ANNUAL
REPORT
2019

GROWING GREATER VALUE

sph Reit

CONTENTS

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.

CORPORATE PROFILE

SPH REIT is a Singapore-based real estate investment trust 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 ("SPH" or the "Sponsor"), Asia's leading media organisation with publications across multiple languages and platforms.

As at 31 August 2019, SPH REIT's portfolio comprises four quality and well-located commercial properties in Singapore and Australia. The three properties in Singapore total up to 962,153 sq ft Net Lettable Area ("NLA") with an aggregate value of S$3.406 billion, whereas the property in Australia has an aggregate Gross Lettable Area ("GLA") of approximately 236,656 sq ft, with a value of A$206 million.

The portfolio consists of:

SINGAPORE

Paragon, a premier upscale retail mall and medical suite/ office property located in the heart of Orchard Road, Singapore's premier shopping and tourist precinct. Paragon consists of a six-storey retail podium and one basement level with 494,062 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 of 223,098 sq ft of medical suite/ offices NLA ("Paragon Medical"). It is a 99-year leasehold interest that commenced on 24 July 2013.

The Clementi Mall, a mid-market suburban mall located in the centre of Clementi Town, with excellent frontage to residential estates in the West of Singapore and well-connected to expressways and the rest of the island. 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 directly linked to the Clementi Mass Rapid Transit ("MRT") station. It is a 99-year leasehold interest that commenced on 31 August 2010, with a total of 195,226 sq ft of retail NLA.

The Rail Mall, a retail strip with a 360-metre prominent road frontage to Upper Bukit Timah Road. Acquired by SPH REIT on 28 June 2018, it comprises a trade mix to serve the different needs of residents and visitors which includes a supermarket, medical and healthcare services. It is well-served by the Hillview MRT station, which is about 250 metres from the mall as well as a network of public bus services. Accessibility is further enhanced by its proximity to the Bukit Timah Expressway ("BKE") and Pan Island Expressways ("PIE"). One of the key access points to the Rail Corridor is located within a short walking distance from The Rail Mall.

AUSTRALIA

Figtree Grove Shopping Centre, an established freehold sub-regional shopping centre in Wollongong, New South Wales Australia, which SPH REIT has a 85% stake in ownership. Located approximately 3 km south-west of the Wollongong Central Business District ("CBD") and approximately 85 km south-west of Sydney CBD, the property is situated at the north-eastern corner of the Princes Highway and The Avenue – major thoroughfares which carry traffic between Wollongong Central Business District and the wider Wollongong area. The shopping centre houses two major supermarkets, specialty stores, and a variety of services, F&B dining options and other retailers providing convenience and necessity to residents. The property has an aggregate GLA of approximately 236,656 sq ft.

FINANCIAL HIGHLIGHTS

Consolidated Statement of Total Return For the Financial Year Ended 31 August	2019 S$ million	2018 S$ million	Change %
Gross Revenue	228.6	211.8	7.9
Net Property Income	179.8	166.0	8.3
Income Available for Distribution	145.0	142.3	1.9
Distribution per Unit (cents)	5.60	5.54	1.1

Consolidated Statement of Financial Position as at 31 August	2019 S$ million	2018 S$ million	Change %
Total Assets	3,948.4	3,408.0	15.9
Total Liabilities	1,177.0	969.1	21.5
Borrowings	1,091.1	893.1	22.2
Net Assets Attributable to Unitholders	2,458.9	2,438.9	0.8
Number of Units in Issue (million)	2,588.7	2,571.8	0.7
Net Asset Value per Unit (S$)	0.95	0.95	-

Financial Ratios	2019	2018
Annualised Distribution Yield (%) • Based on closing price[1]	5.14	5.54
Gearing Ratio (%)	27.5	26.3
Interest Cover Ratio (times)	5.3	6.0
Average All-in-Cost of Debt (% per annum)	2.91	2.85
Average Term to Maturity for Debt (years)	2.5	2.3

1 Based on closing price of S$1.09 per unit on 31 August 2019 (31 August 2018: S$1.00).

5.60 cents

DISTRIBUTION PER UNIT

Up 1.1% compared to 2018

S$179.8 million

NET PROPERTY INCOME

Increased 8.3% compared to 2018

S$3.598 billion

VALUATION OF INVESTMENT PROPERTIES

Included the recently acquired **Figtree Grove Shopping Centre**

5.14%

DISTRIBUTION YIELD

Based on closing price of **S$1.09** on 31 August 2019

27.5%

GEARING

Strong balance sheet

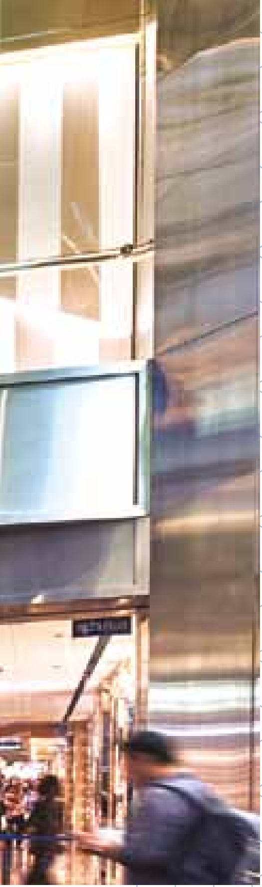
99.1%

COMMITTED OCCUPANCY

Solid track record


Salvatore Ferragamo
LONGCHAMP
PARAGON
Salvatore Ferragamo

EXECUTING SOUND STRATEGIES



STATEMENT BY CHAIRMAN & CEO

Dr Leong Horn Kee

Ms Susan Leng Mee Yin

DEAR UNITHOLDERS,

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the "Manager"), we are pleased to present you with SPH REIT's Annual Report for the period from 1 September 2018 to 31 August 2019 ("FY2019").

SPH REIT has continued to maintain its good track record since our Initial Public Offering (IPO) in July 2013, underpinned by a portfolio of well-positioned and quality properties.

Gross revenue grew by S$16.8 million or 7.9% to S$228.6 million mainly due to contributions from acquisitions. With proactive management of assets, we turned in a net property income ("NPI") of S$179.8 million for FY2019, which was S$13.8 million or 8.3% higher than last year.

Total income available for distribution to Unitholders was S$145.0 million, an increase of S$2.7 million or 1.9% compared to last financial year. The aggregate distribution per unit ("DPU") for FY2019 of 5.60 cents translated to a distribution of 5.14%, based on the closing price of S$1.09 as at 31 August 2019.

STRATEGISING FOR GREATER GROWTH

Firstly, in line with our strategy to acquire quality assets, we have completed the acquisition of Figtree Grove Shopping Centre, an established sub-regional shopping centre located in Wollongong, New South Wales Australia on 21 December 2018.

Figtree Grove Shopping Centre sits on a freehold land area of 552,904 sq ft and has a total Gross Lettable Area ("GLA") of approximately 236,656 sq ft with 940 carpark lots.

It is anchored by a 24-hour Kmart, Coles and Woolworths supermarkets complemented by a strong mix of service-related tenants including medical, financial, therapeutic and travel tenants serving the needs of residents and providing them with easy convenience. This variety strikes a good balance of offerings which appeals to the trade area's catchment.

Secondly, in the year, we have also established a S$1 billion multi-currency debt issuance programme. The programme establishment complements SPH REIT's capital structure and provides us with options to tap into the capital markets at optimal times, as evidenced by our successful perpetual securities issuance of S$300 million on 30 August 2019.

ENHANCING RETAIL EXPERIENCES

Paragon welcomed several new stores during the year and occupancy remains high at 99.8%. 11 new F&B concepts were introduced to refresh the offerings so as to enhance our shoppers' gastronomical experience. As part of our collaboration with our tenants, a 4-sided 2-storey digital screen was installed at Paragon's atrium to enliven the shopping environment and create an avenue to strengthen our brand positioning with curated content. In addition, this also provided another platform for our tenants to better showcase their brands by engaging the shoppers' senses via various animated formats.

As part of our corporate social responsibility efforts, Paragon also played host to various events. We worked with the Latin American embassies and Raffles Design Institute to host the "Bejewelled Macaw" event in September 2018. Over the 3-week event, Paragon shoppers and tourists were treated to the sights and "sounds" of the macaw sculpture displays. Besides allowing the design school students to showcase their creativity, the art pieces were also adopted by various organisations. A total of $44,000 was raised for "The Business Times Budding Artists Fund" which nurtures talented children from underprivileged families.

At The Clementi Mall, we continue to organise events which appeal to residents from the vicinity and engage them with various community-driven activities. One such programme was the "Good Old Days" campaign which invited shoppers to relive the good old days with nostalgic games like "hopscotch" and "catching spiders". As a refreshing take on the classics, the event also incorporated experiential technologies such as Augmented Reality ("AR") that put a modern spin on our favourite games of the past.

The Rail Mall which we acquired in 2018 continues to evolve into a choice F&B destination with a strong and affluent residential catchment. Various initiatives were launched after our acquisition, leveraging on the natural greenery surroundings to create community-driven events such as the "Movie under the Stars", an outdoor movie screening night. It was a hugely successful event as residents from the Fuyong and Hillview estates were invited and treated to a night of food and fun.

In Australia, Figtree Grove Shopping Centre continues its community efforts to engage the residents around the area. The bi-annual event, "Flavours of Figtree", hosted fun and interactive activities for families with food tasting, artisanal food making and gardening workshops for the kids.

The Manager's proactive asset management and forward leasing strategy contributed to the sustained performance of the assets. Paragon was recognised by Singapore Retailers Association for "Best Efforts in Centre Management (Shopping Centre)" for 5 times including the latest award in 2019.

The assets continue to attract high visitorship during the year; 19.0 million for Paragon, 31.6 million for The Clementi Mall and 4.6 million for Figtree Grove Shopping Centre. Tenant sales at Paragon grew by 2.2% to S$708 million. As for The Clementi Mall, tenant sales was S$237 million, higher by 3.0% compared to last year. Figtree Grove Shopping Centre recorded tenant sales of A$187 million. The committed occupancy for our portfolio of properties remains high at 99.1%.

DELIVERING CONSISTENT RESULTS

The Manager's key strategy is to strive for sustainable financial returns to our Unitholders by delivering a trusted and widely recognised brand of properties in Singapore and Australia. We will continue to work in close collaboration with our tenants to enhance the retail experience for

STATEMENT BY CHAIRMAN & CEO

our shoppers to keep our assets relevant in the evolving retail environment.

In April 2019, SPH REIT introduced a new shopping concept at level 3 of Paragon which houses more than 20 fashion, lifestyle and F&B tenants. This shopping concept offers open store design for seamless interactions across brands, merchandise and shoppers. This is another testament of SPH REIT's approach to drive long-term value of its properties to deliver regular and stable distributions to Unitholders.

Year on year, NPI increased by 8.3%. SPH REIT's aggregate DPU of 5.60 cents is 1.1% higher compared to FY2018.

In line with SPH REIT's prudent capital management strategy, we maintained a healthy balance sheet with a gearing of about 27.5% as at 31 August 2019. The debt profile for the total borrowings of S$1.1 billion is well staggered with a weighted average term to maturity of 2.5 years at an average cost of debt of 2.91% per annum. About 65% of the loan is on a fixed rate basis. SPH REIT hedges its exposure to foreign currency by using foreign currency denominated borrowing and cross currency swaps, where appropriate.

As at 31 August 2019, the valuation of SPH REIT's Singapore portfolio recorded an increase of S$37.5 million to approximately S$3.4 billion whilst valuation of the newly acquired Australian asset, Figtree Grove Shopping Centre remains unchanged.

LOOKING AHEAD

The industry continues to face headwinds as growth in retail trade has slowed in recent years. Retailers are adapting to the evolving retail environment and embracing the structural changes in the consumer trend towards online purchasing.

Both traditional physical store and online retailers recognise the need to create an omnichannel platform to better engage with their customers. In the recent years, we saw more online retailers taking up physical store space so that their customers can have a better "touch and feel" of their products. Conversely, traditional physical store retailers have also invested in online platform to have a wider reach to increase their market share. We will continue to build on the strong partnerships established with our tenants to embrace the challenges in the fast-changing retail environment. We remain committed to strengthening the value of our assets through the pursuit of asset enhancement opportunities.

We will also remain focused on our strategy of active capital management to achieve an optimal capital structure so as to stay nimble for acquisitions and asset enhancement initiatives.

We believe SPH REIT's portfolio of properties and their strategic locations are well-positioned and underpin our long-term sustainability.

ACKNOWLEDGEMENTS

On behalf of the Board, we would like to thank Mr Tony Mallek, who has retired from the Board on 30 November 2018, for his invaluable contributions and unstinting support since the IPO of SPH REIT in 2013.

We would also like to welcome Mr Chua Hwee Song to the Board. Mr Chua was appointed as a non-independent non-executive director to the Board with effect from 30 November 2018. He is also a member of the Nominating and Remuneration Committee. Mr Chua brings with him a wealth of experience.

Our sincere gratitude to our Board members, management team and staff for their dedication and commitment in the past year. Finally, on behalf of the Board and management, we would like to express our appreciation to our Unitholders, business partners, tenants and shoppers for their continued and unwavering support. We look forward to continued success and sustained performance in the coming year ahead.

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

Ms Susan Leng Mee Yin
Chief Executive Officer

YEAR IN REVIEW

2018

SEPTEMBER

- **Paragon:** Raised $44,000 for The Business Times Budding Artists Fund during its key event, Flight to the Fantastico.

DECEMBER

- SPH REIT acquired **Figtree Grove Shopping Centre**, an established sub-regional shopping centre located in Wollongong, New South Wales Australia.

2019

JANUARY

- SPH REIT announced DPU of 1.34 cents for 1st Quarter ended 30 November 2018. NPI decreased 1.0% year-on-year.

APRIL

- SPH REIT announced DPU of 1.41 cents for 2nd Quarter ended 28 February 2019. NPI increased 8.5% year-on-year.

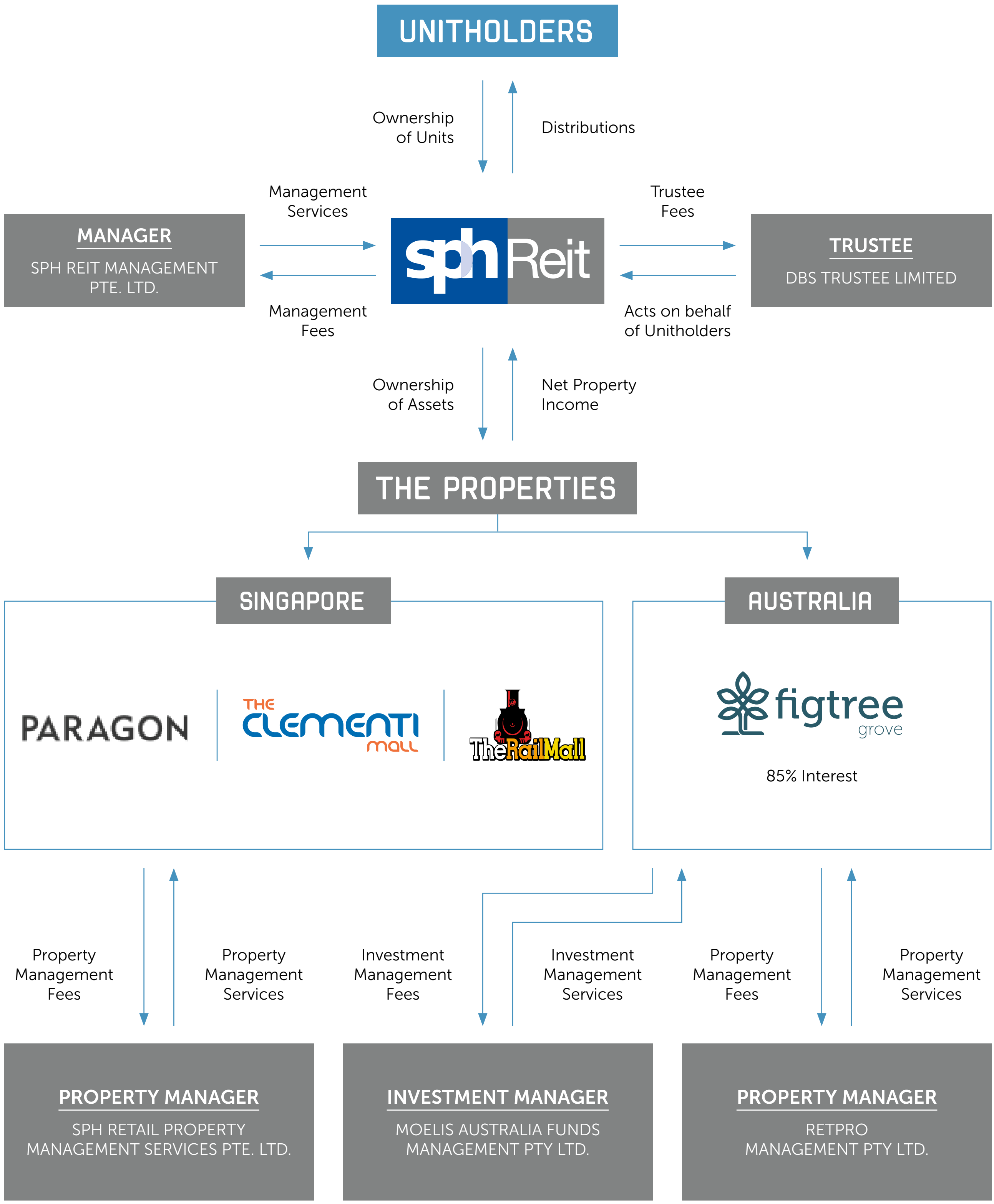
JULY

- **The Clementi Mall** and **The Rail Mall** kicked off their first green campaign partnership with Zero Waste Singapore.
- SPH REIT announced DPU of 1.39 cents for 3rd Quarter ended 31 May 2019. NPI increased 14.2% year-on-year.

AUGUST

- SPH REIT establishes S$1 billion multi-currency debt issuance programme.
- SPH REIT issues S$300 million of 4.1% subordinated perpetual securities.
- SPH REIT's aggregate DPU of 5.60 cents was 1.1% higher year-on-year. The DPU was 1.46 cents for 4th Quarter ended 31 August 2019.
- NPI for FY2019 increased 8.3% year-on-year.
- Valuation of SPH REIT portfolio of properties was S$3.598 billion as at 31 August 2019.

TRUST STRUCTURE



ORGANISATION STRUCTURE

BOARD OF DIRECTORS

DR LEONG HORN KEE
Chairman, Non-Executive and Independent Director
Member, Nominating & Remuneration Committee

MR SOON TIT KOON
Non-Executive and Independent Director
Chairman, Audit & Risk Committee
Member, Nominating & Remuneration Committee

MR DAVID CHIA CHAY POH
Non-Executive and Independent Director
Chairman, Nominating & Remuneration Committee
Member, Audit & Risk Committee

MS HOO SHEAU FARN
Non-Executive and Independent Director
Member, Audit & Risk Committee
Member, Nominating & Remuneration Committee

MR NG YAT CHUNG
Non-Executive and Non-Independent Director
Member, Nominating & Remuneration Committee

MR CHUA HWEE SONG
Non-Executive and Non-Independent Director
Member, Nominating & Remuneration Committee

MS GINNEY LIM MAY LING
Non-Executive and Non-Independent Director
Member, Nominating & Remuneration Committee

MS SUSAN LENG MEE YIN
Chief Executive Officer

MR BENJAMIN KUAH
Chief Financial Officer &
Head, Investor Relations

MS BELINDA ZHENG QINYIN
Investment Manager

MS EVELYN TAN
Asset Manager

BOARD OF DIRECTORS

From left to right:
Chua Hwee Song | Hoo Sheau Farn | Dr Leong Horn Kee | Ng Yat Chung
David Chia Chay Poh | Ginney Lim May Ling | Soon Tit Koon

DR LEONG HORN KEE

Chairman, Non-Executive and Independent Director
Member, Nominating & Remuneration Committee

Dr Leong is the Chairman of CapitalCorp Partners Private Limited, a corporate finance advisory firm. He is currently Singapore's non-resident High Commissioner to Cyprus. From 1994 to 2008, Dr Leong was an executive director of Far East Organization, the CEO of Orchard Parade Holdings Ltd and the 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 a Bachelor's degree in Production Engineering from Loughborough University, UK; a Bachelor's degree in Economics from London University; a Bachelor's degree in Chinese Language & Literature from Beijing Normal University; a Master of Business Administration (MBA) from INSEAD; and a Master of Business Research (MBR) and a Doctor of Business Administration (DBA) from the University of Western Australia, Australia.

SOON TIT KOON

Non-Executive and Independent Director
Chairman, Audit & Risk Committee
Member, Nominating & Remuneration Committee

Mr Soon held a series of senior positions in OCBC Bank from September 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 Wah Hin and Company Private Limited, Great Eastern Holdings Limited and OCBC Wing Hang Bank Limited.

Prior to joining OCBC Bank, Mr Soon was the Chief Financial Officer of Wilmar Holdings Pte Ltd from 2000 to 2002. 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 the University of Chicago. He also completed the Advanced Management Program at the Harvard Business School in 1997.

DAVID CHIA CHAY POH

Non-Executive and Independent Director
Chairman, Nominating & Remuneration Committee
Member, Audit & Risk Committee

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

From 1999 to 2002, Mr Chia was the Managing Director and shareholder of FPD Savills (Singapore) Pte Ltd (now known as Savills (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.

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

HOO SHEAU FARN

Non-Executive and Independent Director
Member, Audit & Risk Committee
Member, Nominating & Remuneration Committee

Ms Hoo is a partner of Allen & Gledhill LLP and her areas of practice include REITs, property acquisitions, property investments and leasing. She has advised REITs and property funds on acquisitions of real properties in Singapore and the region, such as office units and buildings, commercial buildings and healthcare buildings. Ms Hoo has also advised multinational corporations on acquisition and leasing of commercial and industrial buildings, as well as government-linked corporations on acquisition and divestment of real properties.

