



SPH REIT FINANCIAL STATEMENT ANNOUNCEMENT * FOR THE YEAR ENDED 31 AUGUST 2016

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

Introduction

The investment strategy of SPH REIT 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.

The portfolio of SPH REIT comprises the following two high quality and well located commercial properties in Singapore:

- Paragon, a premier upscale retail mall and medical suite/office property, well known for its upscale mall housing many luxury brands, located in the heart of Orchard Road; 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.

Audited Financial Information

The financial information as set out in this announcement for the fourth quarter and year ended 31 August 2016 has been extracted from the audited* financial statements for the fourth quarter and year ended 31 August 2016, in accordance with the Statement of Recommended Accounting Practice (“RAP”) 7 “Reporting Framework for Unit Trusts”, the Code on Collective Investment Schemes (the “CIS Code”) and the provisions of the Trust Deed.

* Please refer to the attached audit report.

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For The Year Ended 31 August 2016

1(a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year

1(a)(i) Statement of Total Return

	4Q 2016 S\$'000	4Q 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Gross revenue	52,177	50,789	2.7	209,594	205,113	2.2
Property operating expenses	(12,002)	(12,624)	(4.9)	(48,683)	(49,493)	(1.6)
Net property income	40,175	38,165	5.3	160,911	155,620	3.4
Income support ¹	548	744	(26.3)	2,365	3,008	(21.4)
Amortisation of intangible asset	(548)	(744)	(26.3)	(2,365)	(3,008)	(21.4)
Manager's management fees	(4,090)	(3,994)	2.4	(16,312)	(15,976)	2.1
Trust expenses ²	(199)	(281)	(29.2)	(1,610)	(1,689)	(4.7)
Finance income ³	217	196	10.7	915	657	39.3
Finance costs	(5,923)	(5,951)	(0.5)	(24,015)	(21,669)	10.8
Net income	30,180	28,135	7.3	119,889	116,943	2.5
Fair value change on investment properties ⁴	7,685	36,588	(79.0)	7,685	36,588	(79.0)
Total return before taxes and distribution	37,865	64,723	(41.5)	127,574	153,531	(16.9)
Less: income tax	-	-	NM	-	-	NM
Total return after taxes and before distribution	37,865	64,723	(41.5)	127,574	153,531	(16.9)

Notes:

- Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support.
- Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, cost associated with the preparation of annual reports, and investor communication costs.
- Finance income represent the interest income from bank deposit.
- This relates to the fair value change on Paragon and The Clementi Mall as at 31 August 2016 and 31 August 2015, based on independent valuations conducted by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL") and DTZ Debenham Tie Leung (SEA) Pte Ltd ("DTZ") respectively.

NM Not Meaningful

For The Year Ended 31 August 2016

1(a)(ii) Distribution Statement

	4Q 2016 S\$'000	4Q 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Net income	30,180	28,135	7.3	119,889	116,943	2.5
Add: Non-tax deductible items ¹	4,170	5,418	(23.0)	21,189	21,595	(1.9)
Income available for distribution	34,350	33,553	2.4	141,078	138,538	1.8
Distribution to Unitholders²	35,909	35,158	2.1	139,711	138,044	1.2

Notes:

1. Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, amortisation of income support, amortisation of debt issuance costs and adjustment for additional property tax provision that relates to prior year.
2. Distribution for 4Q 2016 includes taxable income available for distribution retained earlier in the year. For FY2016, the distribution to unitholders was 99.0% of taxable income available for distribution.

For The Year Ended 31 August 2016

1(b)(i) A balance sheet together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheet	As at 31 Aug 16 S\$'000	As at 31 Aug 15 S\$'000
Non-current assets		
Plant and equipment	950	1,044
Investment properties ¹	3,230,000	3,212,500
Intangible asset ²	7,035	9,400
Derivative financial instruments ³	-	3,949
	<u>3,237,985</u>	<u>3,226,893</u>
Current assets		
Trade and other receivables ⁴	5,888	5,008
Derivative financial instruments ³	-	365
Cash and cash equivalents	67,382	77,355
	<u>73,270</u>	<u>82,728</u>
Total assets	<u>3,311,255</u>	<u>3,309,621</u>
Non-current liabilities		
Borrowing	845,887	595,565
Derivative financial instruments ³	9,890	-
Trade and other payables	32,763	36,685
	<u>888,540</u>	<u>632,250</u>
Current liabilities		
Borrowing	-	249,330
Trade and other payables	34,183	30,231
	<u>34,183</u>	<u>279,561</u>
Total liabilities	<u>922,723</u>	<u>911,811</u>
Net assets attributable to Unitholders	<u>2,388,532</u>	<u>2,397,810</u>

