loan facility	2,125
Other financial expenses	19
	<u>21,898</u>

20. INCOME TAX

The income tax expense on profit for the financial period varies from the amount of income tax determined by applying the Singapore standard rate of income tax to total return for the period due to the following factors:

	2014 S\$'000
Total return for the period	227,961
Tax calculated at tax rate of 17%	38,753
Expenses not deductible for tax purposes	4,248
Income not subject to tax due to tax transparency	(25,558)
Fair value change on investment properties	(17,443)
	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

21. EARNINGS PER UNIT

Basic and diluted Earnings per Unit are based on:

	2014
Total return for the period after tax (S\$'000)	227,961
Weighted average number of Units ('000)	2,507,825
Basic and diluted Earnings per Unit (cents)	9.09

Diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the period.

22. ISSUE EXPENSES

Issue expenses comprises professional, advisory and underwriting fees and other costs related to the issuance of Units.

23. FINANCIAL RISK MANAGEMENT

The Trust's activities expose it to a variety of financial risks, particularly market risk (interest rate risk), credit risk and liquidity risk. Where appropriate, the Trust's risk management policies seek to minimise potential adverse effects of these risks on the financial performance of the Trust.

Matters pertaining to risk management strategies and execution require the decision and approval of the Board of Directors of the Manager. This is supported by a sound system of risk management and internal controls to manage the risks to acceptable levels. The Manager regularly reviews the risk management policies and adequacy of risk-mitigating initiatives to reflect changes in market conditions and the Trust's activities.

The policies for managing these risks are summarised below.

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Trust has cash balances placed with reputable banks and financial institutions which generate interest income for the Trust. The Trust manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Trust's debt comprises mainly bank borrowing to finance the acquisition of its investment properties. Where appropriate, the Trust seeks to mitigate its cash flow interest rate risk exposure by entering into fixed rate loan as well as interest rate swap contract to swap floating interest rate for fixed interest rate over the duration of its borrowing. The Trust's borrowing is denominated in SGD.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Interest rate risk (Cont'd)

Movements in interest rates will therefore have an impact on the Trust. If the interest rate change by 0.25% with all other variables being held constant, the annual total return and hedging reserve will change by the amounts shown below, as a result of the change in interest expense and fair value of interest rate swaps respectively:

Increase/(Decrease)	2014	
	Statement of Total Return S\$'000	Hedging Reserve S\$'000
Borrowing		
– increased by	(963)	–
– decreased by	963	–
Interest rate swap		
– increased by	–	4,323
– decreased by	–	(4,341)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, thereby resulting in financial loss to the Trust. For trade receivables, the Trust manages its credit risk through prior assessment of business proposition and credit standing of tenants, and monitoring procedures. Where appropriate, the Trust obtains collateral in the form of deposits, and bankers'/insurance guarantees from its tenants. For other financial assets, the Trust adopts the policy of dealing only with high credit quality counterparties.

As at the balance sheet date, the Trust has no significant concentration of credit risks other than amount owing by related parties.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet which comprise mainly trade receivables, and cash balances placed with banks.

As at 31 August 2014, all trade receivables were backed by bankers'/insurance guarantees and/or deposits from customers.

(i) Financial assets that are neither past due nor impaired

Bank deposits are neither past due nor impaired. Bank deposits are placed with reputable banks and financial institutions. Trade receivables that are neither past due nor impaired are substantially due from tenants with a good collection track record with the Trust.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

- (ii) Financial assets that are past due and/or impaired

The age analysis of trade receivables past due but not impaired is as follows:

	2014
	S\$'000
Past due 1 to 30 days	1,578
Past due 31 to 60 days	10
Past due 61 to 90 days	118
Past due over 90 days	229
	1,935

Based on historical default rates, the Manager believes that no impairment losses is necessary in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the Trust and there are sufficient security deposits and/or bankers'/insurance guarantees as collateral. The basis of determining impairment is set out in the accounting policy Note 2(h).

(c) Liquidity risk

Liquidity risk refers to the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. To manage liquidity risk, the Trust monitors and maintains a level of cash and cash equivalents to finance the Trust's operations and mitigate the effects of fluctuation in cash flows.

The table below analyses the maturity profile of the Trust's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows.