Ms Hoo was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1990 and holds a Bachelor of Laws (Honours) degree from the National University of Singapore.

BOARD OF DIRECTORS

NG YAT CHUNG

Non-Executive and Non-Independent Director
Member, Nominating & Remuneration Committee

Mr Ng is a Director and the Chief Executive Officer of SPH. He is also the Chairman of the Singapore Institute of Technology Board of Trustees.

Prior to joining SPH, he was the Executive Director and Group CEO of Neptune Orient Lines Ltd from 2011 to 2016 and Senior Managing Director at Temasek Holdings (Private) Limited from 2007 to 2011. Before joining Temasek Holdings, he was the Chief of Defence Force in the Singapore Armed Forces. He has also served as a Director of Fraser & Neave Limited and Singapore Technologies Engineering Ltd.

Mr Ng holds a Bachelor of Arts (Engineering Tripos) and a Master of Arts from Cambridge University, a Master of Military Art and Science (General Studies) from the US Army Command & General Staff College, and an MBA from Stanford University.

CHUA HWEE SONG

Non-Executive and Non-Independent Director
Member, Nominating & Remuneration Committee

Mr Chua is the Chief Financial Officer of SPH. Prior to this appointment, he was a director and Group Chief Financial Officer of CWG International Ltd from 2015 to 2018.

Mr Chua has many years of experience in investments and corporate finance. He was the founder and Managing Director of Tembusu Ventures Pte. Ltd., where he managed a private equity fund that invested in growth companies throughout Asia since 2005.

Prior to Tembusu Ventures, he was with the Singapore Economic Development Board ("EDB"). At EDB, he led the promotion of technology entrepreneurship and development of the enterprise financing infrastructure in Singapore, with a specific focus on the industry development of the venture capital and private equity industry.

Mr Chua graduated in 1989 with a Bachelor of Engineering (First Class Honours) in Electrical and Electronics Engineering from King's College London, University of London. He is also a Chartered Financial Analyst and Chartered Accountant.

GINNEY LIM MAY LING

Non-Executive and Non-Independent Director
Member, Nominating & Remuneration Committee

Ms Lim heads the Secretariat/Legal Division and oversees the Corporate Communications & CSR Division of SPH. She is also the General Manager of Singapore Press Holdings Foundation Limited, an Institution of Public Character established in 2003 by SPH.

When she joined SPH in 1991, she was tasked to set up the Secretariat / Legal Division. She is responsible for the corporate secretarial, legal, insurance and corporate communications functions in the SPH Group and sits on several steering and senior management committees.

Ms Lim is a director of Times Development Pte Ltd, Orchard 290 Ltd and SPH REIT (Investments) Pte Ltd, all of which are property subsidiaries of SPH. She is also a member of the NUS Law Advisory Council and Temasek Junior College Advisory Committee.

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

DR LEONG HORN KEE

Chairman
Non-Executive and Independent Director

Date of first appointment as a director
10 June 2013

Board Committee served on
Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

IGG Ltd*	Director
CSC Holdings Limited*	Director
Singapore High Commissioner to Cyprus	High Commissioner
ESR Funds Management (S) Limited (as manager of a listed REIT)	Director

Directorships over the past 5 years (1/9/14-31/8/19)

Amtek Engineering Ltd*	Director
China Energy Ltd*	Director
Wilmar International Limited*	Director
Tat Hong Holdings Ltd*	Director
Viva Industrial Trust Management Pte Ltd (as manager of a listed REIT)	Director

SOON TIT KOON

Non-Executive and Independent Director

Date of first appointment as a director
10 June 2013

Board Committees served on
Audit & Risk Committee (Chairman)
Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

Great Eastern Holdings Limited*	Director
Wah Hin & Company (Pte) Ltd	Director
OCBC Wing Hang Bank Limited	Director

Directorships over the past 5 years (1/9/14-31/8/19)

WBL Corporation Limited	Director
Bank of Ningbo Co., Ltd*	Director
AVIC Trust Co., Ltd	Director

DAVID CHIA CHAY POH

Non-Executive and Independent Director

Date of first appointment as a director
10 June 2013

Board Committees served on
Nominating & Remuneration Committee (Chairman)
Audit & Risk Committee (Member)

Current Directorships/Principal Commitments
Nil

Directorships over the past 5 years (1/9/14-31/8/19)
Nil

HOO SHEAU FARN

Non-Executive and Independent Director

Date of first appointment as a director
26 September 2018

Board Committees served on
Audit & Risk Committee (Member)
Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments
Nil

Directorships over the past 5 years (1/9/14-31/8/19)
Nil

* Public-listed company.

FURTHER INFORMATION ON BOARD OF DIRECTORS

NG YAT CHUNG

Non-Executive and Non-Independent Director

Date of first appointment as a director
1 August 2017

Board Committee served on
Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

Singapore Press Holdings Limited*	Director
Singapore Institute of Technology	Chairman, Board of Trustees
Singapore Press Holdings Foundation Limited	Director

Directorships over the past 5 years (1/9/14-31/8/19)

Neptune Orient Lines Ltd*	Director

CHUA HWEE SONG

Non-Executive and Non-Independent Director

Date of first appointment as a director
30 November 2018

Board Committee served on
Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

Synagie Corporation Ltd*	Director

Directorships over the past 5 years (1/9/14-31/8/19)

CWG International Ltd*	Director
Rowsley Ltd*	Director

GINNEY LIM MAY LING

Non-Executive and Non-Independent Director

Date of first appointment as a director
10 June 2013

Board Committee served on
Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

Times Development Pte Ltd	Director
Orchard 290 Ltd	Director
SPH REIT (Investments) Pte Ltd	Director

Directorships over the past 5 years (1/9/14-31/8/19)

MediaCorp Press Ltd	Alternate Director
701 Search Pte Ltd	Alternate Director
Waterbrooks Consultants Pte. Ltd.	Director
SPH Retail Property Management Services Pte Ltd	Director

* Public-listed company.

MANAGEMENT TEAM

From left to right:
Evelyn Tan | Susan Leng Mee Yin | Benjamin Kuah | Belinda Zheng Qinyin

SUSAN LENG MEE YIN

Chief Executive Officer
SPH REIT Management Pte. Ltd.

Ms Leng was appointed CEO of SPH REIT Management Pte. Ltd. in 2013. Before this appointment, she has 16 years of aggregate experience in shopping centre management and property development and eight years of accounting and finance experience.

Ms Leng began her career as an auditor with Coopers & Lybrand and her last appointment was Accounting Manager with Scotts Holdings Limited before she made a career change to shopping centre management in 1992. Since then, she has held various appointments, including General Manager of Scotts Shopping Centre, Director of Retail Management with Far East Organisation and General Manager of Capitol Investment Holdings.

She was also the General Manager of Orchard 290 Ltd, a wholly-owned subsidiary of SPH, from 1997 to 2004. She was a pioneer member of the management team which redeveloped Paragon and The Promenade into one fully integrated premier upscale retail mall with a prestigious medical and office tower.

She is a Fellow of the Chartered Association of Certified Accountants (FCCA), UK.

MANAGEMENT TEAM

BENJAMIN KUAH

Chief Financial Officer & Head, Investor Relations
SPH REIT Management Pte. Ltd.

Mr Kuah was appointed Chief Financial Officer and Head of Investor Relations of SPH REIT Management Pte. Ltd. in January 2019. Mr Kuah has over 15 years of finance and accounting experience.

Mr Kuah's last appointment was Group Financial Controller of Nanshan Group Singapore in which he was responsible for all the group's real estate business and property development projects in Singapore. Prior to that, he was with Stamford Land Corporation, handling the group's hotel assets and property development projects in Australia and New Zealand.

Mr Kuah started his career at PricewaterhouseCoopers Singapore in which he spent 2 years seconded to the PricewaterhouseCoopers Macao office.

Mr Kuah holds a Bachelor of Accountancy degree from Nanyang Technological University. He is a member of the Institute of Singapore Chartered Accountants.

BELINDA ZHENG QINYIN

Investment Manager
SPH REIT Management Pte. Ltd.

Ms Zheng was appointed the Investment Manager of SPH REIT Management Pte. Ltd. in 2013. Ms Zheng has close to 15 years' experience in investment and financial services.

Before this appointment, she was with SPH handling property transactions including government land bids and private treaties. Besides property transactions, she was also involved in growing SPH's other business segments through joint venture partnerships as well as mergers and acquisitions.

Ms Zheng began her career as an auditor at Deloitte & Touche and subsequently she moved into financial services advisory at Deloitte & Touche Corporate Finance advising clients on valuations, mergers and acquisitions and initial public offerings.

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.

EVELYN TAN

Asset Manager
SPH REIT Management Pte. Ltd.

Ms Evelyn Tan was appointed the Asset Manager of SPH REIT Management Pte Ltd in November 2018.

Ms Tan has more than 20 years' experience in the real estate industry and had commenced her career in the leasing of various prominent retail and entertainment projects in Singapore. She then moved into shopping centre management and development, where her last appointment was the Assistant General Manager (Group Centre Management) overseeing a portfolio of suburban shopping centres. Ms Tan subsequently joined a fund and investment management company where she was the Vice President (Investment Management) driving asset performance and strategies over a portfolio of Australian retail and office assets.

Ms Tan holds a Bachelor of Science (Real Estate) Honours degree from the National University of Singapore.

PROPERTY MANAGEMENT TEAM

From left to right:
Jeff Khoo | Khee Ho Yuen | Jaylyn Ong | Tan Poh Seng | Pauline Loh | Francis Lim

JAYLYN ONG

General Manager

TAN POH SENG

Deputy General Manager

KHEE HO YUEN

Assistant General Manager

JEFF KHOO

Head,
Group Marketing Communications

PAULINE LOH

Head,
Leasing

FRANCIS LIM

Head,
Facilities & Project Management


Colonial
club
Signatures


Ya Kun Kaya Toast
75
Ya Kun Kaya Toast

ENHANCING RETAIL EXPERIENCES

OPERATIONS REVIEW

SPH REIT's portfolio grew in valuation to S$3.598 billion on the back of steady growth in the Singapore assets comprising Paragon, The Clementi Mall and The Rail Mall as well as the injection of Figtree Grove Shopping Centre in FY2019 in tandem with SPH REIT's diversification into Australia. As at 31 August 2019, gross revenue increased by 7.9% from the previous year to S$228.6 million. Net Property Income ("NPI") improved by 8.3% year-on-year with new acquisitions, efficient mall management and positive rental reversion of 9.4% for new and renewed leases across all properties in Singapore.

Riding on steady tourist arrivals and loyal shoppers, Paragon's shopper traffic rose to 19.0 million in FY2019. Paragon Medical continued to attract strong clientele by offering comprehensive specialist medical services. The Clementi Mall remains as a destination for surrounding catchment and maintained its steady footfall at 31.6 million.

The properties maintained its high occupancy at 99.1% as at 31 August 2019 with a total Lettable Area[1] of 1.2 million sq ft.

1 Lettable Area refers to NLA in Singapore and GLA in Australia.

PARAGON

Paragon has achieved a high occupancy of 99.8% with a positive rental reversion of 9.7% and tenant retention of 68.2% by NLA. Amongst the other new stores in Paragon are Adidas Originals, Bose, BOSS, Mouawad, Porcelain Origins and Thann. To enhance our shoppers' gastronomic experience, 11 new F&B outlets including Colonial Club Signatures, Grill by 1855 The Bottle Shop, Ha-oh Hototogisu Ramen, Le Shrimp Ramen, Privé and Toss & Turn have been added to the selection of F&B outlets in Paragon.

The new Level 3 offers a seamless and integrated retail concept with a unique blend of tenancy mix ranging from designer labels, accessories stores, beauty salons, to stylish cafes.

Tenants' sales achieved in FY2019 was S$708 million with an occupancy cost of 22.7%, an improvement for the year compared to S$693 million in FY2018 with an occupancy cost of 18.3%.

A new digital pillar near the main atrium was unveiled to showcase thematic seasonal videos and curated branding content by luxury, sports, lifestyle and F&B tenants. Similarly, a digital wall was installed on Level 3 to enhance branding and publicity for tenants.

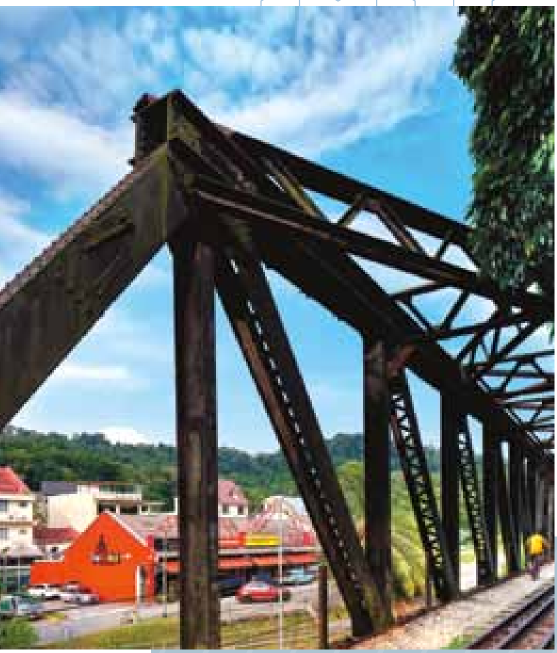
The footfall remained steady with a marginal increase to 19.0 million visitors in FY2019.

THE CLEMENTI MALL

The Clementi Mall has maintained its strong occupancy at 100% with a positive rental reversion of 5.0%. With a steady footfall of 31.6 million per annum, total tenants' sales of S$237 million was achieved in FY2019 with an occupancy cost of 15.8%.

Shoppers and residents, as well as students from surrounding schools continue to patronise the mall regularly. Community activities such as the Good Old Days campaign brought back nostalgic memories for the residents and shoppers.

OPERATIONS REVIEW



THE RAIL MALL

The Rail Mall is home to a curation of destination F&B, ranging from authentic Italian cuisine, Aqua E Farina to chill-out bar and grill, Blooie's Roadhouse. At a total NLA of 49,767 sq ft, the occupancy was 84.3% in FY2019.

The first community event "Movie under the Stars" kicked off in December 2018. "Ah Boys to Men 4", the movie that was screened, was selected in consultation with residents from the Fuyong and Hillview estates within the mall's immediate catchment, and drew enthusiastic participation from visitors and residents.

FIGTREE GROVE SHOPPING CENTRE

The acquisition of Figtree Grove was completed on 21 December 2018. As at 31 August 2019, the committed occupancy was 99.2%. Out of the occupied GLA, anchor tenants account for 59% and specialties account for 31% of the centre's GLA. Total tenants' sales of A$187 million was achieved in FY2019 with an occupancy cost of 7.3%. Since the acquisition, the focus has been on active renewal of tenancies as well as the engagement of the local community through marketing activities.

SUMMARY OF RENEWALS/NEW LEASES FOR FY2019

	Number of renewals/ new leases[a]	Retention rate[b]	NLA of expiries (sq ft)	NLA as a % of property	Rental reversion[d]
SINGAPORE					
Paragon	105	63.8%	190,417	26.6%	9.7%
The Clementi Mall	20	55.0%	20,805	10.7%	5.0%
The Rail Mall	11	81.8%	18,174	36.5%	9.4%
Singapore Portfolio	136	64.0%	229,396	23.8%[c]	9.4%[e]

	Number of renewals/ new leases[a]	Retention rate[b]	GLA of expiries (sq ft)	GLA as a % of property	Rental reversion[f]
AUSTRALIA					
Figtree Grove Shopping Centre	5	80%	2,544	1.1%	-2.7%

PORTFOLIO COMMITTED OCCUPANCY

	As at 31 August 2017	2018	2019
SINGAPORE			
Paragon	100.0%	99.6%	**99.8%**
The Clementi Mall	100.0%	100.0%	**100.0%**
The Rail Mall	–	94.8%	**84.3%**
Singapore Portfolio	100.0%	99.4%	**99.1%**
AUSTRALIA			
Figtree Grove Shopping Centre	–	–	**99.2%**

LEASE EXPIRY PROFILE

SPH REIT's lease expiry profile was well staggered with 22.2% of the leases in the Singapore portfolio based on Gross Rental Income that remain to be committed in FY2020. The Weighted Average Lease Expiry (WALE) by GLA was 7.4 years in Australia and 2.1 years by NLA for the Singapore portfolio.

PORTFOLIO LEASE EXPIRY AS AT 31 AUGUST

	FY2019	FY2020	FY2021	FY2022	FY2023 and beyond
SINGAPORE					
Portfolio	6	159	136	125	81
Expiries by NLA	0.9%	27.1%	28.5%	20.5%	22.9%
Expiries by Gross Rental	0.0%	22.2%	29.2%	25.0%	23.6%
AUSTRALIA					
Portfolio	0	26	10	13	35
Expiries by GLA	0.0%	11.0%	5.0%	17.0%	67.0%
Expiries by Gross Rental	0.0%	20.0%	8.0%	16.0%	56.0%

(a) For expiries in FY19, excluding newly created and reconfigured units.
(b) Based on number of leases.
(c) As a % of SPH REIT's total Singapore portfolio NLA of 962,153 sq ft as at 31 August 2019.
(d) The change is measured between average rents of the renewal and new lease terms and the average rents of the preceding lease teams.
(e) Reversion rate is computed based on weighted average of all expiring leases.
(f) Based on the first year fixed rent of the new leases divided by the preceding final year fixed rents of the expiring leases.

OPERATIONS REVIEW

TOP 10 TENANTS BY GROSS RENTAL INCOME

SPH REIT's top 10 tenants contributed 19.2% of Gross Rental Income for the month of August 2019. No single trade sector accounted for more than 19.1% of Gross Rental Income in the same period.

The top 10 tenants (by Gross Rental Income for the month of August 2019) are listed below, in alphabetical order.

TOP 10 TENANTS

Name of top 10 tenants

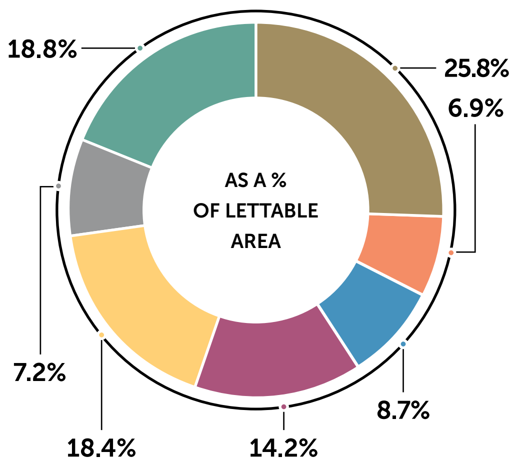
Baccarat International (Pte.) Limited • Burberry (Singapore) Distribution Company Pte Ltd
Club 21 Pte Ltd • Cold Storage Singapore (1983) Pte Ltd • Cortina Watch Pte Ltd
Ermenegildo Zegna Far-East Pte Ltd • Ferragamo (Singapore) Pte Ltd
Metro (Private) Limited • NTUC Fairprice Co-operative Limited • Prada Singapore Pte Ltd

Tenant[1,2]	Trade sector	Lease expiry (Year)[3]	% of rental income
Tenant A	Departmental stores & supermarket	1st Half 2024	3.8%
Tenant B	Luxury brands, jewellery, watches	2nd Half 2022	3.2%
Tenant C	Departmental stores & supermarket Lifestyle	Between 1st Half 2021 and 1st Half 2023	2.3%
Tenant D	Luxury brands, jewellery, watches	2nd Half 2024	2.1%
Tenant E	Luxury Brands, Jewellery & Watches Accessories & Optical Fashion, Handbags, Shoes,	Between 2nd Half 2020 and 1st Half 2023	1.7%
Tenant F	Luxury brands, jewellery, watches	1st Half 2022	1.3%
Tenant G	Luxury brands, jewellery, watches	1st Half 2021	1.3%
Tenant H	Departmental stores & supermarket Lifestyle	1st Half 2020	1.2%
Tenant I	Luxury brands, Lifestyle	1st Half 2023	1.2%
Tenant J	Departmental stores & supermarket Lifestyle	2nd Half 2021	1.1%
Total			**19.2%**

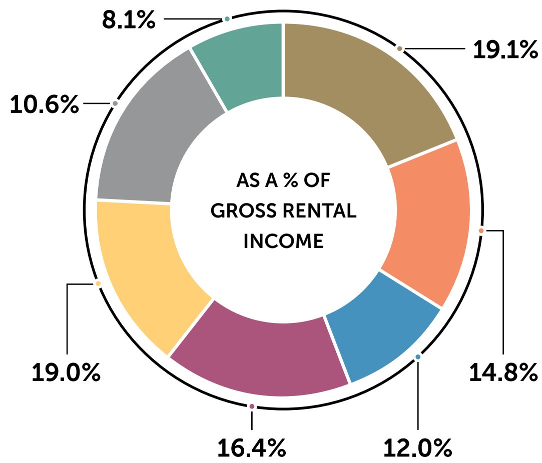
1 The list of top 10 tenants above does not take into account one of the tenants which has not consented to the disclosure of its tenancy arrangements in the Annual Report.
2 The names of the tenants cannot be matched to the information set out above for confidentiality reasons.
3 Some of the tenants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

PORTFOLIO TRADE MIX

TRADE MIX
By Lettable Area[1]



TRADE MIX
By Gross Rental Income



- Department Stores & Supermarket
- Luxury Brands, Jewellery & Watches
- Fashion, Handbags, Shoes, Accessories & Optical
- Food & Beverage
- Lifestyle / General Retail
- Non-Retail Services
- Medical / Office

1 Lettable Area refers to NLA in Singapore and GLA in Australia.


TOAST BOX
bill payments

DELIVERING CONSISTENT RESULTS

FINANCIAL REVIEW

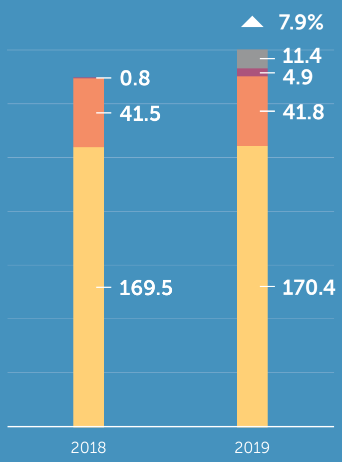
CONSOLIDATED STATEMENT OF NET INCOME AND DISTRIBUTION FOR THE FINANCIAL YEAR ENDED 31 AUGUST