Notes:

1. The fair value of Paragon and The Clementi Mall as at 31 August 2016 was S\$2,656.0 million and S\$574.0 million respectively. The fair value of the investment properties were based on independent valuations conducted by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL").
2. Intangible asset relates to income support provided by the vendors of The Clementi Mall.
3. Derivative financial instruments represent the fair value as at balance sheet date of the interest rate swap contracts to swap floating rates for fixed interest rates.
4. Trade and other receivables comprised mainly rental receivable and trade amount due from related parties.

1(b)(ii) Borrowing

Secured borrowing

	As at 31 Aug 16 S\$'000	As at 31 Aug 15 S\$'000
Amount repayable within one year	-	249,330
Amount repayable after one year	845,887	595,565
Total	845,887	844,895

Details of collateral

On 24 July 2013, SPH REIT established a term loan facility of up to the amount of S\$975 million, of which the amount drawn down was S\$850 million. As at the balance sheet date, the amount of S\$845.9 million represented the loan stated at amortised cost. A S\$250 million tranche of the loan which matured in July 2016 was revised into two tranches of S\$125 million each, with extended tenures of three years and five years. After the revisions, the loan has various repayment dates, of which S\$135 million is repayable in March 2018, S\$185 million in July 2018, S\$125 million in July 2019, S\$280 million in July 2020 and S\$125 million in July 2021.

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.

For The Year Ended 31 August 2016

1(c) A cash flow statement together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Cash Flows

	4Q 2016 S\$'000	4Q 2015 S\$'000	FY 2016 S\$'000	FY 2015 S\$'000
Cash flows from operating activities				
Total return for the period/year	37,865	64,723	127,574	153,531
Adjustments for:				
Fair value change on investment properties	(7,685)	(36,588)	(7,685)	(36,588)
Manager's fee paid/payable in units	4,090	3,994	16,312	15,976
Depreciation of plant and equipment	57	45	210	160
Finance income	(217)	(196)	(915)	(657)
Finance costs	5,923	5,951	24,015	21,669
Amortisation of intangible asset	548	744	2,365	3,008
Operating cash flow before working capital changes	40,581	38,673	161,876	157,099
Changes in operating assets and liabilities				
Trade and other receivables	(973)	490	(819)	955
Trade and other payables	(1,601)	1,390	(1,038)	321
Net cash from operating activities	38,007	40,553	160,019	158,375
Cash flows from investing activities				
Additions to investment properties	(2,796)	(4,757)	(8,501)	(15,318)
Purchase of plant and equipment	(22)	(92)	(116)	(125)
Interest received	202	220	854	606
Net cash used in investing activities	(2,616)	(4,629)	(7,763)	(14,837)
Cash flows from financing activities				
Distribution to unitholders	(34,575)	(34,094)	(138,960)	(137,835)
Payment of transaction costs related to borrowing	(1,018) ¹	(18)	(1,018) ¹	(220)
Interest paid	(5,093)	(4,551)	(22,251)	(18,786)
Net cash used in financing activities	(40,686)	(38,663)	(162,229)	(156,841)

Notes:

1. This includes upfront fees paid for revision of terms of the existing loan facility. Please refer to paragraph 1(b)(ii) Borrowing.