2014	Less than 1 year S\$'000	Between 1 and 2 years S\$'000	Between 2 and 5 years S\$'000	Over 5 years S\$'000
Net-settled interest rate swap	(6,060)	(4,211)	(28)	1,487
Trade and other payables	(35,131)	(12,154)	(16,301)	(498)
Borrowing	(11,739)	(261,507)	(322,708)	(303,724)
	(52,930)	(277,872)	(339,037)	(302,735)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the balance sheets.

2014	Gross amount of recognised financial liabilities S\$'000	Gross amount of recognised financial liabilities offset in the balance sheet S\$'000	Net amount of financial liabilities presented in the balance sheet S\$'000	Related amount not offset in the balance sheet S\$'000	Net amount S\$'000
Financial liabilities					
Interest rate swaps	8,758	–	8,758	–	(8,758)

(e) Capital management

The Trust's objectives for managing capital are to safeguard the Trust's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise unitholders value. In order to maintain or achieve an optimal capital structure, the Trust may issue new units or obtain new borrowings.

The Trust 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 35% of the fund's deposited property. The Aggregate Leverage of a property fund may exceed 35% of the fund's deposited property (up to a maximum of 60%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public.

As at balance sheet date, the Trust has a gearing of 26.0%, and is in compliance with the Aggregate Leverage limit of 35%.

(f) Fair value measurements

Fair value hierarchy

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) Inputs for the asset and liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Fair value measurements (Cont'd)

Fair value hierarchy (Cont'd)

2014	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Assets				
Investment properties	–	–	3,159,000	3,159,000
Liabilities				
Derivative financial instruments	–	(8,758)	–	(8,758)

Level 2

The fair value of interest rate swap contracts (which are not traded in an active market) is determined from information provided by financial institutions using valuation techniques with observable inputs that are based on market information existing at each balance sheet date.

Level 3

The valuation for investment properties is determined by independent professional valuers with appropriate professional qualifications and experience in the locations and category of the properties being valued. The valuation is generally sensitive to the various unobservable inputs tabled below. Management reviews the appropriateness of the valuation methodologies and assumptions adopted and address any significant issues that may arise.

Description	Valuation technique(s)	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment properties	Discounted cash flow	Discount rate (7.00% to 7.50%)	Significant reduction in the capitalisation rate and/or discount rate in isolation would result in a significantly higher fair value of the investment properties.
	Income capitalisation	Capitalisation rate (4.25% to 5.00%)	

Key unobservable inputs correspond to:

- Discount rate, 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.
- Capitalisation rate correspond to a rate of return on investment properties based on the expected income that the property will generate.

Movement in Level 3 financial instruments for the financial period is as shown in investment properties (Note 5).

Fair value

The basis for fair value measurement of financial assets and liabilities is set out above. The fair values of other financial assets and liabilities approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Financial instruments by category

2014	Loans and receivables S\$'000	Derivatives used for hedging S\$'000	Other financial liabilities at amortised cost S\$'000	Total S\$'000
Assets				
Trade and other receivables excluding non-financial instruments	5,801	–	–	5,801
Cash and cash equivalents	90,658	–	–	90,658
	96,459	–	–	96,459
Liabilities				
Trade and other payables excluding non-financial instruments	–	–	(63,319)	(63,319)
Borrowing	–	–	(843,125)	(843,125)
Derivative financial instruments	–	(8,758)	–	(8,758)
	–	(8,758)	(906,444)	(915,202)

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24. RELATED PARTIES TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Trust if the Trust has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Trust is subject to common significant influence. Related parties may be individuals or other entities. The Manager (SPH REIT Management Pte. Ltd.) and the Property Manager (SPH Retail Property Management Services Pte. Ltd.) are subsidiaries of a substantial Unitholder of the Trust.

During the financial period, other than those disclosed elsewhere in the financial statements, the following significant related party transactions were carried out in the normal course of business on arm's length commercial terms:

	2014 S\$'000
Manager's management fees paid to a related company	17,125
Property management fees paid/payable to a related company	8,827
Income support received/receivable from related company	5,092
Trustee's fees paid/payable to the Trustee	518
Staff reimbursements paid/payable to a related company	2,246
Reimbursement of issue expenses paid by related company	4,696
Rental and other income received/receivable from related companies	1,086
Other expenses paid/payable to related companies	784

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

25. OPERATING SEGMENTS

For the purpose of making resource allocation decisions and the assessment of segment performance, the management of the Manager reviews internal/management reports of its investment properties. This forms the basis of identifying the operating segments of the Trust.