	2019[1] S$'000	2018 S$'000	Change %
Gross revenue	228,635	211,802	7.9
Property operating expenses	(48,856)	(45,806)	6.7
Net property income	**179,779**	**165,996**	**8.3**
Income support[2]	-	624	NM
Amortisation of intangible asset	-	(624)	NM
Write down of intangible asset	-	(876)	NM
Manager's management fees	(17,790)	(16,688)	6.6
Investment management fees[3]	(542)	-	NM
Trust expenses[4]	(1,995)	(1,620)	23.1
Finance income	765	778	(1.7)
Finance costs	(30,480)	(24,506)	24.4
Net income	**129,737**	**123,084**	**5.4**
Fair value change on investment properties[5]	19,443	14,772	31.6
Total return before taxes and distribution	**149,180**	**137,856**	**8.2**
Less: income tax[6]	(359)	-	NM
Total return after taxes and before distribution	**148,821**	**137,856**	**8.0**
Attributable to:			
Unitholders	149,898	137,856	8.7
Perpetual securities holders[7]	34	-	NM
Non-controlling interests	(1,111)	-	NM
Total return for the year	**148,821**	**137,856**	**8.0**
Total return for the period attributable to Unitholders	**149,898**	**137,856**	**8.7**
Add: Non-tax deductible items[8]	(4,864)	4,454	NM
Income available for distribution	**145,034**	**142,310**	**1.9**
Distribution per unit (cents) ("DPU")	**5.60**	**5.54**	**1.1**

NM Not Meaningful

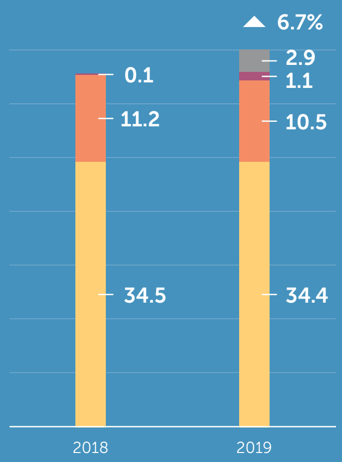
1 On 21 December 2018, SPH REIT acquired 85.0% stake in Figtree Grove Shopping Centre, an established sub-regional shopping centre in Wollongong, New South Wales, Australia.
2 Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support. The income support had ended on 23 July 2018, five years from listing date on 24 July 2013.
3 This relates to investment management fee paid to the investment manager of SPH REIT Moelis Australia Trust.
4 Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, legal & other professional fees, cost associated with the preparation of annual reports, and investor communication costs.
5 This relates to the fair value change on the investment properties as at 31 August 2019 and 31 August 2018, based on independent valuations conducted by Edmund Tie & Company (SEA) Pte Ltd and M3property Pty Ltd for investment properties in Singapore and Australia respectively. In FY2019, the Group recognised a net gain of S$19.4 million. This comprises a fair value gain of S$33.8 million contributed by the investment properties in Singapore, offset against a fair value loss of S$14.4 million which relates mainly to the acquisition costs of Figtree Grove Shopping Centre.
6 This relates to withholding tax payable for Australia.
7 On 30 August 2019, the Trust issued S$300.0 million of subordinated perpetual securities (the "Perpetual Securities") at a rate of 4.10% per annum, with the first distribution rate reset falling on 30 August 2024 and subsequent resets occurring every five years thereafter. The Perpetual Securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.
8 Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, straight-line rental adjustments, amortisation of income support, amortisation of debt issuance costs, fair value change on investment properties and net income from subsidiary.

GROSS REVENUE



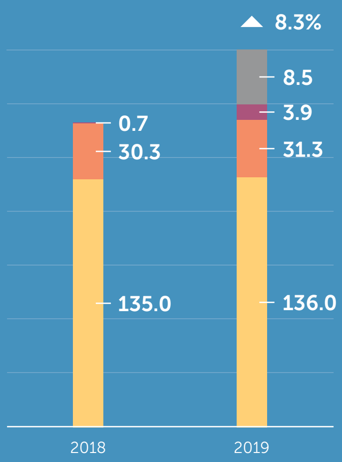
Gross revenue for FY2019 increased by S$16.8 million (7.9%) to S$228.6 million, mainly due to acquisitions of The Rail Mall and Figtree Grove Shopping Centre which were completed on 28 June 2018 and 21 December 2018 respectively.

PROPERTY OPERATING EXPENSES



Property operating expenses were S$48.9 million, an increase of S$3.1 million (6.7%) from FY2018 mainly due to property operating expenses from the acquisitions.

NET PROPERTY INCOME ("NPI")



NPI of S$179.8 million for FY2019, was higher by S$13.8 million (8.3%) against last financial year.

NPI margin increased from 78.4% in FY2018 to 78.6% in FY2019.

All figures in S$ million

Paragon | The Clementi Mall | The Rail Mall | Figtree Grove

INCOME AVAILABLE FOR DISTRIBUTION

Finance cost increased by S$6.0 million (24.4%) to S$30.5 million for FY2019. This was mainly due to additional interest expense from the new loans to finance the acquisition of Figtree Grove Shopping Centre.

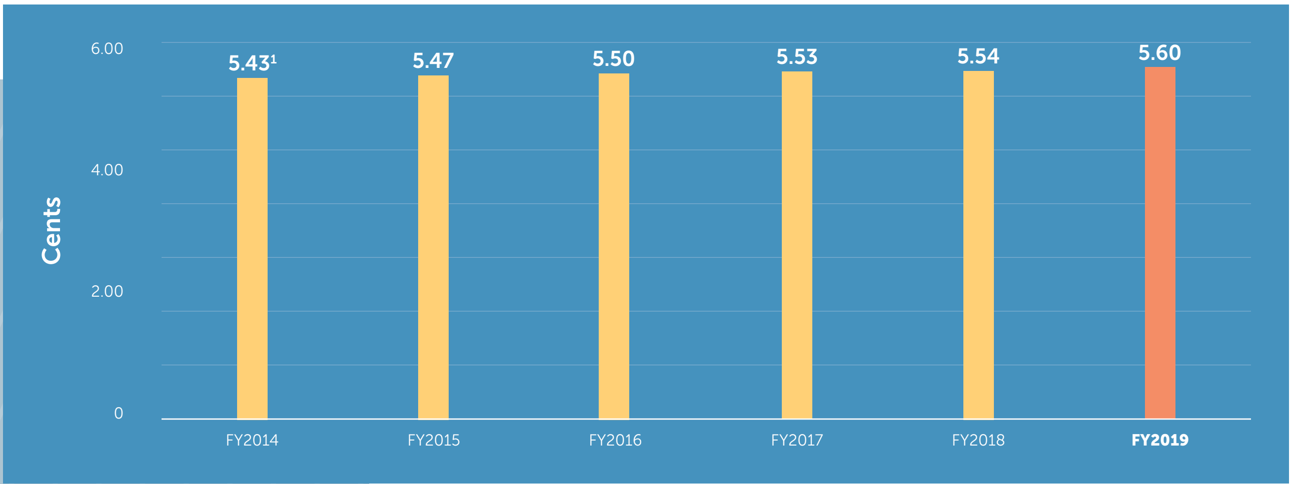
In FY2019, the Group has recognised a net gain of S$19.4 million, which comprises of net fair value gain of S$33.8 million contributed by investment properties in Singapore, offset against a net fair value loss of S$14.4 million incurred by Figtree Grove Shopping Centre. The fair value loss relates to the acquisition costs from Figtree Grove Shopping Centre.

Income available for distribution for FY2019 was S$145.0 million, an increase of S$2.7 million (1.9%) compared to FY2018.

FINANCIAL REVIEW

DISTRIBUTION

Quarter Ended	2019 (cents)	2018 (cents)	Change %
1Q	1.34	1.34	-
2Q	1.41	1.40	0.7
3Q	1.39	1.37	1.5
4Q	1.46	1.43	2.1
Total	**5.60**	**5.54**	**1.1**



SPH REIT continued to deliver consistent returns to Unitholders over the years since listing in July 2013. The aggregate distribution per unit ("DPU") of 5.60 cents for FY2019 was 1.1% higher than last year. This translated to a distribution yield of 5.14%, based on the closing price of S$1.09 as at 31 August 2019.

1 Does not include the distribution of 0.56 cents from 24 July 2013 (listing date) to 31 August 2013.

VALUATION OF PROPERTIES

As at 31 August 2019, the portfolio including the recently acquired Figtree Grove Shopping Centre, was valued at S$3.598 billion by Edmund Tie & Company (SEA) Pte Ltd and M3property Pty Ltd for investment properties in Singapore and Australia respectively. Excluding Figtree Grove Shopping Centre, the portfolio was valued at S$3.406 billion as at 31 August 2019, an increase of 1.1% from last year's valuation. Net asset value per unit remained steady at S$0.95 as at 31 August 2019.

Property	At Valuation (S$ million) As at 31 August			Capitalisation Rate (%) As at 31 August	
	2019	2018	Change	2019	2018
Paragon	2,745.0	2,719.0	1.0%	**Retail:** 4.50% **Medical suite/ office:** 3.75%	**Retail:** 4.50% **Medical suite/ office:** 3.75%
The Clementi Mall	597.0	586.0	1.9%	4.50%	4.75%
The Rail Mall	63.8	63.3	0.8%	6.00%	6.00%
Figtree Grove Shopping Centre	192.0	-	-	6.00%	-
SPH REIT Portfolio	**3,597.8**	**3,368.3**	**6.8%**		
Representing:					
Acquisition			211.3		
Additions			3.8		
Fair value change			19.4		
Translation difference			(5.0)		

CASH FLOWS AND LIQUIDITY

As at 31 August 2019, SPH REIT's cash and cash equivalents amounted to S$342.7 million.

Net cash generated from operating activities for FY2019 was S$180.5 million. Net cash used in investing activities was S$214.8 million, mainly for the acquisition of Figtree Grove Shopping Centre, asset enhancement project and upgrading of equipment. Net cash generated from financing activities was S$341.3 million. This arose mainly from the proceeds of a new loan drawn down on 21 December 2018 to finance the acquisition of Figtree Grove Shopping Centre and proceeds from the Perpetual Securities issued on 30 August 2019; which were offset against distribution to Unitholders and interest settlements.

FINANCIAL REVIEW

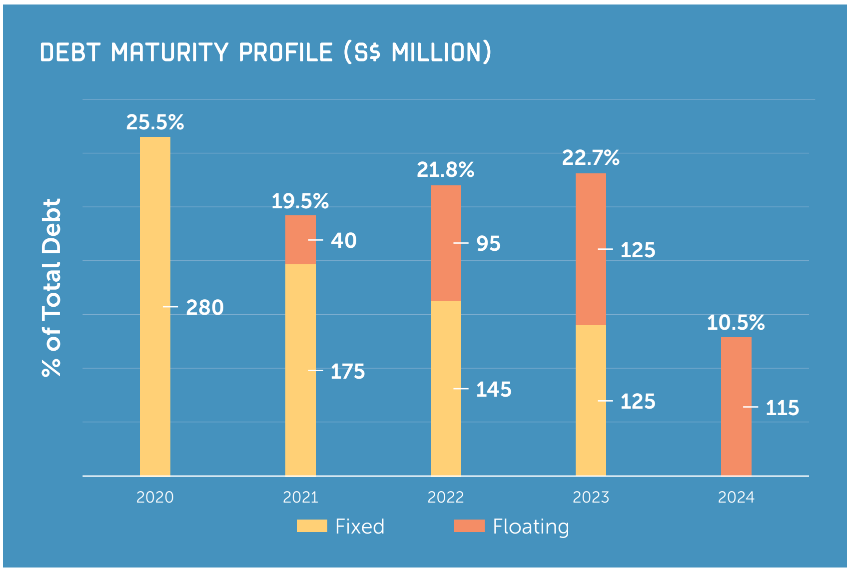
CAPITAL MANAGEMENT

SPH REIT and its subsidiaries (the "Group") secured term loans amounted to S$1.1 billion. This included additional term loans of S$100 million and A$105 million established in end December 2018 to finance the acquisition of Figtree Grove Shopping Centre.

The term loans are secured by the following:

- term loan of S$995 million 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; and
- term loan of A$105 million secured by way of a legal mortgage on Figtree Grove Shopping Centre.

In line with the Group prudent capital management strategy, the debt maturity profile is well staggered, without major concentration of debts maturing in any single year. The average term to maturity was 2.5 years and gearing remained low at 27.5%. The annualised average cost of debt was 2.91% p.a. for FY2019.



Key Indicators as at 31 August	2019	2018
Gearing ratio	27.5%	26.3%
Interest coverage ratio	5.3 times	6.0 times
Weighted average term to maturity	2.5 years	2.3 years
Annualised average all-in interest rate	2.91%	2.85%
Derivative financial instrument[1] as % of NAV	0.03%	0.12%

1 The derivative financial instruments refer to the fair value of interest rate swap, cross currency interest rate swaps and cross currency swaps contracts as at balance sheet date.


THE
FLORAL
ATELIER


OPEN

UNIT PRICE PERFORMANCE

SPH REIT's unit price remained steady during the year and closed at S$1.09 on 31 August 2019. The unit price performance was in line with the FTSE Straits Times REIT Index and FTSE Straits Times Index.

SPH REIT continued to deliver a stable distribution growth with the distribution of 5.60 cents for FY2019. This represented a distribution yield of 5.14%, higher than that of other investments such as FTSE Straits Times REIT Index (4.4%), FTSE Straits Times Index (4.1%) and Singapore government bond (1.7%).

KEY STATISTICS

	FY2019	FY2018
Highest closing price (S$)	1.120	1.080
Lowest closing price (S$)	0.985	0.985
Year-end closing price (S$)	1.090	1.000
Total trading volume (million units)	237.4	358.7
Average daily trading volume (million units)	0.9	1.4

Source: Bloomberg

RETURN ON INVESTMENT IN SPH REIT

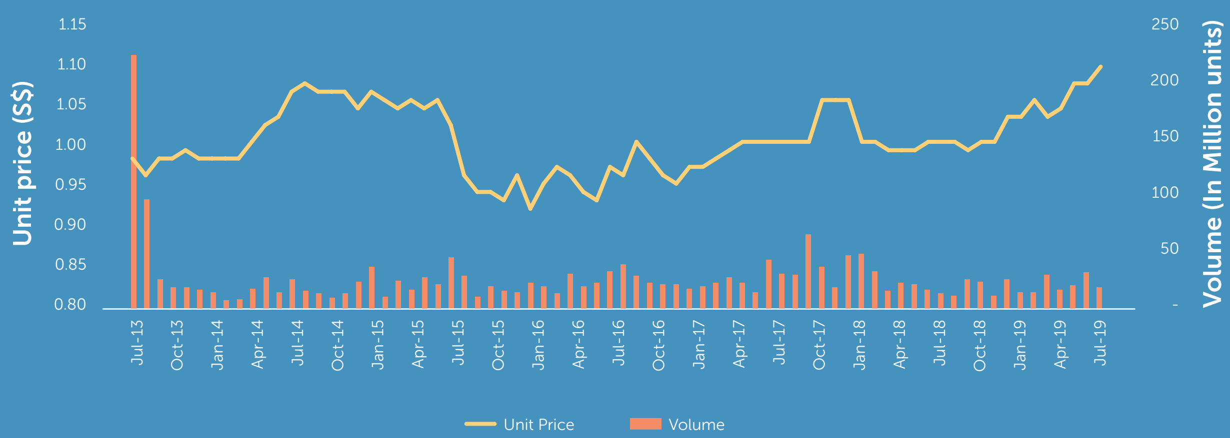
	FY2019[1]	FY2018[2]
	Based on last year's closing price of S$1.00 as at 31 August 2018	Based on last year's closing price of S$1.00 as at 31 August 2017
(a) Total return	14.6%	5.5%
(b) Capital appreciation	9.0%	0.0%
(c) Annual distribution yield	5.6%	5.5%

Source: Bloomberg

1 For FY2019:
(a) Sum of price appreciation and distribution for FY2019, over last year's closing price of S$1.00 as at 31 August 2018.
(b) Based on closing price of S$1.09 as at 31 August 2019 and S$1.00 as at 31 August 2018.
(c) Based on distribution of 5.60 cents for the year ended 31 August 2019, over last year's closing price of S$1.00 as at 31 August 2018.

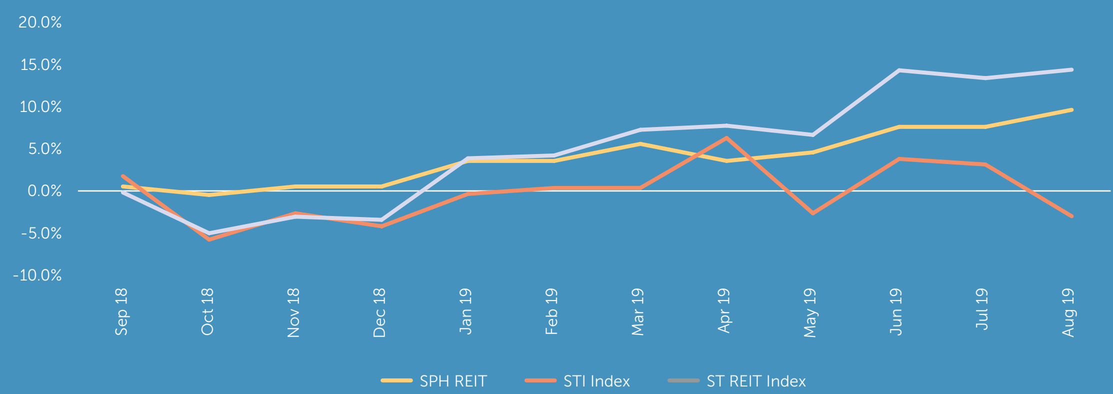
2 For FY2018:
(a) Sum of price appreciation and distribution for FY2018, over last year's closing price of S$1.00 as at 31 August 2017.
(b) Based on closing price of S$1.00 as at 31 August 2018 and 31 August 2017.
(c) Based on distribution of 5.54 cents for the year ended 31 August 2018, over last year's closing price of S$1.00 as at 31 August 2017.

MONTHLY SHARE PRICE AND VOLUME (LISTING DATE TO 31 AUGUST 2019)



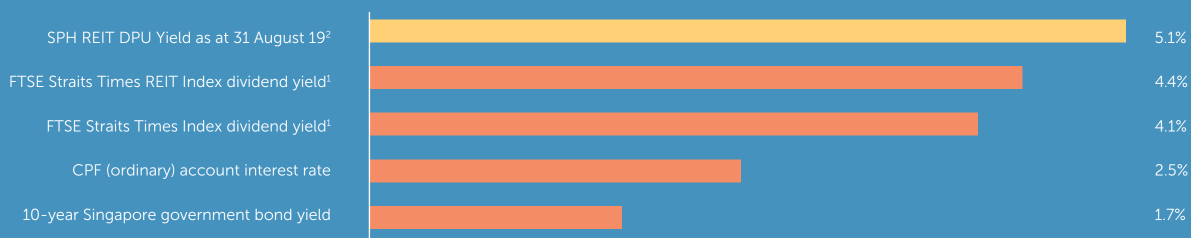
Source: Bloomberg

MONTHLY COMPARATIVE PRICE TRENDS FOR FY2019



Note: The price change was compared to the month-end closing price in August 2018.
Source: Bloomberg

COMPARATIVE YIELDS



Sources: Bloomberg, Monetary Authority of Singapore, Central Provident Fund (CPF) Board

1 Based on sum of gross dividends over the prior 12 months for FTSE Straits Times and FTSE Straits Times REIT Index as at 31 August 2019.
2 Based on DPU of 5.60 cents for FY2019 and closing price of S$1.09 as at 31 August 2019.

PORTFOLIO REVIEW

PARAGON

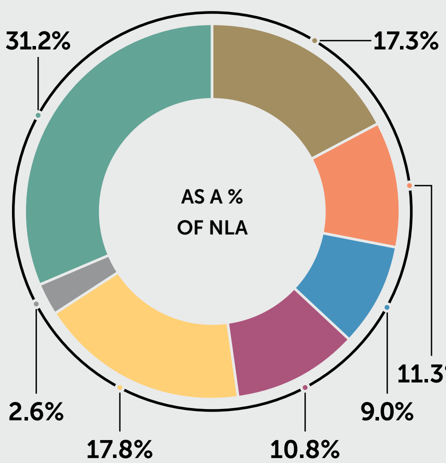
290 Orchard Road
Singapore 238859

PROPERTY INFORMATION

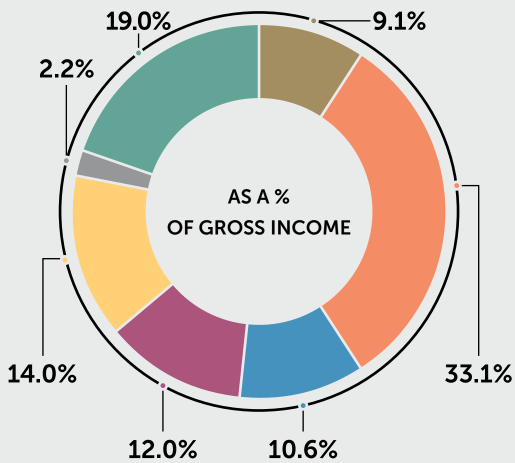
Description	A 6-storey retail podium with 1 basement level, together with a 14-storey medical suite/office tower and another 3-storey medical suite/office tower both sitting on top of the retail podium. It also includes a basement carpark.
Net Lettable Area	Retail 494,062 sq ft; Medical suites/offices 223,098 sq ft Total 717,160 sq ft
Number of tenants	320
Car Park Lots	416
Title	99 years commencing 24 July 2013
Gross Revenue[1]	S$170 million
Net Property Income[1]	S$136 million
Market Valuation	S$2,745 million as at 31 August 2019
Purchase Price	S$2,500 million
Committed Occupancy	99.8% as at 31 August 2019
Key Tenants	PARAGON Balenciaga, Burberry, Ermenegildo Zegna, Gucci, MCM, Prada, Salvatore Ferragamo, Tod's, Crystal Jade Golden Palace Restaurant, Din Tai Fung, Imperial Treasure Super Peking Duck Restaurant, Adeva Spa, Citigold Private Client, Fitness First, Marks & Spencer, Metro, MUJI, Paragon Market Place, Toys R Us PARAGON MEDICAL Japan Green Clinic, Precious Surgery Centre, Thomson Medical Group, Fullerton Healthcare Group, Singapore Medical Group

1 FY2019.

TRADE MIX
By Net Lettable Area



TRADE MIX
By Gross Income



- Department Stores & Supermarket
- Luxury Brands, Jewellery & Watches
- Fashion, Handbags, Shoes, Accessories & Optical
- Food & Beverage
- Lifestyle
- Non-Retail Services
- Medical / Office

PORTFOLIO REVIEW

AWARDS AND ACCOLADES

- Best Efforts in Centre Management (Shopping Centre) by Singapore Retailers Association

PARAGON, a premier upscale shopping mall along Orchard Road offers an extensive selection of luxury and international brands and enjoys an occupancy of 99.8%. The 6-storey mall including a basement level is well patronised by locals and international tourists all year round.