For The Year Ended 31 August 2016

1(c) Statement of Cash Flows (cont'd)

	4Q 2016	4Q 2015	FY 2016	FY 2015
	S\$'000	S\$'000	S\$'000	S\$'000
Net decrease in cash and cash equivalents	(5,295)	(2,739)	(9,973)	(13,303)
Cash and cash equivalents at beginning of the period/year	72,677	80,094	77,355	90,658
Cash and cash equivalents at end of the period/year	67,382	77,355	67,382	77,355

1(d)(i) Statement of Changes in Unitholders' Funds

	4Q 2016	4Q 2015	FY 2016	FY 2015
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at beginning of period/year	2,387,274	2,354,360	2,397,810	2,353,066
<u>Operations</u>				
Total return for the period/year	37,865	64,723	127,574	153,531
<u>Hedging reserve</u>				
Effective portion of changes in fair value of cash flow hedges ¹	(6,122)	8,827	(14,204)	13,072
<u>Unitholders' transactions</u>				
Distribution to unitholders	(34,575)	(34,094)	(138,960)	(137,835)
Manager's fee paid/payable in units	4,090	3,994	16,312	15,976
	(30,485)	(30,100)	(122,648)	(121,859)
Balance as at end of period/year	2,388,532	2,397,810	2,388,532	2,397,810

Notes:

1. This relates to interest rate swap arrangements.

For The Year Ended 31 August 2016

1(d)(ii) Details of Changes in Issued and Issuable Units

	4Q 2016	4Q 2015	FY 2016	FY 2015
	No. of units	No. of units	No. of units	No. of units
Issued units as at beginning of period/year	2,542,310,127	2,525,504,384	2,529,309,302	2,514,276,488
Manager's fee paid in units ¹	4,393,183	3,804,918	17,394,008	15,032,814
Issuable units:				
Manager's fee payable in units ²	4,215,607	4,211,448	4,215,607	4,211,448
Total issued and issuable units as at end of period/year	2,550,918,917	2,533,520,750	2,550,918,917	2,533,520,750

Notes:

1. The units were issued to the REIT Manager in full satisfaction of management fees.
2. This is calculated based on volume weighted average traded price for the last 10 business days for the respective quarters, as provided in the Trust Deed.

1(d)(iii) To show the total number of issued units excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 August 2016, SPH REIT had 2,546,703,310 units (31 August 2015: 2,529,309,302 units).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures for the year have been audited. The auditors' report on the financial statements of SPH REIT was not subject to any modification.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Please refer to the attached auditor's audit report.

For The Year Ended 31 August 2016

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation have been consistently applied during the current reporting period.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the audited financial statements of the previous financial period, except for new or amended accounting policies adopted in the Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts" which became effective from this financial year.

The adoption of the new/revised accounting policies has not resulted in any substantial changes to SPH REIT's accounting policies nor any significant impact on these financial statements.

6. **Earnings per unit ("EPU") and Distribution per unit ("DPU")**

	4Q 2016	4Q 2015	FY 2016	FY 2015
<u>Earnings per unit</u>				
Weighted average number of units ¹	2,546,748,639	2,529,354,586	2,540,165,169	2,523,660,181
Total return for the period/year after tax (S\$'000)	37,865	64,723	127,574	153,531
EPU ⁴ (basic and diluted) (cents)	1.49	2.56	5.02	6.08
EPU (cents), excluding fair value change	1.19	1.11	4.72	4.63
<u>Distribution per unit</u>				
Total number of units in issue at end of period/year	2,546,703,310	2,529,309,302	2,546,703,310	2,529,309,302
Distribution to Unitholders ² (\$'000)	35,909	35,158	139,711	138,044
DPU ³ (cents)	1.41	1.39	5.50	5.47

Notes:

1. The weighted average number of units was based on the number of units in issue and issuable units to the Manager.
2. As shown in 1(a)(ii) Distribution Statement.
3. The DPU was computed based on the number of units entitled to distribution.
4. Included the effects of fair value change on investment properties for the respective periods/years.

7. Net Asset Value (“NAV”) per unit

	As at 31 Aug 16	As at 31 Aug 15
NAV per unit ¹ (S\$)	0.94	0.95
NTA per unit ¹ (S\$)	0.94	0.94

Note:

1. The NAV per unit and NTA per unit were computed based on the number of units in issue at the end of the year.

8. Review of Performance

Review of Results for the Fourth Quarter ended 31 August 2016 (“4Q 2016”) compared with the Fourth Quarter ended 31 August 2015 (“4Q 2015”)

Gross revenue for 4Q 2016 grew by S\$1.4 million (2.7%) to S\$52.2 million, on the back of higher rental income achieved from Paragon and The Clementi Mall.