Segment revenue comprises mainly of income generated from its tenants. Segment net property income represents the income earned by each segment after deducting property operating expenses. This is the measure reported to the management for the purpose of assessment of segment performance. In addition, the management monitors the non-financial assets as well as financial assets attributable to each segment when assessing segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly management fees, trust expenses, finance income and finance expenses. Segment information by geographical area is not presented as all of the Trust's assets are located in Singapore.

2014 Result	Paragon S\$'000	The Clementi Mall S\$'000	Total S\$'000
Gross revenue	180,628	42,293	222,921
Property operating expenses	(43,911)	(13,100)	(57,011)
Segment net property income	136,717	29,193	165,910
Income support	–	5,092	5,092
Amortisation of intangible asset	–	(5,092)	(5,092)
	136,717	29,193	165,910
Unallocated amounts:			
Manager's management fees			(17,125)
Trustee's fee			(518)
Other trust expenses			(1,230)
Finance income			219
Finance costs			(21,898)
Net Income			125,358
Fair value change on investment properties	84,966	17,637	102,603
Total return for the period before taxes and distribution			227,961
Less: income tax			–
Total return for the period after taxes and before distribution			227,961
Segment assets	2,589,032	583,431	3,172,463
Segment assets includes:			
– Plant and equipment	1,032	23	1,055
– Investment properties	2,588,000	571,000	3,159,000
– Intangible asset	–	12,408	12,408
Unallocated assets			96,570
Total assets			3,269,033

NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 July 2013 (date of constitution) to 31 August 2014

25. OPERATING SEGMENTS (CONT'D)

2014 Result	Paragon S\$'000	The Clementi Mall S\$'000	Total S\$'000
Segment liabilities	36,705	8,794	45,499
Unallocated liabilities:			
– Borrowing			843,125
– Derivative financial instruments			8,758
Others			18,585
Total liabilities			<u>915,967</u>
Other information			
Additions to:			
– Plant and equipment	1,150	32	1,182
– Investment properties	3,034	363	3,397
Depreciation of plant and equipment	(118)	(9)	(127)
Amortisation of intangible asset	–	(5,092)	(5,092)

26. FINANCIAL RATIOS

	2014 %
Ratio of expenses to weighted average net assets value ⁽¹⁾	
– including performance component of Manager's management fees	0.74
– excluding performance component of Manager's management fees	0.42
Portfolio turnover rate ⁽²⁾	–

Notes:

⁽¹⁾ The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore dated 25 May 2005. The expenses used in the computation relate to expenses of the Trust, excluding property expenses and finance expense.

⁽²⁾ The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Trust expressed as a percentage of weighted average net asset value. The portfolio turnover rate was nil for the period ended 31 August 2014, as there were no sales of investment properties.

27. SUBSEQUENT EVENT

Subsequent to the reporting date, the Manager announced a distribution of 1.39 cents per unit, for the period from 1 June 2014 to 31 August 2014.

28. COMPARATIVE INFORMATION

No comparative information has been presented as the Trust was only constituted on 9 July 2013.

29. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements were authorised for issue by the Manager and the Trustee on 13 October 2014.

STATISTICS OF UNITHOLDINGS

As at 21 October 2014

ISSUED AND FULLY PAID-UP UNITS

As at 21 October 2014

There are 2,514,276,488 units (voting rights: one vote per unit) outstanding as at 21 October 2014. There is only one class of units in SPH REIT.