Within the 494,062 sq ft of retail space, there are more than 50 international renowned fashion labels in Paragon. A plethora of luxury brands at Level 1 – Burberry, Brunello Cucinelli, Etro, Givenchy, Gucci, Loewe, Prada, Salvatore Ferragamo, TOD's and many others, continue to showcase the latest collection with enduring craftsmanship from season to season. Reputable German brand Montblanc together with successful home-grown Cortina Watch, Larry Jewelry and The Hour Glass complete the offering of timeless pieces across all generations.

In FY2019, the F&B offerings in Paragon were enhanced with exciting new tastes. There were 11 new additions including Colonial Club Signatures, Grill by 1855 The Bottle Shop, Ha-oh Hototogisu Ramen, Le Shrimp Ramen and Toss & Turn. While other stylish and Instagram worthy cafes such as Greyhound Café, Halycon & Crane and Privé satisfied the needs of casual all-day-dining, full service restaurants Crystal Jade Golden Palace, Din Tai Fung, Imperial Treasure Peking Duck Restaurant and Sushi Tei remained popular.

The newly-curated shopping concept on Level 3 welcomed shoppers to 15,000 sq ft of fashion, beauty, F&B and lifestyle brands. Shoppers can indulge in a seamless shopping experience as brands are integrated in a free flow manner without inter-tenancy walls.

Paragon Medical, which is connected to the retail podium houses 90 medical specialists ranging from dentistry/ orthodontics, obstetrics and gynaecology, paediatrics to ophthalmology. At Paragon Medical, the specialists, general practitioners and medical staff are committed to patients' holistic well-being.

PORTFOLIO REVIEW

THE CLEMENTI MALL

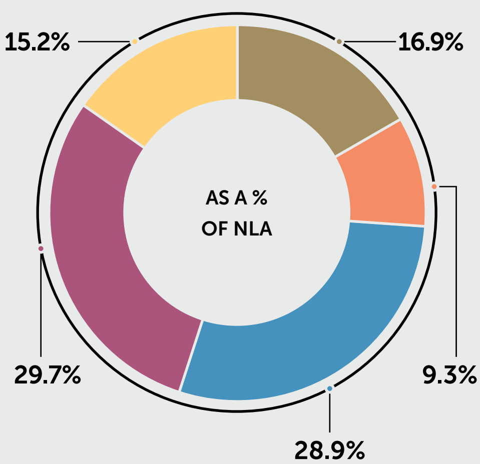
3155 Commonwealth Avenue West
Singapore 129588

PROPERTY INFORMATION

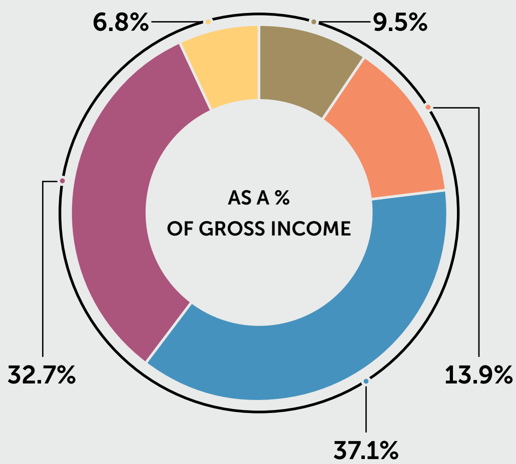
Description	A 5-storey retail podium including a basement carpark, a public library, with direct transport links to the bus interchange on the ground floor and Clementi MRT station on the 3rd floor via a linkbridge.
Net Lettable Area	Retail: 195,226 sq ft
Number of tenants	156
Car Park Lots	166
Title	99 years commencing 31 August 2010
Gross Revenue[1]	S$41.8 million
Net Property Income[1]	S$31.3 million
Market Valuation	S$597 million as at 31 August 2019
Purchase Price	S$553 million
Committed Occupancy	100.0% as at 31 August 2019
Key Tenants	Fairprice Finest, Clementi Public Library, BHG, Foodfare, Popular Bookstore, Best Denki, McDonald's, Swensen's, Crystal Jade Kitchen

1 FY2019.

TRADE MIX
By Net Lettable Area



TRADE MIX
By Gross Income



● Department Stores & Supermarket ● Fashion, Handbags, Shoes, Accessories & Optical ● Food & Beverage
● Lifestyle ● Non-Retail Services

PORTFOLIO REVIEW

AWARDS AND ACCOLADES

- Green Mark Gold Award (BCA)

The Clementi Mall, a 195,226 sq ft mid-market suburban mall with direct connection to Clementi MRT Station, serves the day-to-day shopping needs of residents from Clementi, West Coast, Holland Village, Bukit Timah and Jurong East.

With over 150 outlets in the mall, including anchor tenants FairPrice Finest, Clementi Public Library, BHG Departmental Store and Foodfare, F&B offerings in The Clementi Mall ranging from fast food, quick takeaways, local delights to international cuisines leave shoppers spoilt for choice.

The new CHULOVE Café serving famous treats from Spain opened its second Singapore outlet at The Clementi Mall. Other sweet treats that are popular with students from neighbouring schools, polytechnics and universities include Blackball, LiHO TEA, The Jelly Hearts and Yole. For a taste of traditional desserts and local coffee, a few popular home-grown brands such as Mei Heong Yuen Dessert, Ya Kun Kaya Toast, Toast Box and Kaffe & Toast can be found in the mall too.

Essential services such as banks and the post office serve the daily needs of the residents. There are over 20 health, beauty and wellness tenants including GNC Live Well, NTUC Unity, TK Trichokare, Eu Yan Sang TCM Clinic and Oriental Hair Solutions. New additions offering beauty services include The Brow Haven and A.M Aesthetics.

With close proximity to Clementi Sports Complex, a good range of sporting goods for active lifestyle enthusiasts can be found in Arena and Royal Sporting House.

The annual footfall of The Clementi Mall registered a positive growth of 5.7%.

PORTFOLIO REVIEW

THE RAIL MALL

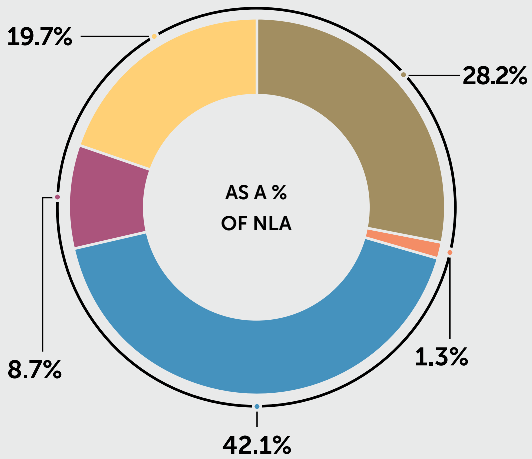
380 Upper Bukit Timah Road
Singapore 678040

PROPERTY INFORMATION

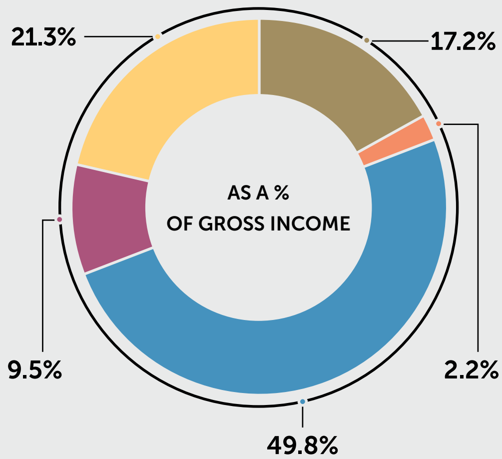
Description	A retail strip with a 360-metre prominent road frontage to Upper Bukit Timah Road. Comprises 43 single-storey shop units, The Rail Mall is linked by a short walking distance to one of the key access points to the Rail Corridor.
Net Lettable Area	Retail: 49,767 sq ft
Number of tenants	25
Car Park Lots	89
Title	99 year commencing 1947
Gross Revenue[1]	S$4.9 million
Net Property Income[1]	S$3.9 million
Market Valuation	S$63.8 million as at 31 August 2019
Purchase Price	S$63.238 million
Committed Occupancy	84.3% as at 31 August 2019
Key Tenant	Cold Storage

1 FY2019.

TRADE MIX
By Net Lettable Area



TRADE MIX
By Gross Income



● Department Stores & Supermarket ● Fashion, Handbags, Shoes, Accessories & Optical ● Food & Beverage
● Lifestyle ● Non-Retail Services

PORTFOLIO REVIEW

The Rail Mall was acquired by SPH REIT on 28 June 2018. The property is located along Upper Bukit Timah Road, easily accessible by the Downtown MRT line (Hillview station) and a network of public bus services. The anchor tenant Cold Storage Supermarket and F&B tenants form the key tenancy mix to serve the needs of immediate and surrounding catchment. Medical and healthcare services essentially complement the trade mix of The Rail Mall.

As part of the Rail Corridor enhancement plan by National Parks Board, part of the works along Rail Corridor (Central) have started in May 2019. Enhancement works are expected to complete by the first half of 2020.

The Rail Mall, characterised by its rustic charm, is a place to unwind and a destination for nature lovers.

PORTFOLIO REVIEW

FIGTREE GROVE SHOPPING CENTRE

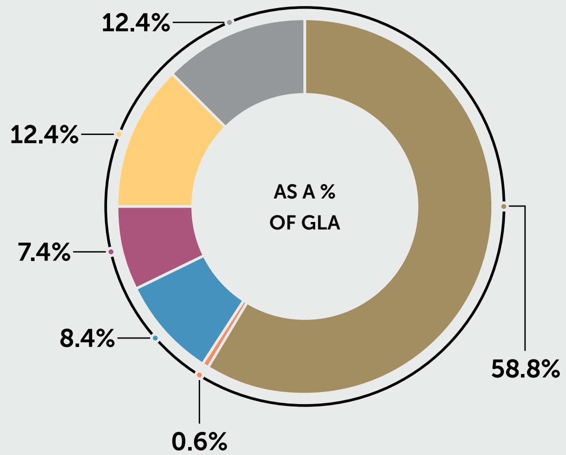
19 & 23 Princes Highway
Figtree NSW 2525
Australia

PROPERTY INFORMATION

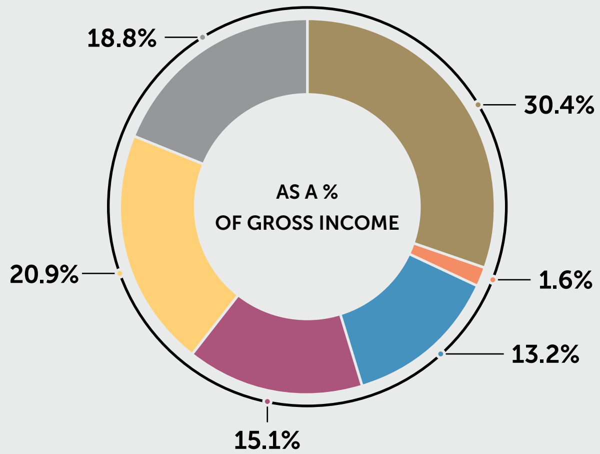
Description	Figtree Grove Shopping Centre is a dominant sub-regional shopping centre located in the Illawarra region of New South Wales, Australia. It is located approximately 3 km south-west of the Wollongong Central Business District ("CBD") and approximately 85 km south-west of the Sydney CBD. The centre is anchored by two strong performing supermarkets, Woolworths and Coles, and a discount department store, Kmart.
Gross Lettable Area	Approximately 236,656 sq ft
Number of tenants	93
Car Park Lots	940
Title	Freehold
Gross Revenue	A$12.0 million[1]
Net Property Income	A$8.9 million[1]
Market Valuation	A$206.0 million as at 31 August 2019
Purchase Price	A$206.0 million
Committed Occupancy	99.2%
Key Tenants	Kmart, Coles, Woolworths

1 Figtree Grove Shopping Centre was acquired on 21 December 2018. The contribution (100%) was from 21 December 2018 to 31 August 2019.

TRADE MIX
By Gross Lettable Area



TRADE MIX
By Gross Income



● Department Stores & Supermarket ● Jewellery ● Fashion, Handbags, Shoes, Accessories & Optical
● Food & Beverage ● General Retail ● Non-Retail Services

PORTFOLIO REVIEW

2019 ACHIEVEMENTS

- Introduction of several new retailers – Ariel's Burger Bar, Farmers Fresh, Bay Audio
- Coles' estimated A$4 million refurbishment
- Liquorland relocation and expansion
- Store refurbishments – Gloria Jean's, Brailey First National Real Estate

Figtree Grove is the leading sub-regional shopping centre in the Illawarra region, New South Wales, Australia, and has proudly been serving its community since 1965.

The mall comprises over 70 specialty stores and is anchored by strong performing tenants: a 24-hour Kmart, and Coles and Woolworths, which are collectively reporting sales 41.8% above the 2018 Urbis single DDS benchmark.

Along with the community, the mall has evolved over the past 50 years, undergoing four redevelopments. The first of these took place in 1975, which upgraded the mall from Neighbourhood to Regional Shopping Centre. It was again redeveloped in 1987, 1992 and more recently in 2009, which saw the addition of 15 new stores.

Today the mall is visited by over 4.6 million shoppers in a year and has a strong mix of retail services including medical, financial, therapeutical and travel retailers, leveraging off the trade area's emerging affluence as well as the white collar workers.

To maximise the mall's continued trading performance, the focus will be on three key touch points:

- Convenience – Ensure the retail mix is maximised in line with the centre's positioning and continue to delight customers every day by providing a stress-free and convenient shopping experience.
- Community – Continue to provide a safe and friendly environment, deliver a high level of customer service and provide welcome distractions to customers on their everyday shopping journey.
- Retail – Improve the specialty fresh food offering, and seek to introduce new retailers that continue to strengthen the mall's offerings and align core trading hours with customers' shopping patterns.

MARKET OVERVIEW

1 OVERVIEW OF SINGAPORE ECONOMY

1.1 ECONOMIC INDICATORS

Economic growth and outlook moderated in 2019

The Singapore economy grew by 3.2% year-on-year ("y-o-y) in 2018 according to the Ministry of Trade and Industry ("MTI"), boosted by the expansion of the electronics cluster in the manufacturing sector. However, the economy showed signs of weakness in 2019. The manufacturing sector contracted in 2019, as the demand for electronics declined due to the maturing technology cycle. The Gross Domestic Product ("GDP") for the manufacturing sector declined by 3.8% y-o-y in 2Q2019. MTI also narrowed Singapore's GDP growth for 2019 to come in at 1.5% to 2.5% in May, compared with the previously estimated 1.5% to 3.5% range forecasted at the beginning of 2019.

Correspondingly, consumer confidence in Singapore also weakened in 1Q2019 with Singaporeans surveyed being more prudent in 2019[1]. Separately, Singapore's population grew marginally by 0.5% y-o-y in 2018 to 5.6 million. Notwithstanding the tight labour market, the average unemployment rate in 1Q2019 was at 2.2%, marginally higher than the 2.0% a year ago.

1.2 RETAIL SALES

Retail Sales Index ("RSI") for some goods improved amid cautious sentiments

The RSI (excluding Motor Vehicles, at constant prices) continued to improve in 2018, inching up by 0.5% y-o-y. Retail sales of Medical Goods & Toiletries and Furniture & Household Equipment grew by 5.1% and 3.3% y-o-y respectively. In 2019, the consumers' confidence took a hit after the announcement of the slower economic indicators. The RSI declined 12.3% from January to May 2019, more than the 7.1% decline y-o-y over the same period last year. Moving forward, consumers are likely to be more cautious amid the uncertain external environment.

1.3 ONLINE SALES

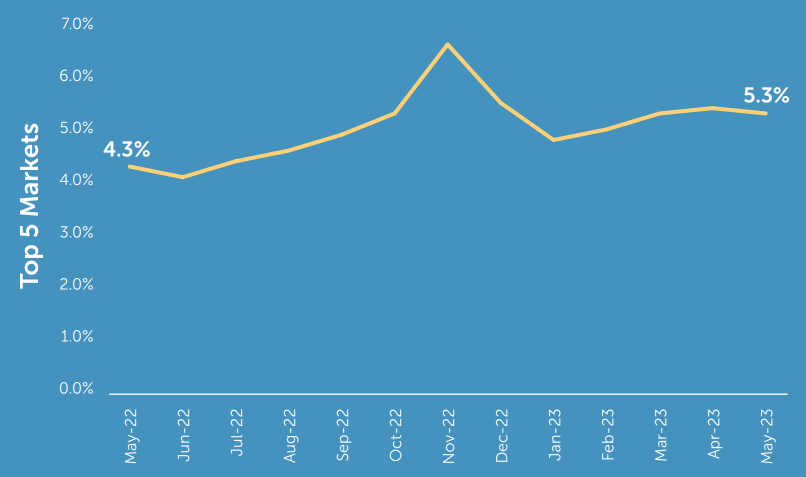
Online sales to form larger proportion of retail sales

According to the Department of Statistics Singapore ("Singstat"), about 5.3% of total retail sales in May 2019 were transacted online, higher than the 4.3% of total retail sales a year ago. The proportion of retail sales transacted online has increased progressively, given the improvements in logistics and last-mile delivery services, online payment options, and website user-interfaces.

More online retailers are contributing to demand of physical retail space

Notwithstanding the growth in online sales, more online retailers are coming offline to increase their outreach and differentiate themselves. Love, Bonito, a Singapore online fashion retailer, recently opened its largest physical store at Funan. Separately, most physical retailers have some form of online presence, be it marketing platforms to encourage awareness or transaction platforms. The advent of e-commerce platforms has also hastened the evolution of the physical retail landscape, with greater emphasis on improving shoppers' experience and the use of omnichannel marketing.

Exhibit 1.3.1: Percentage of total retail sales transacted online (%)



Source: Department of Statistics Singapore, Knight Frank Research

1 Conference Board Global Survey, published on 12 May 2019, The Conference Board and Nielsen.

Exhibit 2.1.1: International visitor arrivals, by Top 5 inbound markets (million)

		2016	2017	2018	Y-o-Y Change
	Total	**16.40**	**17.42**	**18.51**	**6.3%**
Top 5 Markets	China	2.86	3.23	3.42	5.9%
	Indonesia	2.89	2.95	3.02	2.4%
	India	1.10	1.27	1.44	13.4%
	Malaysia	1.15	1.17	1.25	6.8%
	Australia	1.03	1.08	1.11	2.8%

Source: Singapore Tourism Board, Knight Frank Research

2 TOURISM MARKET

2.1 TOURIST ARRIVALS & SPENDING

Visitor arrivals reached a record high in 2018

According to Singapore Tourism Board ("STB"), the total International Visitor Arrivals ("IVA") to Singapore in 2018 increased 6.3% y-o-y to a record high of 18.51 million visitors since 1978. The growth in visitor arrivals was largely fuelled by higher volume of visitors from China (+5.9%) and India (+13.4%). The increase in visitor arrivals was due to major business travel and meetings, incentives, conventions and exhibition sector ("BTMICE") events held in Singapore such as the Trump-Kim Summit, the World City Summit, and the ASEAN Summit. Visitors from key regions such as Southeast Asia, Europe and Americas grew 4.8%, 11.3%, and 13.6% y-o-y respectively, largely attributable to such high-profile summits. There was also greater awareness of Singapore through the successful hit movie Crazy Rich Asians, boosting organic interest in Singapore as a tourist destination[2].

A stronger Singapore dollar weighed on tourists' spending on shopping

Tourism Receipts ("TR") in 2018 grew 0.5% y-o-y to S$26.94 billion, lower than the 4.0% growth in 2017. Total tourism receipts was lifted by higher expenditure on Sightseeing, Entertainment & Gaming (+4%), and other TR Components (+17%). The increase was offset by lower spending by visitors on shopping (-13%). A stronger Singapore dollar likely led to a decline in dollars spent on shopping.

Growth in visitor arrivals and spending likely to stay at sustainable levels in 2019

The outlook for Singapore's tourism sector remains favourable, barring any external shock. Singapore is well-positioned to leverage on a growing South East Asian economy with increased flight connectivity to boost tourist arrivals and excellent infrastructure to support BTMICE events. The newly launched international flights by Vistara will connect Delhi and Mumbai to Singapore, while Urumqi Air and Guangxi Beibu Gulf Airlines opened up new flights between Singapore and Tier 2 and Tier 3 cities in China. The new flights will help support sustainable growth in visitor arrivals.