Property operating expenses of S\$12.0 million was S\$0.6 million (4.9%) lower than 4Q 2015, mainly due to savings in utilities from lower tariff rate, lower advertising and promotion (A&P) and maintenance expenses.

Consequently, net property income (“NPI”) of S\$40.2 million for 4Q 2016 was S\$2.0 million (5.3%) above 4Q 2015.

Net income for 4Q 2016 increased by S\$2.0 million (7.3%) to S\$30.2 million against the same quarter last year, mainly due to higher NPI.

Income available for distribution was S\$34.4 million for 4Q 2016 was higher by S\$0.8 million (2.4%) compared to 4Q 2015.

Review of Results for the Full year ended 31 August 2016 (“FY2016”) compared with the Full year ended 31 August 2015 (“FY2015”)

Gross revenue for FY2016 was up S\$4.5 million (2.2%) to S\$209.6 million. The positive results were driven by good progress in leasing activities. The portfolio average rental reversion was 5.4% for the new and renewed leases in FY2016.

Property operating expenses was S\$48.7 million, S\$0.8 million (1.6%) lower against FY 2015. Savings in utilities, lower A&P and maintenance expenses were partially offset by higher property tax and property management fees. The expenses included additional property tax of S\$0.8 million relating to prior years.

Consequently, NPI of S\$160.9 million for FY2016, was S\$5.3 million (3.4%) higher than last year. Both Paragon and The Clementi Mall performed better than the previous year, by S\$4.7 million (3.6%) and S\$0.6 million (2.3%) respectively. NPI margin of 76.8% was achieved, better than FY2015 of 75.9%.

8. Review of Performance (Cont'd)

Net income increased by S\$2.9 million (2.5%) to S\$119.9 million for FY2016 against last year. This was mainly attributable to the higher NPI and finance income, partially offset by the increase in finance cost arising from higher interest rate. Finance cost was S\$2.3 million (10.8%) higher as the average cost of debt as at 31 August 2016 was 2.82% compared to last year of 2.55%.

After taking into account the fair value change of S\$7.7 million, total return for FY2016 was S\$127.6 million. As at 31 August 2016, the portfolio was valued at S\$3.230 billion by Jones Lang LaSalle Property Consultants Pte Ltd (“JLL”). The revaluation change represented an increase of 0.5% from the valuation of S\$3.212 billion as at 31 August 2015.

Income available for distribution of S\$141.1 million for FY2016 was S\$2.5 million (1.8%) higher compared to FY2015 mainly due to the increase in Paragon’s NPI, partially offset by higher finance cost.

9. Variance from Prospect Statement

No forecast was made previously.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Singapore economy grew by 2.1% year-on-year (y-o-y) in the second quarter of 2016, unchanged from the first quarter. The global economic outlook continues to weaken, with added uncertainties after the UK’s vote in June to leave the European Union (i.e. “Brexit”). In line with weaker global growth outlook, MTI has narrowed the growth forecast for 2016 to 1.0% to 2.0%.

The retail environment remains challenging. Based on figures released by the Singapore Department of Statistics (DOS), the retail sales index (excluding motor vehicles) declined by 1.0% y-o-y in 2015 and continued to contract by 4.0% in Q1 2016 and 3.9% in Q2 2016. Most of the trade segments registered decline in sales in Q2 2016, in particular, supermarkets (3.6%), wearing apparel and footwear (3.8%), department stores (3.2%), food and beverage (7.5%) and watches and jewellery (8.5%).

According to the Singapore Tourism Board (STB), the international visitor arrivals (IVA) recorded a 11.5% y-o-y growth in the first half year of 2016. Tourism receipts grew by 2.0% to S\$5.4 billion in Q1 2016. STB has forecast modest growth in 2016 amidst global uncertainties and increasing regional competition.