There were no treasury units held.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 999	9	0.03	2,781	0.00
1,000 - 10,000	29,111	93.14	80,365,687	3.20
10,001 - 1,000,000	2,112	6.76	96,681,846	3.84
1,000,001 AND ABOVE	23	0.07	2,337,226,174	92.96
TOTAL	31,255	100.00	2,514,276,488	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	TIMES PROPERTIES PRIVATE LIMITED	1,264,679,500	50.30
2	TPR HOLDINGS PTE LTD	486,017,500	19.33
3	CITIBANK NOMINEES SINGAPORE PTE LTD	114,296,230	4.55
4	DBSN SERVICES PTE. LTD.	85,432,000	3.40
5	DBS NOMINEES (PRIVATE) LIMITED	78,758,526	3.13
6	RAFFLES NOMINEES (PTE) LIMITED	74,780,113	2.97
7	NTUC FAIRPRICE CO-OPERATIVE LTD	67,213,000	2.67
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	58,156,000	2.31
9	HSBC (SINGAPORE) NOMINEES PTE LTD	46,591,000	1.85
10	LEE FOUNDATION STATES OF MALAYA	17,500,000	0.70
11	SPH REIT MANAGEMENT PTE. LTD.	13,281,488	0.53
12	HL BANK NOMINEES (SINGAPORE) PTE LTD	5,365,000	0.21
13	MEDIACORP PRESS LIMITED	5,000,000	0.20
14	BANK OF SINGAPORE NOMINEES PTE. LTD.	4,460,720	0.18
15	CHEONG SAE PENG	2,650,000	0.11
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,114,000	0.08
17	SINGAPORE REINSURANCE CORPORATION LTD - SIF GENERAL	1,949,000	0.08
18	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	1,644,097	0.07
19	UOB KAY HIAN PRIVATE LIMITED	1,606,000	0.06
20	ROXY-PACIFIC DEVELOPMENTS PTE LTD	1,500,000	0.06
TOTAL		2,332,994,174	92.79

STATISTICS OF UNITHOLDINGS

As at 21 October 2014

SUBSTANTIAL UNITHOLDERS

No.	Name of Company	Direct Interest	Deemed Interest	% of Total Issued Units
1	Singapore Press Holdings Ltd ⁽¹⁾	–	1,763,978,488	70.16
2	TPR Holdings Pte Ltd	486,017,500	–	19.33
3	Times Properties Private Limited ⁽²⁾	1,264,679,500	499,298,988	70.16
4	NTUC Enterprise Co-operative Limited ⁽³⁾	–	134,426,000	5.35
5	National Trades Union Congress ⁽⁴⁾	–	134,426,000	5.35

⁽¹⁾ Singapore Press Holdings Ltd ("SPH") is deemed to be interested in 1,264,679,500 units held by Times Properties Private Limited, 486,017,500 units held by TPR Holdings Pte Ltd, and 13,281,488 units held by SPH REIT Management Pte. Ltd.. Times Properties Private Limited is a wholly-owned subsidiary of SPH. TPR Holdings Pte Ltd and SPH REIT Management Pte. Ltd. are both wholly-owned subsidiaries of Times Properties Private Limited.

⁽²⁾ Times Properties Private Limited is deemed to be interested in 486,017,500 units held by TPR Holdings Pte Ltd and 13,281,488 units held by SPH REIT Management Pte. Ltd.. TPR Holdings Pte Ltd and SPH REIT Management Pte. Ltd. are both wholly-owned subsidiaries of Times Properties Private Limited.

⁽³⁾ NTUC Enterprise Co-operative Limited is deemed to be interested in 67,213,000 units held by NTUC Fairprice Co-operative Limited and 67,213,000 units in NTUC Income Insurance Co-operative Limited. NTUC Enterprise Co-operative Limited is entitled to control the exercise of more than 50% of the votes in each of NTUC Fairprice Co-operative Limited and NTUC Income Insurance Co-operative Limited.

⁽⁴⁾ National Trades Union Congress is deemed to be interested in 67,213,000 units held by NTUC Fairprice Co-operative Limited and 67,213,000 units in NTUC Income Insurance Co-operative Limited. National Trades Union Congress is entitled to exercise or control the exercise of not less than 20% of the votes attached to the shares of NTUC Enterprise Co-operative Limited.

MANAGER'S DIRECTORS' UNITHOLDINGS

As at 21 September 2014

		Number of Units	
		Direct Interest	Deemed Interest
1	Leong Horn Kee	–	200,000 ⁽¹⁾
2	Soon Tit Koon	100,000	–
3	David Chia Chay Poh	150,000	–
4	Chan Heng Loon Alan	–	200,000 ⁽²⁾
5	Anthony Mallek	290,000	20,000 ⁽³⁾
6	Ginney Lim May Ling	200,000	–

Notes:

⁽¹⁾ Held by spouse

⁽²⁾ Held jointly with spouse through their nominee, Bank of Singapore Limited

⁽³⁾ Held by spouse

FREE FLOAT

Approximately 24.4% of the units in SPH REIT is held by the public and Rule 723 of SGX Listing Manual has been complied with.