Nevertheless, the stronger Singapore dollar remains a potential risk overhanging in 2019. STB maintained a cautiously optimistic growth forecast for 2019 of a 1.0% to 4.0% y-o-y increase in IVA by the end of 2019.

Exhibit 2.1.2: Tourism spending per capita on shopping (S$)

		2016	2017	2018	Y-o-Y Change for 2018
	Total	**363.2**	**354.2**	**291.0**	**-17.8%**
Top 5 Markets	China	529.9	548.1	538.3	-1.8%
	Indonesia	338.6	297.9	264.6	-11.2%
	India	269.6	244.8	205.8	-15.9%
	Malaysia	223.5	254.7	184.0	-27.8%
	Australia	240.4	216.0	176.5	-18.3%

Source: Singapore Tourism Board, Knight Frank Research

2 Straits Times, Crazy Rich Asians, Trump-Kim summit propel tourist arrivals, spending in Singapore to record highs

MARKET OVERVIEW

3 SINGAPORE RETAIL PROPERTY MARKET

Landlords and retailers bringing shoppers back through new initiatives

Besides increasing competition from online retailers and narrowing margins due to higher operating costs, weaker consumer sentiments also contributed to the slower sales. To boost footfall and tenant sales, landlords and retailers experimented with various initiatives to attract shoppers back to physical stores. These included incorporating community spaces, bringing in activity-based tenants to foster innovative retail ecosystems, and offering mass-customisation of goods and services to create personalised shopping experiences.

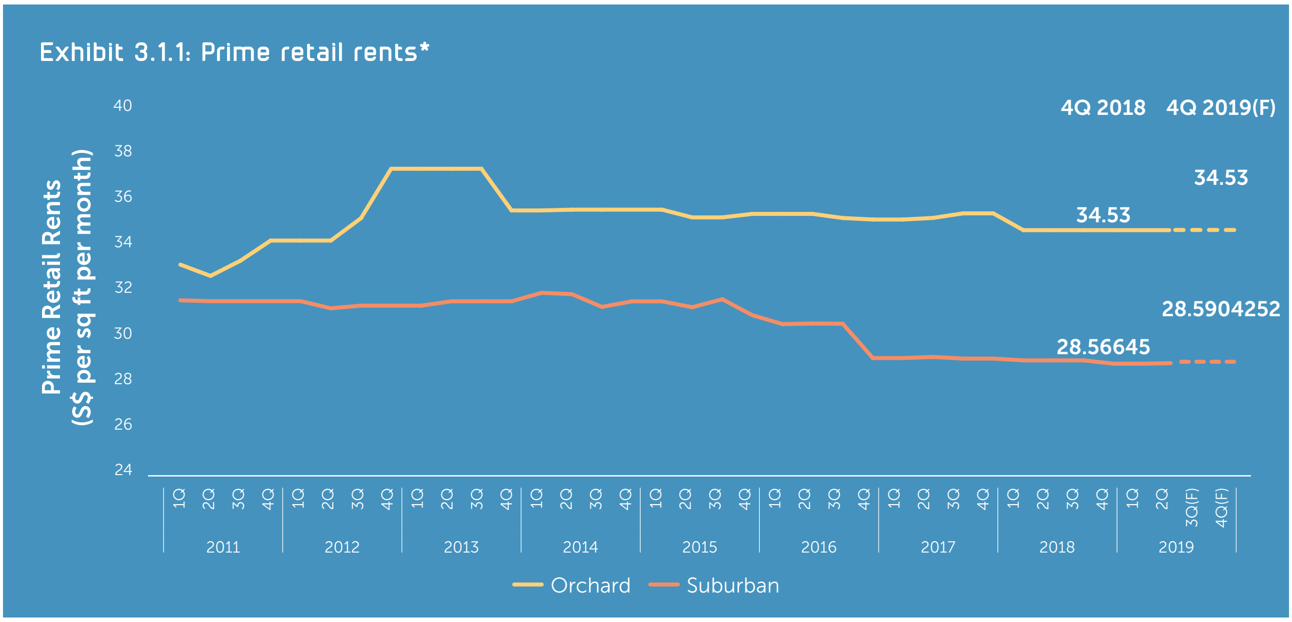
3.1 RETAIL RENTS OF ORCHARD ROAD AND SUBURBAN PRECINCTS

Rents of prime retail spaces stayed flat despite uncertain economic outlook

Rents of prime retail spaces in 2Q2019 stayed flat amid softened consumer sentiments and moderated growth in tourism arrivals and spending. Based on rents tracked under Knight Frank's basket of prime retail units, average prime rents in the Orchard Road precinct stayed flat y-o-y in 2Q2019, supported by the limited supply. Prime rents in the suburban precincts declined 0.4% y-o-y in 2Q2019 on the back of cautious consumer sentiments, although the decline mainly originated from strata-titled malls.

Rents of prime retail spaces in choice malls expected to outperform by improving shopper experience

Despite the continued challenges in the retail sector and expected downside risks from the uncertain macro environment, Knight Frank envisages average prime rents in the Orchard and suburban precincts to remain flat y-o-y by end 2019. The rents of older and strata-titled malls would likely face higher downward pressure, but the rents of prime spaces at choice malls may recover, albeit at a slower pace. The improvements in shopper experience through events, more lifestyle and pop-up stores and the use of technology to engage and widen the network of consumers will help support the growth in rents.



Source: Knight Frank Research

* Prime spaces refer to rental-yielding between 350 and 1,500 sq ft with the best frontage, connectivity, footfall, and accessibility in a mall which are typically ground level of a retail mall and/or the basement level of a retail mall that is linked to an MRT or bus station.

3.2 RETAIL DEMAND AT ORCHARD, CLEMENTI, AND BUKIT PANJANG PLANNING AREA

Occupancy rates of retail spaces at Orchard/Scotts Road continued to improve

The occupancy rates of retail spaces island-wide have stayed flat, hovering between 90% to 92% from 1Q2016 to 1Q2019. Orchard/Scotts Road, the most popular shopping and free-access attraction in Singapore, with a total of 7.4 million sq ft of retail net lettable area in over 44 retail developments, is supported by approximately 13,000 hotel rooms and serviced apartments in the vicinity. Occupancy rates of retail spaces in the **Orchard** Planning area increased from 94.0% in 4Q2017 to 94.9% in 4Q2018 before easing to 93.9% in 1Q2019.

Plans to rejuvenate Orchard Road expected to increase appeal to retailers

The occupancy of retail spaces in Orchard Road is expected to remain high, given the limited upcoming supply in the area and the appeal from the forthcoming plans to revitalise Orchard Road. With Paragon's excellent location, it is well-positioned to leverage on increased visitorship from the planned rejuvenation and revitalisation of Orchard Road. In particular, the Orchard Road Business Association plans to launch a series of experiential street activities to liven up the shopping scene at Orchard Road, which is likely to allow the mall to capture higher footfall from the greater number of visitors to Orchard.

Growing resident population within Clementi Planning Area likely to support demand

The retail spaces in the suburban precincts also saw improving occupancies with growing residential catchment. In the **Clementi** planning area, the occupancy of retail spaces has steadily improved from 89.0% in 4Q2017 to 90.6% in 4Q2018, and subsequently rose to 91.2% in 1Q2019. The Clementi Mall is strategically located at the heart of the Clementi Planning Area and enjoys a healthy catchment. Apart from serving about 93,000 residents in the Clementi Planning area, and about 175,000 residents in the neighbouring Bukit Timah and Queenstown Planning areas, Clementi is supported by 80,000 full and part-time students from tertiary institutions in the area. The residential catchment is envisaged to continue to grow with over 4,100 new private residential homes and 1,900 public flats in the pipeline supply, benefitting The Clementi Mall in the long term.

Upcoming supply of residential homes supports retail demand in Bukit Panjang Planning Area

Occupancy of the retail spaces in the **Bukit Panjang** planning area stayed at a high level, improving steadily from 98.4% in 4Q2017 to 98.8% in 2Q2019. Located in a rustic part along Upper Bukit Timah Road, The Rail Mall offers a prominent main-road frontage for shops and restaurants. The Rail Mall serves about 285,000 residents in the Bukit Batok and Bukit Panjang planning areas. It enjoys pedestrian traffic from hiking enthusiasts due to its proximity to the Rail Corridor, which is a popular hiking route. In the near future, the residential catchment in the area is expected to increase with the completion of private and public housing developments in the planning area. Government land sites such as Dairy Farm Road and Hillview Rise and private home supply from the Bukit Panjang and Bukit Batok planning area will add approximately 1,850 homes, while the upcoming Build-To-Order HDB flats in the Bukit Batok planning area will add another 6,973 homes by end 2019. This will boost residential catchment for The Rail Mall.

Lifestyle elements introduced in malls are likely to boost shopper experience and support occupancy moving forward

To maintain the occupancy at high levels, landlords are making efforts to improve shoppers' experience by introducing placemaking and more lifestyle components in the mall. Separately, retailers are offering mass personalisation of goods, with the help from technology advancements, to appeal to millennial shoppers.

3.3 RETAIL TRENDS

Landlord and retails adopt placemaking concepts to improve foot traffic and increase repeated visitorship

Placemaking capitalises on the local community's assets and potential, thus creating and promoting the identity of the area. Successful placemaking creates shared community experiences and memories that connect individuals and communities to their heritage, thereby enhancing

MARKET OVERVIEW

shopper experiences and encouraging repeated visitorship. A recent example is Our Tampines Hub, which is designed to induce synergy between the complementary spaces, catering for interaction and bonding among residents. Several established malls also make use of their event spaces to hold exhibitions and events to bring people together. For instance, Paragon celebrated the Ikebana International Singapore Chapter's Golden Jubilee by showcasing works from international Ikebana artists from 26 April to 5 May 2019.

Landlords introduce lifestyle components in malls to draw shoppers

Landlords are rebranding shopping malls into an entertainment destination for shoppers by introducing lifestyle components via activity-based tenants. This strategy could help increase footfall and raise sales for other tenants. Notable examples include State Swim swimming school and Super Park at Suntec City, as well as Absolute Cycle at OUE Downtown. Paragon also introduced and expanded its 'athleisure' brands such as K.BLU to draw shoppers who are keen in health and fitness.

Malls are supporting more green initiatives

More consumers are environmentally conscious and are willing to pay a premium for products that are procured ethically and are environmentally friendly, according to a study by KPMG in 2018. Correspondingly, retailers and landlords in Singapore are positioning their brands by increasing their efforts to supporting recycling and green initiatives. A case in point was SPH REIT, which announced the launch of a 6-month long campaign for waste reduction at two of the malls under its portfolio.

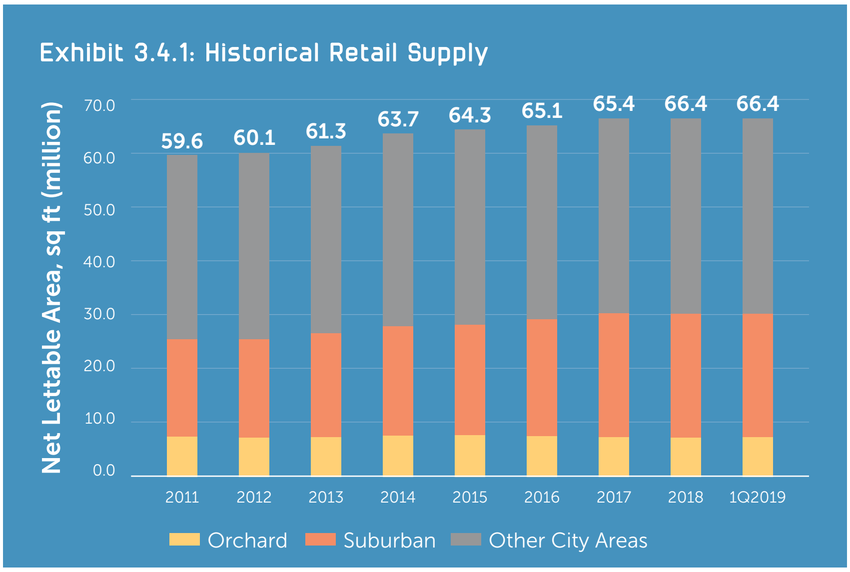
Retailers are offering personalisation of goods to appeal to millennial shoppers

The millennials are likely to account for an increasing proportion of retail sales, and they have a stronger preference for goods that allow them to express their individuality as well as services that offer unique experiences. This started a trend in which retailers provide more personalisation and customisation options for millennial shoppers. The use of robotics and automation also enabled the personalisation of goods for the masses. For instance, HoneyMill at Paragon offers drinks made by a robot and shoppers can personalise their drinks according to their taste and preference.

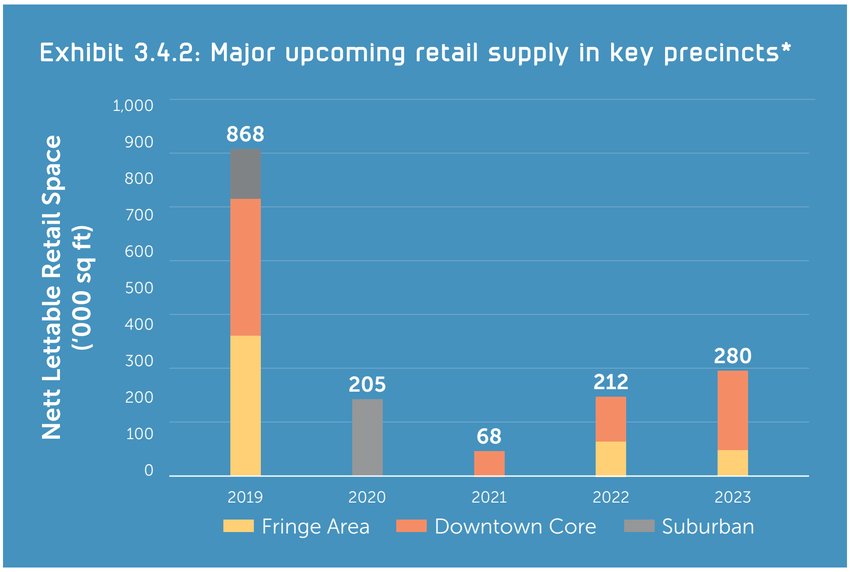
3.4 RETAIL SUPPLY

There were more completions in 2018 than in 2017

The annual net supply of retail space rebounded in 2018, with 1.0 million sq ft of retail Net Lettable Area ("NLA") coming onstream, compared to 312,000 sq ft new retail NLA in 2017. In 1Q2019, the completion of Jewel Changi Airport (approximately 576,900 sq ft NLA) and the completion of the asset enhancement initiative of TripleOne Somerset (approximately 83,000 sq ft NLA) contributed to the increase in retail stock. Including the new completions in 1Q2019, the island-wide retail stock amounted to 66.4 million sq ft NLA.



Source: REALIS, Knight Frank Research



Source: URA (as at 1Q2019), Knight Frank Research

The average annual supply in the pipeline is lower than the 5-year annual average supply in the past

Moving forward, a total of 2.0 million sq ft of retail NLA is expected to come onstream from 2Q2019 to 2023. The annualised average new retail supply of major malls is estimated to be about 344,000 sq ft per year over the same period. Much of the upcoming supply will emanate from Downtown Core, Fringe Area, and North-East region. Notable developments coming onstream by end 2019 include Chevron House (35,000 sq ft), Paya Lebar Quarter (304,000 sq ft) and Tekka Place (70,000 sq ft). From 2014 to 2018, the average annual new retail supply is approximately 1.0 million sq ft.

4 SINGAPORE MEDICAL SUITE PROPERTY MARKET

4.1 HEALTHCARE SERVICES INDUSTRY TRENDS

The demand for healthcare is expected to grow due to the ageing population

Singapore saw a significant growth in the elderly population due to the ageing baby boomers' population. According to Singstat, the proportion of elderly among the resident population in Singapore has increased from 13.0% in 2017 to 13.7% in 2018. The number of local inpatient admissions has grown in tandem with the ageing population, with a 0.6% increase y-o-y in FY2018.

The Singapore government has continued to introduce healthcare packages as well as implement policies to reduce healthcare costs. The average total inpatient bill in the private sector has increased by 9% from 2007 to 2017, double the 4.9% increase in the public sector's Class A wards. In hopes of mitigating high medical bills incurred by patients, the government has introduced fee benchmarks for the private sector in 2018. Subsidised healthcare schemes have also been provided for the elderly population, among both the Pioneer and Merdeka generations. These schemes will likely encourage more frequent medical check-ups and boost the demand for medical services in Singapore.

Singapore's medical tourism sees a shift towards the high-end market

According to the International Medical Travel Journal, the value of Singapore's medical tourism stands at US$150 million as of 2018. While Singapore still ranks highly as one of the top medical tourism destinations worldwide, other ASEAN counterparts pose as lower cost alternatives for such medical services, with Thailand and Malaysia valuing at US$600 million and US$350 million respectively. The strong Singapore dollar against regional currencies have resulted in more costly medical services, reducing foreign demand from the middle-high income group.

* Major retail development(s) refer to projects of at least 50,000 sq ft NLA.

MARKET OVERVIEW

While healthcare in Singapore is more costly compared to its neighbouring nations, it remains as one of the top medical tourism destinations among high-net-worth individuals ("HNWI"). HNWIs are individuals with a net worth of over US$1 million excluding their primary residence. Based on the Bloomberg Health-Efficiency Index, Singapore ranked second, making it one of the most efficient healthcare systems worldwide, providing medical care of good value without draining as much resources.

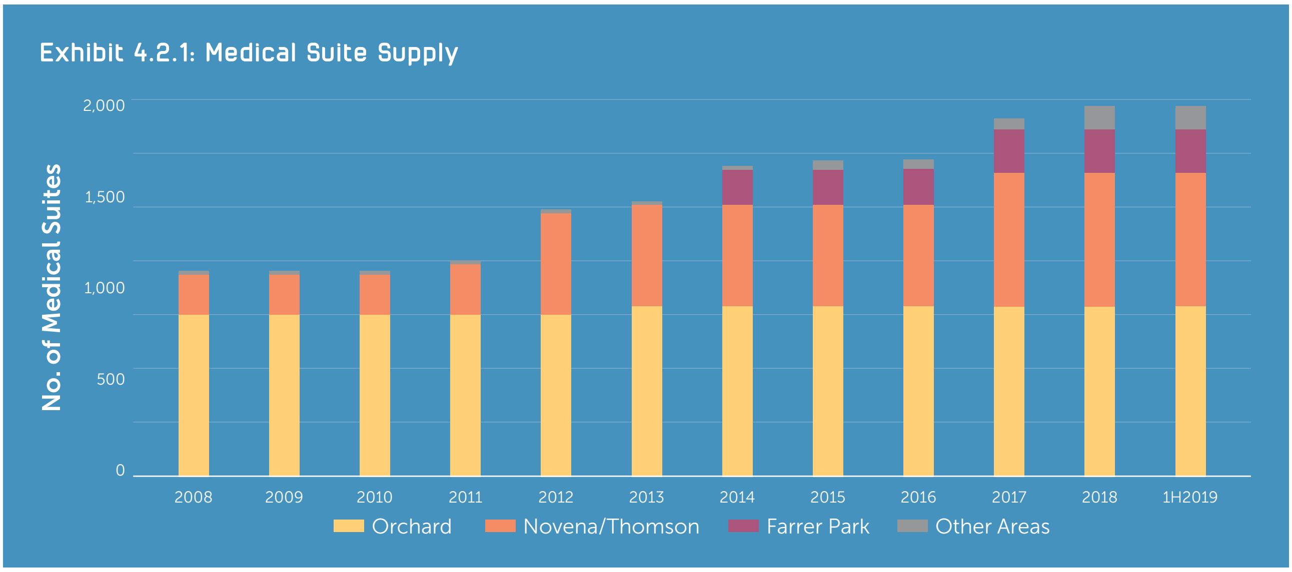
A study jointly done by Grab and the Urban Redevelopment Authority ("URA") in 2018 also showed that healthcare facilities in Singapore were the third most visited location by tourists. The bulk of these trips were made by Southeast Asian travellers, forming approximately 63% of these trips in total. Other major contributors of these trips were tourists from United States, China as well as India.

4.2 MEDICAL SUITE SUPPLY

Rents will be supported by the limited pipeline supply of medical suites

As at 1H2019, Knight Frank estimates that there are approximately 1,963 medical suites island wide. The Orchard and Novena/Thomson medical precincts are currently the largest clusters with approximately 903 and 707 medical suites respectively, forming about 82.0% of the total medical suites in Singapore. While the main medical clusters saw no change in the number of completed units in 2018, the medical suites located in other parts of Singapore saw an increase of 64 units with the completion of Vision Exchange and The Flow located at Jurong East and Marine Parade respectively.

Excluding areas earmarked as future medical hubs, the upcoming supply of medical suites is expected to be limited, with only 71 units foreseeable from 3Q2019 to 2023. The upcoming medical suites, namely units at TripleOne Somerset and Centrium Square,



Source: Knight Frank Research

Exhibit 4.2.2: Upcoming Medical Suite Supply (3Q2019 – 2023)

	No. of Units	
Medical Precinct	Existing Supply	Incoming Supply
Orchard	903	31
Novena/Thomson	707	0
Farrer Park	231	39
Other Areas	122	0
Total	1,963	70

Source: Knight Frank Research

will increase the current stock of medical suites at Orchard and Farrer Park medical precincts by a slight margin. This lack of supply is expected to stabilise rents for medical suites within the next one year.

4.3 IMPLICATION ON PARAGON MEDICAL

The medical cluster at Orchard Road will appeal to high net worth individuals

Despite increasing healthcare costs and the availability of other lower cost alternatives in neighbouring countries, Knight Frank envisages Singapore's medical tourism market to remain as one of the key destinations for HNWIs. According to Knight Frank's 2019 Wealth Report, HNWIs have continually chosen Singapore as one of the top cities due to the burgeoning nature of the economy as well as the nation's reputation for providing quality services. With Orchard Road being a key location for high-net-worth medical tourists and well-established healthcare services, rents and prices of medical suites are expected to stay resilient, given the limited upcoming stock in the precinct.