SPH REIT has a portfolio of two high quality and well-positioned retail properties in prime locations. Paragon had remained resilient and turned in a steady performance through previous economic cycles. In FY2016, it recorded marginally higher tenant sales at S\$661 million with an occupancy cost of 19.6%. The Clementi Mall continued to attract regular footfall of 30.0 million in its catchment. Tenant sales was down marginally by 1.4% to S\$239 million and occupancy cost inched up slightly to 14.8%. The Manager will continue to proactively manage the properties to deliver sustainable returns while seeking new opportunities to create value for unitholders.

11. **Distribution**

(a) **Current Financial Period**

Any distribution recommended for the current financial period reported on? Yes.

Name of distribution:	Distribution for the period from 1 June 2016 to 31 August 2016
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.41 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

11. Distribution (Cont'd)

(b) Corresponding Period of the Immediately Preceding Financial Year

Any distribution declared for the corresponding period of the immediately preceding financial year?

Name of distribution:	Distribution for the period from 1 June 2015 to 31 August 2015
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.39 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

(c) Date payable

The date the distribution is payable: Wednesday, 16 November 2016.

(d) Record date

The Transfer Books and Register of Unitholders of SPH REIT will be closed at 5.00pm on 14 October 2016 for purposes of determining each Unitholder's entitlement to SPH REIT distribution.

For The Year Ended 31 August 2016

12. If no distribution has been declared (recommended), a statement to that effect

Not applicable.

13. Segment Results

	4Q 2016	4Q 2015	Change	FY 2016	FY 2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Gross Revenue</u>						
Paragon	42,222	41,029	2.9	170,292	166,070	2.5
The Clementi Mall	9,955	9,760	2.0	39,302	39,043	0.7
Total	52,177	50,789	2.7	209,594	205,113	2.2
<u>Net Property Income</u>						
Paragon	32,973	31,157	5.8	132,276	127,627	3.6
The Clementi Mall	7,202	7,008	2.8	28,635	27,993	2.3
Total	40,175	38,165	5.3	160,911	155,620	3.4

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8 on page 11 and 12.

15. Breakdown of Gross revenue and Net Income

	FY2016	FY2015	Change
	S\$'000	S\$'000	%
<u>1 September to 29 February</u> (First half year)			
Gross revenue	105,185	103,089	2.0
Net income	60,077	59,534	0.9
<u>1 March to 31 August</u> (Second half year)			
Gross revenue	104,409	102,024	2.3
Net income	59,812	57,409	4.2

For The Year Ended 31 August 2016

16. Breakdown of Total Distributions

	FY2016	FY2015
	S\$'000	S\$'000
1 September 2014 to 30 November 2014	-	33,489
1 December 2014 to 28 February 2015	-	35,303
1 March 2015 to 31 May 2015	-	34,094
1 June 2015 to 31 August 2015	-	35,158
1 September 2015 to 30 November 2015	33,696	-
1 December 2015 to 29 February 2016	35,531	-
1 March 2016 to 31 May 2016	34,575	-
1 June 2016 to 31 August 2016 ²	35,909	-
	<hr/>	<hr/>
	139,711	138,044

Notes:

1. Please refer to paragraph 11(a) on page 15.

17. If the group has obtained a general mandate from shareholders for Interested Person Transactions, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

SPH REIT has not obtained a general mandate from unitholders for Interested Person Transactions.

18. Confirmation By the Manager Pursuant to Rule 720(1) of the SGX Listing Manual.

The Manager confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, SPH REIT Management Pte. Ltd. (the "Company"), as manager of SPH REIT, confirms that there is no person occupying a managerial position in the Company who is related to a director, chief executive officer, substantial shareholder of the Company or substantial unitholder of SPH REIT.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of SPH REIT Management Pte. Ltd. (as the manager of SPH REIT) on future events.

BY ORDER OF THE BOARD

Lim Wai Pun
Khor Siew Kim

Company Secretaries

Singapore,
6 October 2016



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Independent Auditor's 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 Statement of Financial Position and Portfolio Statement of the Trust as at 31 August 2016, and the Statement of Total Return, Distribution Statement and Statement of Changes in Unitholders' Funds and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS37.

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 2016 and the total return, distributable income, changes in Unitholders' funds and cash flows of the Trust for the year then ended 31 August 2016 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.

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KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
6 October 2016