INTERESTED PERSONS TRANSACTIONS

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the period from 24 July 2013 (listing date) to 31 August 2014, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST") and Appendix 6 of the Code on Collective Investment Schemes (the "Property Funds Appendix") (excluding transactions of less than \$100,000 each), are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the period under review (excluding transactions of less than \$100,000 each) \$'000
Singapore Press Holdings Ltd and its subsidiaries or associates	
- Manager's management fees	17,125
- Property management fees and reimbursable	11,160
- Income support	5,092
- Rental income ⁽¹⁾	2,534
DBS Trustee Limited	
- Trustee's fees	518

⁽¹⁾ The value refers to the total contract sum entered into during the period from 24 July 2013 to 31 August 2014.

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) entered into during the period under review.

As set out in SPH REIT's Prospectus dated 17 July 2013, related party transactions in relation to the fees and charges payable by SPH REIT to the Manager under the Trust Deed and to the Property Manager under the Property Management Agreement, and receivable under the Deed of Income Support, are deemed to have been specifically approved by the Unitholders upon purchase of the units and are therefore not subject to Rules 905 and 906 of the Listing Manual of the SGX-ST to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will affect SPH REIT. However, the renewal of such agreements will be subject to Rules 905 and 906 of the Listing Manual of the SGX-ST.

Please also see significant related party transactions on Note 24 in the financial statements.

SUBSCRIPTION OF SPH REIT UNITS

During the period from listing date to 31 August 2014, SPH REIT issued 13,281,488 new units as payment of management fees.

NOTICE OF ANNUAL GENERAL MEETING

SPH REIT

(a real estate investment trust constituted under the laws of the Republic of Singapore pursuant to a trust deed dated 9 July 2013)

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of the holders of units of SPH REIT (the "**SPH REIT**", and the holders of units of SPH REIT, "**Unitholders**") will be held at The Auditorium, 1000 Toa Payoh North, News Centre, 1st Storey, Annexe Block, Singapore 318994 on Friday, 28 November 2014 at 10.30 a.m. for the following business:

ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of SPH REIT (the "**Trustee**"), the statement by SPH REIT Management Pte. Ltd., as manager of SPH REIT (the "**Manager**"), and the Audited Financial Statements of SPH REIT for the financial period ended 31 August 2014 together with the Auditors' Report thereon.
2. To re-appoint KPMG LLP as the Auditors of SPH REIT to hold office until the conclusion of the next Annual General Meeting of SPH REIT, and to authorise the Manager to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

3. That pursuant to Clause 5 of the trust deed constituting SPH REIT (the "**Trust Deed**") and the listing rules of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Manager to:
 - (a) (i) issue units in SPH REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units, at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and
 - (b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (A) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Units to be issued other than on a *pro rata* basis to existing Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (B) below);

NOTICE OF ANNUAL GENERAL MEETING

- (B) subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (A) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
- (i) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Units;
- (C) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (D) unless revoked or varied by Unitholders in a general meeting of Unitholders, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of SPH REIT or (ii) the date by which the next Annual General Meeting of SPH REIT is required by applicable laws and regulations or the Trust Deed to be held, whichever is earlier;
- (E) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (F) the Manager and the Trustee, be and are hereby severally authorised to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of SPH REIT to give effect to the authority conferred by this Resolution.

By Order of the Board
SPH REIT MANAGEMENT PTE. LTD.
as manager of SPH REIT

Lim Wai Pun
Khor Siew Kim
Company Secretaries

Singapore,
11 November 2014

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this Annual General Meeting until (i) the conclusion of the next Annual General Meeting of SPH REIT or (ii) the date by which the next Annual General Meeting of SPH REIT is required by the applicable laws and regulations or the Trust Deed to be held, whichever is earlier, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest, to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding fifty per cent. (50%) of the total number of issued Units, with a sub-limit of twenty per cent. (20%) for issues other than on a *pro rata* basis to existing Unitholders (in each case, excluding treasury Units, if any).

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time Ordinary Resolution 3 is passed, after adjusting for (i) new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and (ii) any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

Notes:

1. A Unitholder entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The proxy form must be lodged at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not later than 26 November 2014, 10.30 a.m. being 48 hours before the time fixed for the AGM.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by SPH REIT (or its agents) for the purpose of the processing and administration by SPH REIT (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for SPH REIT (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to SPH REIT (or its agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by SPH REIT (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify SPH REIT in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

SPH REIT

(a real estate investment trust constituted under the laws of the Republic of Singapore pursuant to a trust deed dated 9 July 2013)

PROXY FORM

ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT

1. For investors who have used their CPF money to buy Units in SPH REIT, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees in accordance with their instructions within the timeframe specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
4. PLEASE READ THE NOTES TO THE PROXY FORM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 November 2014

*I/We _____, _____ of
(Name) (NRIC/Passport No.)