4.4 MEDICAL SUITE RENTS

Rents for medical suites in the Orchard precinct expected to improve

The average asking rents for medical suites in the Orchard precinct continue to remain at S$12.60 per sq ft per month ("psf pm"), higher than the asking rents of S$8.50 psf pm and S$5.10 psf pm at the Novena/Thomson and Farrer Park medical precincts respectively. This could be attributed to the optimal location of the medical suites given its proximity to the established Mount Elizabeth Orchard Hospital as well as the premier Orchard Road shopping belt. As Orchard Road is one of the main tourist sites in Singapore with a plethora of shopping amenities as well as great accessibility, medical travellers will have an ease of mind as their day activities could be carried out within the same vicinity without extensive travelling.

Exhibit 4.4.1: Asking Monthly Gross Rents (S$ psf pm)

	Asking Monthly Gross Rents (S$ psf pm)		
Precinct	Low	Average	High
Orchard	11.0	12.6	13.0
Novena/Thomson	5.6	8.5	11.6
Farrer Park	3.9	5.1	5.6

Source: Knight Frank Research

Moving forward, Knight Frank forecasts that rents of medical suites will continue to see steady growth of about 2.0% to 4.0% in the next 12 months. This stable trend is largely attributable to the lack of supply of medical suites in the key medical precincts.

MARKET OVERVIEW

5 AUSTRALIA RETAIL PROPERTY MARKET

5.1 OVERVIEW OF AUSTRALIAN ECONOMY

Growth slowing as household consumption softens

The Australian economy has lost momentum since the second half of 2018. Persistent slow growth in household income and recent falls in residential property prices have weighed on household consumption, while housing investment has declined sharply as the boom in residential construction begins to unwind. By contrast, growth continues to be supported by stronger non-mining business investment, public sector consumption, infrastructure spending, and exports. In response to slowing growth and ongoing subdued inflation, the Reserve Bank of Australia ("RBA") cut interest rates by 25 basis points each in June and July, with financial markets pricing in further monetary stimulus over the next 12 months.

Discretionary consumer spending weak, with stronger non-discretionary spending

The outlook for the retail market remains challenging as the sector grapples with weaker household consumption, structural changes such as the shift to online shopping, and changes in consumer spending patterns. Growth in retail trade has slowed in recent years, driven by a pronounced slowdown in discretionary spending, while spending on non-discretionary items such as food and groceries has picked up recently.

5.2 RETAIL TRENDS IN NEW SOUTH WALES

Retail trade is relatively weak in New South Wales compared to Australia overall

Consistent with national trends, growth in retail trade in New South Wales (NSW) has slowed significantly over the past year. Retail trade is growing at a weaker pace in NSW compared to Australia on the whole, with weaker housing market conditions driving a decline in household goods trade over the year.

Retailers are adapting to the challenging environment

The challenging macro backdrop and technological innovation are leading to some notable emerging trends in the retail sector. The rise of omnichannel retailing has led many retailers to streamline their technology platforms to capture growth in this new environment. Last-mile logistic warehouse demand requirements are growing within densely populated urban areas to meet increasing demand for 'click and collect' services and fast delivery options. In line with this, an increasing number of retailers such as Coles and Woolworths are establishing warehouses that cater exclusively to online fulfilment so that they can compete with global e-commerce retailers such as Amazon.

Changes in uses of retail space and tenant mix

Owners of large retail spaces such as shopping centres are increasing allocation of retail space to alternative uses like co-working and diversifying their tenant mix to include more experience-focused amenities such as bars, cafes and restaurants. In July 2018, Mirvac opened The Third Space, a free co-working space, in Broadway shopping centre in Sydney for an initial three-month trial before moving the concept to Orion Springfield Central in Queensland. The proposed expansion and redevelopment of Chatswood Chase on Sydney's North Shore includes plans for new restaurants, co-working offices, a rooftop garden and a pool.

Significant pipeline of retail supply in Sydney over the next five years

Despite the challenging conditions in the retail sector, the pipeline of retail supply in Greater Sydney over the next five years is expected to be significant. Around 40% of estimated development over this period is intended for new projects, 45% for extensions of existing retail centres, and 15% is for refurbishment projects. Shopping centre development accounts for almost 70% of the pipeline, while the retail component of mixed-use projects makes up 24%. Projects in the Sydney city centre account for 6% of the pipeline, including refurbishment works for Hermes, Louis Vuitton, David Jones department store and the MLC Centre.

5.3 IMPLICATIONS FOR FIGTREE GROVE SHOPPING CENTRE

Figtree Grove Shopping Centre is a dominant shopping centre located in Figtree, NSW with a captive catchment. It is located approximately 3 km south-west of the Wollongong Central Business District ("CBD") and approximately 85 km south-west of the Sydney CBD. The total trade area population for Figtree Grove Shopping Centre is estimated at 206,140 at 2018, with around 82,000 residents within the main trade area. Based on the 2016 Census of Population and Housing, residents in the Figtree Grove trade area earn incomes about 10.7% above benchmark levels in tertiary sectors.

Despite a significant pipeline of supply in Greater Sydney, new supply in Wollongong is expected to remain limited, supporting the dominance of Figtree Grove Shopping Centre as the main sub-regional shopping centre for the catchment.

INVESTOR RELATIONS

SPH REIT's Investor Relations (IR) 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 and to develop long term relationships with Unitholders. The Manager carefully planned various activities and communication channels every year to engage with all segments of the investment community. The valuable feedback and insights from these engagements are highlighted to the Board of Directors, alongside regular updates on Unitholders' statistics and views of investors and analysts.

PROACTIVE ENGAGEMENT WITH THE INVESTMENT COMMUNITY

The Manager interacts actively with the investment community through multiple platforms to provide them with an in-depth understanding of the business performance, challenges and growth strategies as well as to address their concerns. These include one-on-one meetings, quarterly post-results briefing, property-related conferences and roadshows. Analyst's briefings are conducted every half yearly to provide updates on SPH REIT's half-year and full-year financial results, operational performance and market outlook. The Manager holds annual media briefing 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 the operations and enhancement plans.

Retail investors constitute an equally important facet of the investing community. The Manager engages them through public forums such as the REITs symposium jointly organised by Shareinvestor and the REIT Association of Singapore (REITAS). These events provide management the opportunity to meet retail investors and discuss the business and risk factors affecting SPH REIT in particular and the REIT industry in general.

SPH REIT held its fifth Annual General Meeting (AGM) on 30 November 2018, 13 weeks after the financial year end to ensure timely engagement with Unitholders. All Directors of the Board and senior management of the Manager attended the AGM to interact with participants and address their questions and feedback. The AGM was well attended by over 200 participants and all resolutions were approved by Unitholders. Electronic poll voting was conducted and this enabled results to be posted instantaneously.

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. SPH REIT's 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 sent to the investor relations email address, *ir@sphreit.com.sg.*

INVESTOR RELATIONS CALENDAR

1st Quarter 2019 (September – November 18)	• Announcement of FY 2018 Results and Media Conference and Analysts' Briefing with audio webcast • Post-Results Investor Meeting and conference calls • Payment of 4Q FY 2018 Distribution • Release of Annual Report 2018 • Annual General Meeting
2nd Quarter 2019 (December 18 – February 19)	• Announcement of 1Q FY 2019 Results and conference calls • Post-Results Investor Meeting • Payment of 1Q FY 2019 Distribution
3rd Quarter 2019 (March – May 19)	• Announcement of 2Q FY 2019 Results and Analysts' Briefing with audio webcast • Post-Results Investor Meeting and conference calls • Payment of 2Q FY 2019 Distribution • REITs Symposium 2019 • Investor Roadshow in Hong Kong
4th Quarter 2019 (June – August 19)	• Announcement of 3Q FY 2019 Results • Post-Results Investor Meeting and conference calls • Payment of 3Q FY 2019 Distribution • Investor Roadshow in Singapore

FINANCIAL CALENDAR

2019	
10 October	Announcement of FY 2019 Results
17 October	Books Closure
20 November	Proposed Payment of 4Q FY 2019 Distribution
27 November	Annual General Meeting
2020*	
4 January	Announcement of 1Q FY 2020 Results
5 April	Announcement of 2Q FY 2020 Results
11 July	Announcement of 3Q FY 2020 Results
10 October	Announcement of FY 2020 Results

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

SUSTAINABILITY REPORT

BOARD STATEMENT [GRI 102-14]

We recognise that our long-term success is dependent on our ability to deliver value to our stakeholders. As the focus on environmental stewardship increases, we are committed to embedding sustainability within our practices. Regular engagement with key stakeholders including our customers, tenants, investors and Unitholders informs us of their evolving needs and guides us in our sustainability approach. Through collaboration with our stakeholders, we endeavour to amplify the impacts of our sustainability efforts in the long term.

The Board has considered sustainability issues as part of its strategic formulation and assigned the monitoring and overseeing the management of Environment, Social and Governance ("ESG") factors to the Audit & Risk Committee ("ARC") which is in turn supported by the Sustainability Steering Committee ("SSC").

A reassessment of material factors was conducted during the year, which resulted in three additional ESG factors being identified as material to SPH REIT. These ESG factors were validated by the ARC and endorsed by the Board.

To align our sustainability approach with global priorities, we have aligned our sustainability efforts with the Sustainable Development Goals ("SDGs") of the 2030 Agenda for Sustainable Development, which has been adopted by the 193 member states of the United Nations in 2015.

SUSTAINABILITY AT SPH REIT

- Corporate Governance
- Data Privacy
- Health and Safety of Stakeholders[1]
- Energy Usage
- Water Usage
- Local Communities

1 Stakeholders include shoppers, tenants, employees, contractors and suppliers.

SUSTAINABILITY OVERVIEW

At SPH REIT, we take a proactive approach to incorporate sustainable practices throughout our business operations. Through regular engagements, our focus in sustainability has been aligned with increasing expectations from our key stakeholders such as shoppers, Unitholders and regulators. We are committed to our journey towards sustainability and play our part as a responsible corporate citizen.

In the materiality reassessment conducted in FY2019, we have expanded our material ESG factors from three to six factors for a more holistic disclosure on how we manage ESG at SPH REIT. The three new material ESG factors are: Corporate Governance, Data Privacy and Health and Safety of our Stakeholders.

We have also mapped our sustainability approach with global priorities by aligning our sustainability efforts to the SDGs. Our contribution to SDGs are demonstrated below.

SDGs	SPH REIT's Contribution to the SDG
SDG 7: Affordable and Clean Energy	We work towards improving our energy efficiency.
SDG 8: Decent Work and Economic Growth	We promote safe and secure environments for our employees and tenants.
SDG 12: Responsible Consumption and Production	We are committed to the efficient management and use of our natural resources.
SDG 16: Peace, Justice and Strong Institutions	We uphold high standards of corporate governance throughout the organisation.

SUSTAINABILITY REPORT

HIGHLIGHTS IN FY2019

	Material Factors	FY2019 Performance Highlights	FY2020 Targets
OUR GOVERNANCE	**Corporate Governance**	• No known incidents of corruption • No significant fines and non-monetary sanctions for non-compliance with laws and regulations	• To minimise and prevent any non-compliance of laws and regulations, which includes those relating to anti-corruption
	Data Privacy	• No known cases of theft, leak or loss of customer data • Revision of Standard Operating Procedures ("SOPs") in response to the new PDPA requirement	• To comply with Personal Data Protection Act ("PDPA") via SOPs put in place for data security
	Material Factors	**FY2019 Performance Highlights**	**FY2020 Targets**
OUR PEOPLE	**Health and Safety of Stakeholders[2]**	• Zero incidents resulting in stakeholders' permanent disability or fatality	• To maintain zero incidents resulting in stakeholders' permanent disability or fatality
	Material Factors	**FY2019 Performance Highlights[3]**	**FY2020 Targets[3]**
OUR ENVIRONMENT	**Energy Usage**	• Energy Intensity at 0.43MWh/m^2, a 16% reduction • Greenhouse Gas ("GHG") emissions intensity at 0.18 tCO_2e/m^2, a 25% reduction	• To achieve 15% reduction in electricity intensity in managed properties • To achieve 25% reduction in GHG emissions intensity in managed properties
	Water Usage	• Water intensity at 2.97m^3/m^2, a 16% reduction	• To achieve 12% reduction in water intensity in managed properties
	Material Factors	**FY2019 Performance Highlights**	**FY2020 Targets**
OUR COMMUNITY	**Local Communities**	• Corporate Social Responsibility ("CSR") initiatives	• To achieve at least two CSR components annually

2 Stakeholders include shoppers, tenants, employees, contractors and suppliers.
3 Using FY2015 performance of managed properties (Paragon and The Clementi Mall) as the baseline.

OUR GOVERNANCE

SPH REIT adopts the best practices in corporate governance. The Board and Management remain committed to ethical business conducts and promote greater transparency. Effective governance is a business imperative as it positively impacts the performance and long term viability of organisation. More information on our corporate governance can be found in our Corporate Governance report on pages 86 to 105.

CORPORATE GOVERNANCE

Anti-Corruption

Corruption can bring about significant damages to the organisation and undermine the trust of our stakeholders. SPH REIT is committed to ensuring that our business operations remain corruption-free.

Employees are expected to conduct themselves in a professional and ethical manner. 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 addresses concerns relating to fraud, business and workplace behavior, safeguarding of assets, proprietary rights and intellectual property. The management will not hesitate to take disciplinary action should there be any instances of breach.

The Manager also has a Whistleblowing Policy & Procedure to allow staff and external parties to raise concerns or observations in confidence to the Manager on 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.

There were no known incidents of corruption in FY2019 and we aim to maintain this track record in the subsequent year.

Regulatory Compliance

Compliance with laws and regulations is an integral part of upholding high standards of corporate governance within the organisation. Instances of non-compliance will expose the organisation to reputational risks and liabilities such as fines and penalties.

SPH REIT strives to be fully compliant with all relevant statutory and regulatory requirements, which include Monetary Authority of Singapore regulations (Property Funds Appendix and Provisions in the Trust Deed), Singapore Exchange Listing Manual requirements, Personal Data Protection Act 2012, Building Control Act and Fire Safety Act. We closely monitor the regulatory developments as we adopt our policies and operating procedures accordingly.

There were no significant fines and non-monetary sanctions for non-compliance with laws and regulations in FY2019. Moving forward, we seek to continue to minimise and prevent any non-compliance of laws and regulations.

Data Privacy

Failure to safeguard our stakeholders' privacy and personal data will undermine their trust and confidence in our organisation's integrity and abilities.

SPH REIT acknowledges our responsibility towards our stakeholders in keeping their personal data safe. We have published our Personal Data Protection Statement on our corporate website. Appropriate steps have been taken to ensure that we are in strict compliance to the Personal Data Protection Act 2012("PDPA") and the Cybersecurity Act in Singapore.

The Board and Management ensures a sound and robust technology risk management framework is established and maintained. IT policies, standards and procedures which are critical components of the framework are developed to manage key technology risks and safeguard information system assets.

An IT Acceptable Use Policies Manual is also made available to all staff to ensure that they are aware of the applicable laws, regulations and guidelines pertaining to the usage, deployment and access to IT resources. Regular vulnerability assessments and network penetration tests are also conducted to defend against hacking and ensure the safety and security of all systems.

In line with the latest PDPA guideline, SPH REIT has already stopped collecting shoppers' NRIC numbers for identification purposes. Employees are involved

SUSTAINABILITY REPORT

and kept abreast in regular meetings organised by SPH Group PDPA Steering Committee on matters relating to PDPA compliance.

Any feedback or enquiries relating to personal data can be directed to SPH REIT's Personal Data Protection Officer at a dedicated hotline and email.

There were no known cases of theft, leak, or loss of customer data in FY2019. SPH REIT seeks to comply with PDPA via SOPs put in place for data security in future years.

OUR PEOPLE

Health and Safety of Stakeholders[4]

As a retail space provider and an employer, SPH REIT sees it as our duty to provide our shoppers, tenants, employees, contractors and suppliers with a healthy and safe environment.

We seek to maintain zero fatal incidents relating to our stakeholders' health and safety.

We have in place the Total Workplace Safety and Health Policy. The policy sets out a holistic and integrated approach to manage the interactions between work, safety and health. We must undergo compulsory trainings organised by SPH Group, such as first aid training.

As a high foot traffic public space, fire safety is a major health and safety concern. All relevant certificates required for commercial properties such as fire certificates, lifts and escalators safety assessments, are also monitored for their validity.

The Emergency Response Plan is clearly communicated to tenants and employees. The Fire Safety Committee plans and conducts fire safety programmes including annual fire evacuation drills and table-top exercises to ensure appropriate response procedures to all types of incidents.

This year, there were zero incidents resulting in stakeholders' permanent disability or fatality. SPH REIT will strive to keep up with our performance in the subsequent year.

OUR ENVIRONMENT

We are committed to using our natural resources responsibly and reducing the environmental impact of our business.

We have an environmental policy for both Paragon and The Clementi Mall that states our commitment to adopting a proactive and strategic approach to environmental management for the property.

We closely monitor our environmental data for all properties. Electrical and water consumption data are also duly reported to respective statutory boards for benchmarking against the national standard.

Our commitment extends to our vendors as well, where the vendor selection process is incorproated with relevant environmental and socially responsible criteria, such as ISO 140001 or ISO 50001 or Green Label by recognised certification institutions.

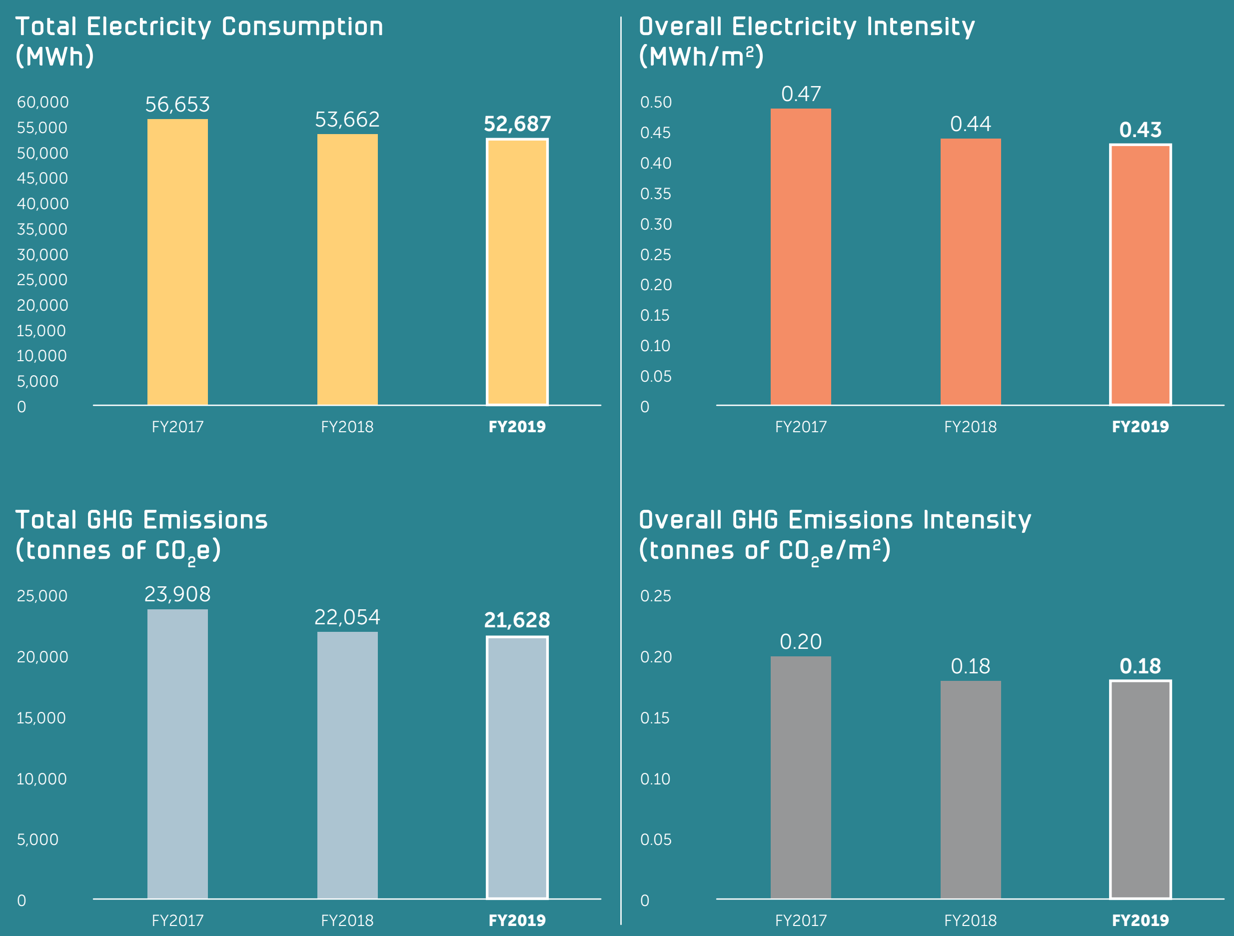
Energy and Emissions

With the global movement to transit to a low-carbon future, SPH REIT seeks to optimise our energy usage and reduce carbon emissions.

Figure 1 accounts for SPH REIT's electrical energy consumption and intensity, and GHG emission and intensity, over the last three years. In FY2019, SPH REIT was able to achieve a 16% reduction in electricity intensity and a 25% reduction in GHG emissions intensity from FY2015 levels. We target to achieve a 15% reduction and a 25% reduction in our electricity and GHG emissions intensities by FY2020 respectively.

4 Stakeholders include shoppers, tenants, employees, contractors and suppliers.

Figure 1: Energy Consumption, GHG Emission and Overall Intensities[5,6]



5 Electricity intensity and GHG intensity figures have been restated from average electricity and GHG intensities to overall electricity and GHG intensities for Paragon and The Clementi Mall.

6 GHG emissions are provided by the appointed energy management firm servicing Paragon and The Clementi Mall.

SUSTAINABILITY REPORT

WATER

Singapore has been ranked as one of the most water-stressed countries in the world and will continue to be water-challenged as water demand is forecasted to grow. In view of this, as well as in our economic interest of reducing cost, SPH REIT is working towards becoming more prudent in our water usage.

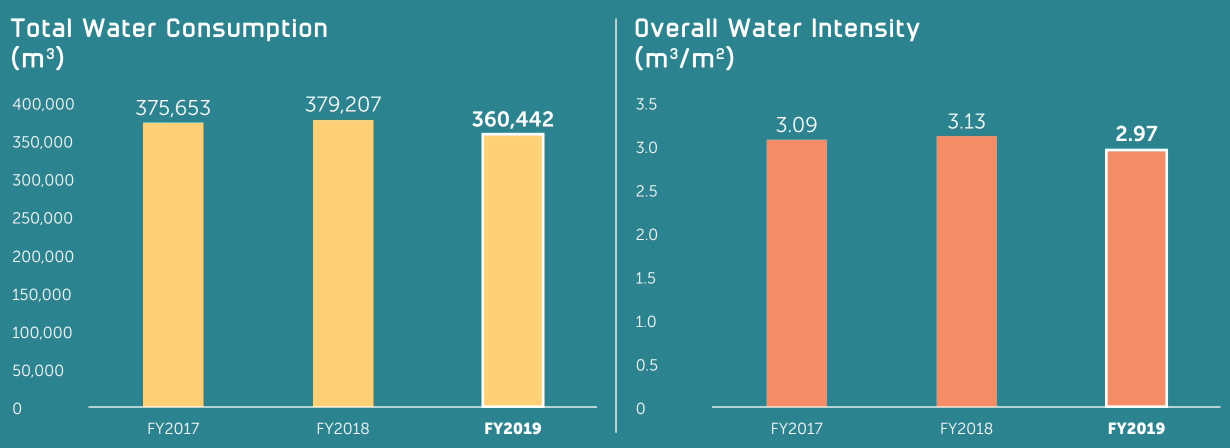
SPH REIT is aware of its increasing water consumption in recent years. Thus, the Group targets to reduce our managed properties' water usage intensity while ensuring that our environmental efforts do not compromise on the malls' operational needs and our commitment to high hygiene standard across the facilities.

Paragon and The Clementi Mall are certified by the Public Utilities Board ("PUB") as Water Efficient Buildings ("WEB") through the WEB Certification Programme. The water taps have been adjusted to meet the recommended flow rate for the most efficient use of water.

We closely monitor our water consumption. In the event that anomalies are identified, inspections are immediately carried out and followed up on accordingly. Figure 2 accounts for SPH REIT's water consumption and overall intensity.

In FY2019, SPH REIT managed to reduce our water usage intensity for Paragon and The Clementi Mall by 16% compared to FY2015. We target to achieve a 12% reduction in our water intensity by FY2020. We are currently exploring the viability of incorporating NEWater as part of our water resource. Infrastructure and properties cooling systems will continue to be closely monitored for any future opportunities to reduce water consumption.

Figure 2: Water Consumption and Overall Intensity[7]



7 Water intensity figures have been restated from average water intensity to overall water intensity for Paragon and The Clementi Mall.

OUR COMMUNITY

Tenant Engagement

Regular engagement is key to building and maintaining strong relationships with our tenants. We constantly cultivate partnerships and offer greater value for our tenants in various aspects to meet business needs and operation efficiency. Throughout the year, tenants are informed through regular dialogues, circulation of notices and bulletins. We also encourage participation and support through various marketing communication campaigns held across our malls to engage shoppers online and offline.

Customer Engagement

SPH REIT aims to enhance the customer experience for all. Feedback and suggestions from customers are valued greatly and serves as an indication of their level of satisfaction while highlighting areas for improvement. Our customer service team ensures that all feedback is responded to in a timely manner.

Throughout the year, the events and activities in the malls focus on shopper experiences with community involvement in the areas of arts, culture, digital, talent development, health and wellness. As an advocate of community involvement, we regularly partner schools, community, non-profit organisations and select beneficiaries. We bring together the best of both shopping experience and corporate giving to deliver a unique experience for all shoppers.

Paragon

SPH Gift of Music series at Paragon, August 2019

Sponsored by Singapore Press Holdings ("SPH"), the SPH Gift of Music series has been entertaining large audiences by bringing music to the community in various locations island-wide. The free concert series provides a platform to showcase Singapore's musical talent.

In 2019, Paragon hosted two concerts - Orchestra of the Music Makers (OMM) in July and Ding Yi Music Company in August. In line with SPH's 35th anniversary celebrations, OMM performed a line-up of classical songs and showcased the allure of classical music, while Ding Yi Music Company hosted a short concert and entertained shoppers with a string of well-loved national songs, xinyao and pop classics.

The Clementi Mall

"Bring Your Own Containers" Green Campaign, July – December 2019

In line with 2019 being designated as the Year Towards Zero Waste by Ministry of the Environment and Water Resources ("MEWR"), The Clementi Mall kicked off their first green campaign partnership with Zero Waste Singapore. Themed "Bring Your Own Containers", the 6-month-long campaign aspires to encourage shoppers and residents to bring their own reusable containers to raise awareness of waste minimisation and recycling by reducing the use of disposables for takeaways. 18 tenants participated with special deals to reward shoppers who bring their own containers.

SUSTAINABILITY REPORT

Impact on Local Communities

Fostering and engaging with local community value is an integral part of SPH REIT's Corporate Social Responsibility programme. In partnership with our tenants, we use our retail spaces to organise various campaigns to strengthen community ties and support social causes.

Our engagement programmes are tailored to suit the profile of communities in the vicinity of each property. On top of providing venue sponsorships, SPH REIT also partners selected philanthropic groups and associations to run campaigns to support philanthropic causes, including the arts, health and wellness, and the well-being of children and youth. More details on a few of these campaigns are appended.

PARAGON

Flight to Fantástico (September 2018)

Paragon collaborated with Raffles Singapore for "Flight to The Fantástico", a fundraising drive for The Business Times Budding Artists Fund. 12 one-of-a-kind Bejewelled Macaws, designed by Raffles Design Institute, were displayed at Paragon and put up for adoption. A total of $44,000 was raised for The Business Times Budding Artists Fund which nurtures talented children from underprivileged families.

This 3-week event also showcased arts and culture, entertainment, fashion, and tourism of the participating Latin America countries with a thematic setup at Atrium 1 which offered a differentiated experience for shoppers.

Very Special Arts Singapore Ltd ("VSA") Exhibitions (December 2018)

VSA is a local charity organisation dedicated to providing opportunities for people with disabilities to be involved in the arts. Paragon was the venue sponsor for VSA's Art Exhibition. An ornament painting workshop was also conducted on 8 December by a VSA instructor for shoppers.

A total of 25 artworks were on display and shoppers could purchase these art pieces through VSA. The funds raised through the sale of art pieces were donated to the art programmes to support and empower persons with disabilities.

THE CLEMENTI MALL

Free Community Workouts: Dance to Fit

The Clementi Mall has partnered with Singapore's Health Promotion Board ("HPB") to cultivate a active and healthy lifestyle.

Through the Health Promoting Mall Programme, HPB helps The Clementi Mall to identify opportunities in promoting products, services and organising activities that improve the health and well-being of the local community. These include regular mall workout sessions led by professionals, healthier dining options, products endorsed with the healthier choice symbol and professional advice from pharmacies.

To promote a healthy lifestyle among clementi residents, The Clementi Mall organises free zumba classes led by fitness instructors, and these sessions are well received.

Christmas (December 2018) and Chinese New Year (January 2019)

Shoppers were encouraged to donate $10 and above to our beneficiary Beyond Social Services through the online site GIVE.Asia, under A Joyous Giving, an online donation effort by The Clementi Mall. The Clementi Mall provided dollar-for-dollar matching on the donations raised.

As part of the Chinese New Year 2019 campaign, The Clementi Mall donated $1 to Beyond Social Services for each shopper that completed the Blossoms of Prosperity Game within the time limit.

SUSTAINABILITY REPORT

REPORTING WHAT MATTERS

About this Report [GRI 102-46, 102-50, 102-52, 102-54, 102-56]

This report covers the sustainability performance of Paragon and The Clementi Mall for the Financial Year 2019 ("FY2019"), from 1 September 2018 to 31 August 2019, with performance of prior years included as comparison where applicable.

This report has been prepared in accordance with the Singapore Exchange Securities Trading Limited's ("SGX-ST") Mainboard Listing Rules 711(A) and 711(B), and referenced against the widely used Global Reporting Initiative ("GRI") Standards.

SPH REIT has not sought external assurance for this report but will consider it as reporting matures over time.

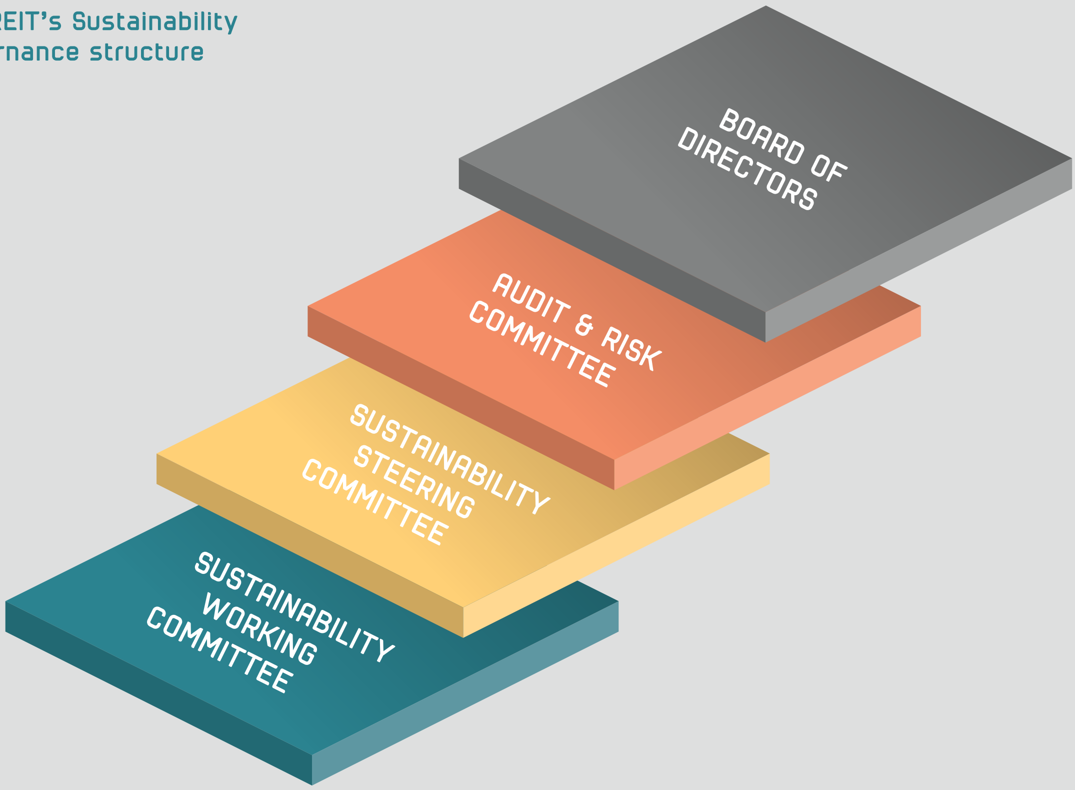
Feedback [GRI 102-53]

SPH REIT welcomes all feedback to improve our sustainability practices and reporting. Please address your enquiries and feedback to ir@sphreit.com.sg.

Sustainability Governance [GRI 102-18]

The Board has tasked the Audit & Risk Committee ("ARC") to govern the sustainability issues within the organisation. The ARC is supported by the Sustainability Steering Committee ("SSC") to formulate sustainability strategies and monitor and direct the organisation towards its sustainability goals. The SSC, consisting of senior management, are expected to report on SPH REIT's overall sustainability performance to ARC regularly. The SSC is assisted by the Sustainability Working Committee ("SWC") to drive sustainability practices across the business. The SWC is made up of representatives from different business functions and divisions.

Figure 3:
SPH REIT's Sustainability Governance structure



STAKEHOLDER ENGAGEMENT [GRI 102-40, 102-42, 102-43, 102-44]

Our success is dependent on our ability to meet the needs and create value for our stakeholders. To adapt to our stakeholders' evolving needs, we must understand the expectations and concerns of our stakeholders,and ensure that we have the abilities to meet them. Refer to Table 1 for a summary of how we engage with and seek to meet the needs of our key stakeholders.

Table 1: SPH REIT's Stakeholder Engagement

	Customers and Tenants	Unitholders and Investors	Regulators
Description	To understand the needs of the tenants and customers, and work with tenants to enrich customer experience	To understand and help them understand our sustainability goals and efforts	To communicate with regulators regularly and ensure compliance with relevant laws and regulations
Engagement Methods	• Management circulars and notices • Tenant bulletins • Tenant engagement activities • Informal dialogue and networking sessions	• Release of financial results, announcements, media releases, and other relevant disclosures through SGXNET, Annual Report and SPH REIT's website • Annual General Meeting • Extraordinary General Meeting, where necessary • Updates through one-on-one and group meetings and investor roadshows	• Industry networking functions • Annual regulatory audits • Compliance with mandatory reporting requirements
Key Issues of Interest	• Shopper experience, including a sustainable space that helps enhance the lifestyle experience • Community engagement	• Economic performance	• Anti-corruption • Socioeconomic compliance
Corresponding Sections of the Annual Report	Sustainability Report	Financial Statements	Corporate Governance Report

	Employees	Contractors and Suppliers	Local Community
Description	To provide a working environment that provides fair remuneration, equal opportunities, safe and healthy working conditions, and career development opportunities	To build mutually beneficial and long-lasting business relationships	To be a responsible corporate citizen that serves the local community
Engagement Methods	• Remuneration, compensation and benefits • Fair and equal employment opportunities • Training and career development programmes • Safe and healthy working environment	• Regular communications directly with the suppliers	• Community outreach programmes and charitable events
Key Issues of Interest	• Human resource practices • Workplace health and safety practices	• Collaborative partnerships with SPH REIT	• Community engagement
Corresponding Sections of the Annual Report	Sustainability Report	Sustainability Report	Sustainability Report

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT [GRI 102-47]

A formal materiality review was conducted to identify what are the material ESG factors that affect SPH REIT business. Guided by the GRI Principles of Materiality and Stakeholder Inclusiveness and with the aid of an independent sustainability consultant, three new material factors were identified for FY2019's sustainability report.
The process of our materiality assessment in FY2018 and review in FY2019 are illustrated below.

Figure 4: Materiality Assessment Process

FY2018

In FY2016, SPH Group conducted a Group-wide materiality assessment.

An extensive list of potential ESG factors were identified based on industry, peers and sustainability megatrends.

The pool of potential ESG factors were then prioritised based on their relative importance to SPH REIT's business and our key stakeholders. SPH REIT also considered sustainability concerns from the different perspectives of a REIT, REIT Manager and Property Manager.

Three ESG material factors were identified, approved by the Board and reported in FY2018.

FY2019

As part of the review, a series of review and interviews were done with various business function and internal stakeholders on the existing material factors to ensure their relevance.

As a result of the review, SPH REIT have chosen to report on an additional three ESG material factors to provide a more holistic sustainability report. The three new ESG material factors are Corporate Governance, Health and Safety of Stakeholders, and Data Privacy, on top of the three existing ESG material factors, Energy Usage, Water Usage and Local Communities.

The six material ESG factors have been approved by the Board.

Moving forward, SPH REIT will continue to review the relevance of these material factors.

RISK MANAGEMENT

RISK MANAGEMENT APPROACH AND PHILOSOPHY

Risk Management is an integral part of the culture of SPH REIT (the "Manager") and the Board of Directors ("Board") is responsible for establishing the overall risk strategy and governance. The Manager advocates a continuous and iterative process for enhancing risk awareness and this has been implemented across the organisation through an Enterprise Risk Management ("ERM") framework.

The risk management framework assists the Board and the Manager to assess, mitigate and monitor risks with the objective of capital preservation and ensures resilience in cyclical changes in business conditions. The framework also facilitates effective decision-making processes with due consideration to the risk-return trade-offs.

The Board delegates the oversight of the risk management framework to the Audit & Risk Committee ("ARC"). The ARC is responsible for overseeing the proper implementation and maintenance of the risk management programme, and the Manager is accountable to the Board by identifying, assessing, monitoring, testing and recommending the tolerance levels of different types of risks.

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

SPH REIT Board Assurance Framework below illustrates how the Board obtains assurance on the adequacy of the Manager's risk management and internal controls.

BOARD ASSURANCE FRAMEWORK

Enterprise Risk Management Framework

- Risk Governance
- Risk Culture
- Risk Change Management

Measure	Manage	Monitor
• Risk Parameters • Risk Assessment Process • Risk Inventory	• Risk Mitigation Strategies • Risk Action Plans • Risk Registers	• Risk Dashboard • Emerging Risks • Change To Risk Profiles Due To: - Incidents - Audit Findings

Risks & Controls

Assurance Process

- Map Key Risks To Process
- Map Key Controls To Key Risks
- Identify Sources Of Assurance (Including Lines Of Defence)

Management's Assurance	Independent Assurance
• Policy Management • Fraud Risk Management • Auditing/ Monitoring	• Internal Audit • External Audit • Compliance Audit

RISK MANAGEMENT

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 the Manager'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.
- Risk awareness training and workshops.
- Continuous improvement of risk management capabilities.

A robust risk management system is in place to address financial, operational, compliance and technology risks that are relevant and material to operations. Periodical internal audit is conducted to ensure that directions, policies, procedures and practices are adhered and functioning as desired.

REAL ESTATE MARKET RISKS

Real estate market risks, such as volatility in asset valuation, rental rates and occupancy, competition and regulatory changes may have an adverse effect on property yields. Such risks are monitored to optimise opportunities for existing assets. These risks are also reviewed for acquisition or disposal opportunities. Any significant change to the risk profile is reported to the ARC for assessment and mitigation.

OPERATIONAL RISKS

Day-to-day operations are governed by relevant policies and Standard Operating Procedures ("SOPs") and benchmarked against industry best practices which include reporting and monitoring processes to mitigate operational risks and safeguard business sustainability.

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

OUTSOURCING RISKS

In Australia, SPH REIT relies on the appointed investment and property manager for the day-to-day running of Figtree Grove Shopping Centre. Operational risks associated with an offshore investment are reduced through the engagement of reputable outsourced operators with strong localised experience in Australia. Regular reports are received from, and meetings are scheduled with, the appointed manager for purposes of reviewing performance and agreeing on actions for further improvement. The fees payable to these outsourced parties are structured to include variable component that is linked to performance to ensure greater alignment of interests.

CREDIT RISKS

All leases are subject to prior assessment of business proposition and credit risk involved. 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 AND FOREIGN EXCHANGE RISKS

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

The Manager monitors the portfolio exposure to interest rate fluctuations arising from floating rate borrowing and hedges part of its exposure by way of interest rate swaps and fixed rate loans. A major portion of the $1.1 billion debt facility is on a fixed rate basis.

In addition, the gearing limit is monitored to ensure compliance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS"). Foreign exchange exposure arising from overseas investments has also been largely hedged by matching funding in either same currency financing or cross currency swap arrangements.

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 payment obligations. In addition, to manage bank concentration risks, the Manager places its cash balances with, and sources its funding from more than one bank of good credit rating.

INVESTMENT RISKS

All investment proposals are subject to a rigorous and disciplined assessment taking into consideration the asset valuation, rental yield and income 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 by the Manager before any recommendations are tabled for deliberation and approval by the Board. Upon the Board's approval, the investment proposal will be submitted to the Trustee for final endorsement. The Trustee monitors the Manager's compliance with the Property Fund Appendix of the Code on Collective Investment Schemes, restrictions and requirements of the listing manual of the Singapore Exchange Securities Trading Limited, and the provisions of the Trust Deed.

LEGAL, REGULATORY AND COMPLIANCE RISKS

The Manager takes a resolute stance in compliance, observing all laws and regulations including, restrictions and requirements of the listing manual of the Singapore Exchange Securities Trading Limited, MAS' Property Funds Appendix and the provisions in the Trust Deed. Written corporate policies and procedures facilitate staff awareness and provide clear instructions for the implementation of operational and business processes to minimise inadvertent contravention of applicable legislations and regulations, counterparty obligations and all contractual agreements. Quarterly reports on significant legal, regulatory and compliance matters are submitted to ARC for information and guidance.

Formal processes for Workplace Safety and Health compliance have also been implemented for all buildings, shopping malls, and offices, including any business and public services. In addition, a compliance framework containing policies and practices to regulate the proper management of personal data in the group is in place to respond to the requirements of the Personal Data Protection Act ("PDPA").

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 behaviour, and the 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 whistleblowing 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 a vital role in the sustainability of the business and the Manager is fully 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 therefore implemented tight controls within the corporate IT systems to address such threats. In this respect, IT policies are in place 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 and updated 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.

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 to the sustainability of SPH REIT's business and performance as well as 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 has elected to adopt early the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "MAS") on 6 August 2018 (the "2018 Code") as its benchmark for corporate governance policies and practices. Under Rule 710 of SGX-ST Listing Manual of the Singapore Exchange Securities Trading Limted ("SGX-ST"), SPH REIT is only required to describe its corporate governance practices with specific reference to the 2018 Code in its annual report for the next financial year ending 31 August 2020 onward. However, SPH REIT is adopting Rule 710 in advance. SPH REIT is pleased to confirm that it has adhered to the principles and provisions of the 2018 Code in all material aspects. In so far as any provision has not been complied with, the reason has been provided. The following describes SPH REIT's main corporate governance policies and practices, with specific reference to the 2018 Code, and does not refer to Code of Corporate Governance 2012.

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") and as amended from time to time. 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 its assets 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, 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.

CORPORATE GOVERNANCE

BOARD MATTERS

Board's Conduct of its Affairs
Principle 1: The Manager is headed by an effective Board which is collectively responsible and works with Management for the long-term success of SPH REIT.