(Address)

being a unitholder/unitholders of SPH REIT, hereby appoint:

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of unitholders of SPH REIT to be held at The Auditorium, 1000 Toa Payoh North, News Centre, 1st Storey, Annexe Block, Singapore 318994 on Friday, 28 November 2014 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For**	Against**
1.	To receive and adopt the Report of DBS Trustee Limited, as trustee of SPH REIT (the "Trustee"), the statement by SPH REIT Management Pte. Ltd., as manager of SPH REIT (the "Manager"), and the Audited Financial Statements of SPH REIT for the financial period ended 31 August 2014 together with the Auditors' Report thereon.		
2.	To re-appoint KPMG LLP as the Auditors of SPH REIT to hold office until the conclusion of the next Annual General Meeting of SPH REIT, and to authorise the Manager to fix their remuneration.		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments.		

* Delete where applicable.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2014

Signature(s) of Unitholder(s) and,
Common Seal of Corporate Unitholder

Total number of Units held

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Postage will be
paid by
addressee.
For posting in
Singapore only.

**BUSINESS REPLY SERVICE
PERMIT NO. 09059**



SPH REIT Management Pte. Ltd.
(as Manager of SPH REIT)
c/o Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Notes:

1. Please insert the total number of Units held by you. If you have Units entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Unitholders, you should insert that number of Units. If you have Units entered against your name in the Depository Register and Units registered in your name in the Register of Unitholders, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Unitholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Units held by you.
2. A Unitholder of SPH REIT entitled to attend and vote at a meeting of SPH REIT is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder of SPH REIT.
3. Where a Unitholder appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a Unitholder from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Meeting in person, and in such event, SPH REIT reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies or the power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must be deposited at [the office of SPH REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a Unitholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
8. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the Meeting as observers are requested to submit in writing, a list with details of the investor's names, NRIC/Passport numbers, addresses and number of Units held. The list, signed by an authorised signatory of the relevant CPF Approved Nominees, should reach the office of the office of SPH REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, at least 48 hours before the time appointed for holding the Meeting.
9. The Manager shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Units entered in the Depository Register, the Manager may reject any instrument appointing a proxy or proxies lodged if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Manager.

CORPORATE DIRECTORY

MANAGER

SPH REIT Management Pte. Ltd.
1000 Toa Payoh North, News Centre
Singapore 318994
Telephone: +65 6319 6319
Facsimile: +65 6319 8282
Email: ir@sphreit.com.sg

DIRECTORS OF THE MANAGER

Dr Leong Horn Kee
Chairman, Non-Executive and Independent Director

Mr Soon Tit Koon
*Non-Executive and Independent Director
Chairman, Audit and Risk Committee*

Mr David Chia Chay Poh
*Non-Executive and Independent Director
Member, Audit and Risk Committee*

Mr Chan Heng Loon Alan
Non-Executive and Non-Independent Director

Mr Anthony Mallek
*Non-Executive and Non-Independent Director
Member, Audit and Risk Committee*

Ms Ginney Lim May Ling
Non-Executive and Non-Independent Director

AUDIT AND RISK COMMITTEE

Mr Soon Tit Koon (Chairman)
Mr David Chia Chay Poh
Mr Anthony Mallek

MANAGEMENT

Ms Susan Leng Mee Yin
Chief Executive Officer

Ms Soon Suet Har
Chief Financial Officer & Head, Investor Relations

Ms Belinda Zheng Qinyin
Investment Manager

Mr Lincoln Teo Soon Piang
Asset Manager

COMPANY SECRETARIES

Mr Lim Wai Pun
Ms Khor Siew Kim

UNIT REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Telephone: +65 6536 5355
Facsimile: +65 6438 8710

TRUSTEE

DBS Trustee Limited
12 Marina Boulevard
Marina Bay Financial Centre Tower 3, Level 44
Singapore 018982
Telephone: +65 6878 8888
Facsimile: +65 6878 3977

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
(Partner-in-charge: Lee Sze Yeng)
(Appointed since 2013)



SPH REIT MANAGEMENT PTE. LTD.
(AS MANAGER OF SPH REIT)

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