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 Board also sets the values and ethical standards of SPH REIT as well as considers sustainability issues relevant to its business, its stakeholders, and its impact on the environment.

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.

A formal letter of appointment explaining a director's duties and obligations is issued to every new Director upon appointment. The formal letter sets out the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") have 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. Material transactions such as 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;

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 Committees are set out in the Corporate Directory page of this Annual Report.

CORPORATE GOVERNANCE

Board and Board Committee Attendance
The Board meets on a quarterly basis and as warranted by particular circumstances. 8 Board meetings were held in the financial year ended 31 August 2019 ("FY2019") 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, ARC and NRC, and the frequency of such meetings, is disclosed below. 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.

Directors are expected to exercise independent judgment in the best interests of SPH REIT, and have consistently discharged this duty in all relevant matters.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK COMMITTEE AND NOMINATING AND REMUNERATION COMMITTEE (FOR FY2019)

Directors' attendance at Board, Audit & Risk Committee and Nominating and Remuneration Committee meetings for the period from 1 September 2018 to 31 August 2019.

Name of Director	Board	Audit & Risk Committee	Nominating & Remuneration Committee
Leong Horn Kee *(Board Chairman)* *(Appointed on 10 June 2013)*	8 out of 8	–	2 out of 2
Soon Tit Koon *(Audit & Risk Committee Chairman)* *(Appointed on 10 June 2013)*	8 out of 8	4 out of 4	2 out of 2
David Chia Chay Poh *(Nominating & Remuneration Committee Chairman)* *(Appointed on 10 June 2013)*	8 out of 8	4 out of 4	2 out of 2
Hoo Sheau Farn *(Appointed on 26 September 2018)*	7 out of 8	4 out of 4	2 out of 2
Ng Yat Chung *(Appointed on 1 August 2017)*	8 out of 8	–	2 out of 2
Ginney Lim May Ling *(Appointed on 10 June 2013)*	8 out of 8	–	2 out of 2
Chua Hwee Song *(Appointed on 30 November 2018)*	6 out of 6	–	1 out of 1

CORPORATE GOVERNANCE

Access to Information
The Manager recognises that the timely provision of complete, adequate and accurate information is critical for the Board to be effective in discharging its duties.

The Board is provided with monthly and quarterly reports encompassing management reports, financial statements, progress reports of SPH REIT's business operations, as well as analysts' reports. The quarterly results announcements and annual budget are presented to the Board for approval. Financial results are compared against the immediate preceding year as well as budgets, together with explanations given for significant variances for the relevant period. The Board also receives regular updates regarding industry and technological developments. Such reports enable Directors to keep abreast of 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 prepares minutes of the Board proceedings. He 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 Board Committees 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 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 Board informed of such advice. The cost of such professional advice will be borne by the Manager.

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

Currently, the Board comprises seven Directors, of whom four are independent Directors and three are non-independent non-executive Directors. Each Director has been appointed on the strength of his/her calibre, expertise and experience.

SPH REIT is committed to building an open, inclusive and collaborative culture, and recognises the benefits of having a Board with diverse backgrounds and experience. Such diversity will provide a wider range of perspectives, skills and experience, which will allow Board members to better identify possible risks, raise challenging questions, and contribute to strategic direction and problem-solving. The Board is of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, gender, knowledge and core competencies such as accounting, law, finance, business or management experience, industry knowledge and strategic planning experience. The Board will continue to review its composition regularly to ensure that the Board has the appropriate balance and diversity to maximise its effectiveness.

CORPORATE GOVERNANCE

The current composition of the Board and the Board Committees is set out below:

Name of Director	Board	Audit & Risk Committee	Nominating & Remuneration Committee
Leong Horn Kee *(Board Chairman)* *(Appointed on 10 June 2013)*	Chairman and Independent Director	–	Member
Soon Tit Koon *(Appointed on 10 June 2013)*	Independent Director	Chairman	Member
David Chia Chay Poh *(Appointed on 10 June 2013)*	Independent Director	Member	Chairman
Hoo Sheau Farn *(Appointed on 26 September 2018)*	Independent Director	Member	Member
Ng Yat Chung *(Appointed on 1 August 2017)*	Non-Independent, Non-Executive Director	–	Member
Ginney Lim May Ling *(Appointed on 10 June 2013)*	Non-Independent, Non-Executive Director	–	Member
Chua Hwee Song *(Appointed on 30 November 2018)*	Non-Independent, Non-Executive Director	–	Member

The Board Diversity Policy sets out the Manager's approach to diversity on its Board. In identifying qualified and suitable candidates for appointment to the Board, the NRC will consider candidates on merit against the objective criteria set and with due regard for the benefits of diversity on the Board. Under this policy, NRC will review the relevant objectives for promoting and achieving diversity on the Board and make recommendations for approval by the Board. NRC will review this Policy from time to time as appropriate.

The Board considers that its present size is appropriate, facilitating effective decision making and allowing for a balanced exchange of views, robust deliberations and debates among members, and effective oversight over Management. The Board also includes two female Directors in recognition of the importance of gender diversity. The current Board composition reflects a diversity of gender, age, skills and knowledge.

The independence of each Director is assessed by the Board in accordance with Provision 2.1 of the 2018 Code and the Securities and Futures (Licensing and Conduct of Business) Regulations.

Key information regarding the Directors, including directorship and chairmanship (both present and those held over the preceding five years) in other listed companies, and other principal commitments, are set out in the Board of Directors' section and on pages 16 to 20.

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 may challenge Management's assumptions and also extend guidance to Management, in the best interest of SPH REIT.

To facilitate open discussions and the review of the performance and effectiveness of Management, the Directors meet at least once annually without the presence of Management.

CORPORATE GOVERNANCE

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

The 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 exchanges and sharing within the Board and between the Board and Management, facilitates the effective contribution of Directors, and facilitates effective communications with Unitholders. 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 part of the management team and is an independent Director.

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

The NRC administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members. In addition, as part of regulatory requirements, MAS also gives approval for any change of the CEO or of any appointment of Director. 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 finance 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.

Provision 4.5 of the 2018 Code recommends that the NRC and the Board assess the ability of the Director to diligently discharge his or her duties if he or she holds a significant number of listed company directorships and principal commitments and disclose the assessment 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.

CORPORATE GOVERNANCE

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

The NRC 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 does not appoint alternate directors.

The Board may seek advice from external search consultants where necessary.

Training for Directors

Upon the appointment of a Director, he is provided with a formal letter setting out his key responsibilities. New Directors will go through an orientation and induction programme, which includes site visits to the operational centres so as to familiarise them with SPH REIT's business, operations and organisation structure. Directors are updated on changes in relevant laws and regulations; industry developments; and analyst and media commentaries on matters related to SPH REIT.

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 Board Committee members.

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

For FY2019, Directors were provided with briefing and training in the areas of corporate governance, regulatory updates, essentials of audit and remuneration committee. Directors were also provided with training in the areas of anti-money laundering, as well as cyber and corporate governance in the REITs industry. Ms Hoo Sheau Farn underwent a series of courses conducted by the Singapore Institute of Directors for directors who have not been on the board of any listed entity in Singapore.

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.

CORPORATE GOVERNANCE

Review of Directors' Independence
The NRC will review annually whether a Director is considered an independent director based on the 2018 Code and the Securities and Futures (Licensing and Conduct of Business) Regulations. An independent director is one who is independent from (i) management or business relationships with the Manager and SPH REIT; and (ii) every substantial shareholder of the Manager and substantial unitholder of SPH REIT. The NRC and the Board have established a process for assessing the independence of Directors. As part of the process, each of the relevant non-executive Directors is required to confirm, upon appointment, as well as on an annual basis, that there are no material relationships which would render him or her non-independent. The confirmations are reviewed by the Board during which the Board also considers the Directors' respective contributions at Board meetings. The NRC has ascertained that for the period under review, four of the independent Directors, namely Dr Leong Horn Kee, Mr Soon Tit Koon, Mr David Chia and Ms Hoo Sheau Farn, were independent and that all Directors devoted sufficient time and attention to the Manager's affairs. There are no relationships or circumstances which affect or would be likely to affect the judgment of the independent Directors, and their ability to discharge their responsibilities as independent Directors of the Board. None of the independent Directors have served on the Board for more than nine years from the date of first appointment.

The NRC and the Board had evaluated Ms Hoo's independence on these grounds: (a) Ms Hoo, a partner of Allen & Gledhill ("A&G") of which she has less than 5% share, was not involved in any of the matters handled by A&G for SPH Group and the legal fees received by A&G was not substantive in relation to its total earnings; (b) Ms Hoo would declare any conflict of interest; and (c) her independence will be reviewed annually or as and when necessary.

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

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

The NRC reviews the Board's performance on an annual basis, based on the performance criteria as agreed by the Board from time to time, and decides how this may be evaluated.

Board Evaluation Process
This process involves 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 NRC meeting.

For FY2019, the Questionnaire on the performance of the Board and Board Committees was reviewed in accordance with the best practices on board evaluation. 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.

Individual Director Evaluation
As of FY2019, the NRC also conducted a peer and self evaluation to assess the performance of individual Directors. The Board Chairman, together with the Chairman of NRC, assessed the performance of individual directors based on factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings, industry and business knowledge, functional expertise, and commitment and dedication. The results of the peer and self evaluation are compiled by the Company Secretary and given to the Board Chairman, who assesses the performance of the individual Directors, and will discuss with each individual Director if needed.

The NRC is satisfied that all performance objectives have been achieved for FY2019 for the Board as a whole and for individual Directors.

CORPORATE GOVERNANCE

Succession Planning
The NRC regards succession planning as an important part of corporate governance and follows an internal process of succession planning for the Directors and CEO to ensure the progressive and orderly renewal of the Board.

REMUNERATION MATTERS

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

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

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

As SPH REIT has no personnel of its own, the Manager hires qualified staff to manage the operations of the Manager and SPH REIT. As such, the remuneration of Directors and staff of the Manager is paid by the Manager, and not by SPH REIT.

The NRC supports the Board in the remuneration matters of the Manager in accordance with the NRC's written terms of reference. As the NRC comprises all members of the Board, the majority of the NRC is independent. Chairman of the NRC is Mr David Chia who is an independent director.

The NRC's terms of reference set out the scope and authority, amongst others, in performing the functions of a remuneration committee, which include the following:

1. review and recommend to the Board a framework of remuneration for the Board, CEO and key executives;

2. review and recommend to the Board the specific remuneration packages for each director, the CEO and key executives;

3. review and administer the share and other incentive scheme(s) adopted by the Manager and decide on the allocations to eligible participants under the said share scheme(s); and

4. review the Manager's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses.

The NRC is responsible for the annual review of the Manager's remuneration policy, its implementation and ensuring compliance with relevant legislation and regulation. In particular, the remuneration policy should reflect these key objectives:

1. Unitholder alignment: to ensure that performance measures are aligned to Unitholders' interest;

2. Alignment with performance: variable compensation takes into account financial performance and achievement of non-financial goals; and

3. Competitiveness: Employees receive compensation and benefits packages, which are reviewed annually and benchmarked to the external market.

CORPORATE GOVERNANCE

The NRC has considered the remuneration policies and practices of the Manager's holding company, Singapore Press Holdings Limited ("SPH"), and believes that these are transparent and suitable for adoption by the Manager taking into account the circumstances of the Manager and SPH and its subsidiaries as well as the benefits of tapping into SPH's compensation framework. In its decision to adopt the remuneration policies and practices of SPH, the NRC took into account that the framework of remuneration for the Board and key executives should not be taken in isolation; it should be linked to the building of management strength and the development of key executives. Following the directions and guidelines from the MAS on the remuneration of directors and key executive officers of REIT managers, the Board with the assistance of the NRC has reviewed the remuneration objectives, policies and procedures applicable to the Manager, with a view to aligning them with the substance and spirit of such directions and guidelines from the MAS.

Name	Board Member S$	Audit & Risk Committee S$	Nominating & Remuneration Committee S$	Total Fees S$
Leong Horn Kee	70,000 (Chairman)	–	7,000	77,000
Soon Tit Koon	40,000	20,000 (Chairman)	7,000	67,000
David Chia Chay Poh	40,000	13,000	12,000 (Chairman)	65,000
Hoo Sheau Farn *(From 26 September 2018 to 31 August 2019)*	37,223	12,098	6,514	55,835
Ng Yat Chung*	40,000	–	7,000	47,000
Chua Hwee Song* *(From 30 November 2018 to 31 August 2019)*	30,111	–	5,269	35,380
Ginney Lim May Ling*	40,000	–	7,000	47,000
Total Fees	**297,334**	**45,098**	**51,783**	**394,215**

* Directors who are full-time SPH management staff engaged by SPH. They do not receive Directors' fees. Fees are instead paid directly to SPH.

Directors' fees comprise a basic retainer fee and fees in respect of service on Board Committees. The Directors' fees are appropriate for the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors, such that the independence of the independent non-executive Directors is not compromised by their compensation. While there are no unit-based compensation schemes in place for non-executive Directors, the NRC may consider the introduction of unit-based compensation for non-executive Directors as and when appropriate.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the CFO during FY2019.

No employee of the Manager was an immediate family member of a Director or the CEO and whose remuneration exceeded $100,000 during FY2019. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

CORPORATE GOVERNANCE

In deciding on the remuneration of directors and key executive officers, the NRC will consider the level of remuneration that is appropriate to attract, retain and motivate the directors and key executive officers to run the Manager successfully. The NRC will, in setting the remuneration packages, take into account the pay and employment conditions within the industry and in comparable companies, the Manager's relative performance and the performance of the key executive officers.

The Manager adopts a remuneration policy for staff comprising a fixed component, a variable component, and benefits-in-kind. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Manager's and each individual employee's performance. The NRC will approve the bonus for distribution to staff on that basis.

The NRC may seek expert advice inside and/or outside of the Manager on remuneration of Directors and staff. It will ensure that in the event of such advice being sought, existing relationships, if any, between the Manager and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

The 2018 Code and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) require (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/ bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; (ii) the disclosure of the remuneration of at least the top five key executive officers (who are neither Directors nor the CEO) in bands of $250,000, with a breakdown (in percentage or dollar terms) of each key executive officer's remuneration earned through base/fixed salary, variable or performance related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; and (iii) the aggregate total remuneration paid to the top five key executive officers (who are neither Directors nor the CEO). In the event of non-disclosure, the Manager is required to give reasons for such non-disclosure.

The Board has reviewed, assessed and decided against such disclosure on the following grounds:

1. the remuneration of the Directors and employees of the Manager are not paid out of the deposited property of SPH REIT (listed issuer). Instead, they are remunerated directly by the Manager, which is a private company. The fees that the Manager gets from SPH REIT has been disclosed under the "Interested person/interested party transactions" section of the Annual Report;

2. remuneration matters for the CEO and each of the executive officers are highly confidential and sensitive matters;

3. there is no misalignment between the remuneration of the Directors and the key management personnel of the Manager and the interests of the Unitholders given that their remuneration is not linked to the gross revenue of SPH REIT and is paid out of the assets of the Manager and not out of SPH REIT; and

4. Such disclosure may have negative impact on the Manager in attracting and retaining talent for the Manager on a long-term basis, taking into consideration factors such as the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management industry, the competitive business environment in which the Manager operates, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place.

For the Manager, long term incentive-based compensation is granted as part of an overall compensation programme. It is an extension of the Manager's pay-for-performance philosophy. Performance unit awards recognise the contributions and services of high performing employees, and motivate the incumbents to perform for the long-term success of SPH REIT as well as to enhance total returns for Unitholders of SPH REIT.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

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

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

The ARC's objectives in relation to risk management include the following:

(a) Oversee SPH REIT's and the Manager's risk exposure and risk management strategy;

(b) Review and guide Management in the formulation of SPH REIT's and the Manager's risk policies and implementation of risk management assessment processes and mitigation strategies;

(c) Review the report to the Board of risk management activities and performance, including whether key risks are managed within acceptable levels, breaches of any of key risk indicators and the corrective actions taken;

(d) Review annually, or more often as required by the ARC, the adequacy and effectiveness of SPH REIT's and the Manager's risk management and internal control systems and processes, including those governing financial, operational, compliance and information technology risks, and

(e) Report to the Board all significant risk matters and ARC's assessment of risk management performance on an annual basis.

The Manager has in place a risk management framework which has been established to ensure adequate and effective management of risks in the Manager and SPH REIT and facilitate the Board's assessment on the adequacy and effectiveness of the Manager's and SPH REIT's risk management system. The framework sets out the governing policies, processes and systems pertaining to each of the key risk areas to which the Manager and SPH REIT are exposed. The framework also facilitates the assessment by the Board in the effectiveness of the Manager in managing each of the key risk areas.

Under the risk management framework, the Manager has implemented a systematic risk assessment process to identify significant risks, set relevant risk appetite, monitor risk exposure, and take risk mitigating measures when necessary. The Manager's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management Report" section on pages 83 to 85 of this Annual Report.

The ARC reviews periodically the implementation by the Management of the risk management framework, and the extent to which risk perspectives are used in achieving its strategic objectives of SPH REIT. Key risks, their likely impact and possible control measures and management actions have to be continually identified, analysed and understood by Management before any significant undertaking is embarked upon. In addition, the Manager also promptly submits monthly reports to the Board on business and financial performance and updates on operational matters.

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 on the effectiveness of operations, and contributes to risk management and corporate governance processes. Any material non-compliance with established processes or lapses in internal controls together with corrective measures are reported to the ARC. The ARC annually reviews the adequacy and effectiveness of IAD.

CORPORATE GOVERNANCE

The CEO and CFO at each financial year-end will provide a letter of assurance to the Board on the integrity of the financial records/statements, as well as the adequacy and effectiveness of SPH REIT'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;
- the Manager's risk management and internal controls were effective as at the end of the financial year; and
- the financial records have been properly maintained and the financial statements give a true and fair view of SPH REIT's operations and finances.

The Board has received the CEO and CFO's letter of assurance that:

(a) SPH REIT's financial records have been properly maintained and the financial statements for the period under review give a true and fair view of SPH REIT's operations and finances;

(b) the system of risk management and internal controls within the Manager is adequate and effective in addressing the risks which the Manager considers relevant and material to its business operations.

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

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and regular reviews performed by Management, CEO, CFO, 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 2019 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to SPH REIT's operations.

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

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, certain employees of the Manager, SPH and its subsidiaries, 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. These persons 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. The Manager issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealing in SPH REIT units as set out above.

Audit and Risk Committee
Principle 10: The Board has an audit committee which discharges its duties objectively.

The ARC currently comprises three members, all of whom are non-executive and independent Directors. The Chairman is Mr Soon Tit Koon and its members are Mr David Chia and Ms Hoo Sheau Farn.

The Board is of the view that the members of the ARC have sufficient 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 2018 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 assurance from the CEO and CFO on the financial records and financial statements;

(d) 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;

(e) reviewing the auditors' evaluation of the system of internal accounting controls;

(f) reviewing at least annually and reporting to the Board the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls;

(g) reviewing the scope, results and effectiveness of the internal audit function;

(h) 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;

(i) 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;

(j) 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;

(k) overseeing any internal investigation into cases of fraud and irregularities;

(l) reviewing interested person transactions;

(m) approving (or participating in) the hiring, removal, evaluation and compensation of the head of the internal audit function;

(n) ensuring that the internal audit function is adequately resourced and has adequate support within the Company; and

(o) overseeing the risk management function of the Manager to ensure the adequacy and effectiveness of risk management processes in safeguarding interest of SPH REIT.

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

CORPORATE GOVERNANCE

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 FY2019 was S$417,000, comprising fees paid for audit and non-audit services of S$361,000 and S$56,000 respectively.

The ARC meets separately 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 required to be rotated every five years, in accordance with the requirements of the SGX-ST Listing Manual.

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

During the financial year, the ARC reviewed the financial statements prior to endorsing and recommending their release to the Board. 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 regulatory environment and accounting standards which have a direct impact on the business of SPH REIT and its financial statements, with training conducted by professionals or external consultants.

In the review of the financial statements, the ARC had discussed with Management the accounting principles that applied and their judgment of items that affect the financial statements. This included a review of valuation of investment properties, a key audit matter ("KAM") identified by the external auditor in the audit report for the financial year ended 31 August 2019.

The ARC considered the standing of the valuers and their independence, appropriateness of valuation methodologies, and underlying key assumptions applied in the valuation of investment properties. The ARC reviewed the outcome of the valuation process and discussed the details of the valuation with Management. They also assessed the findings of the external auditor and consulted with the external auditors. The ARC concluded that the accounting treatment and estimates in the KAM were appropriate.

External Auditors
Details of the aggregate amount of fees paid to the external auditors for FY2019, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found above.

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.

CORPORATE GOVERNANCE

Whistleblowing Policy
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, ARC Chairman and/or Chairman.

Internal Audit

The internal audit of the Manager is a function outsourced to SPH's IAD. Audit engagements for the Manager and SPH REIT form part of the audit workplan for SPH Group.

The role of the internal auditor is to provide reasonable assurance to the ARC that the risk management, system of internal controls and governance processes designed by the Management are adequate and effective.

SPH's IAD is staffed with seven audit executives, including the Head of Internal Audit. Most of the SPH's IAD staff have professional qualifications, and are members of the Institute of Singapore Chartered Accountants and/or Institute of Internal Auditors ("IIA"). Some are Certified Information Systems Auditor ("CISA"). All IAD staff have to adhere to a set of code of ethics adopted from the IIA. SPH's IAD is guided by the International Professional Practices Framework issued by the 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.

The Head of Internal Audit reports directly to the Chairman of the ARC on the Manager's and SPH REIT's audit matters. SPH's IAD has unrestricted direct access to all the Manager's and SPH REIT's documents, records, properties and personnel. SPH's IAD's reports are submitted to the ARC for deliberation with copies of these reports extended to the relevant senior management personnel. The ARC reviews and approves the annual IA plans and resources to ensure that SPH's IAD has the necessary resources to adequately perform its functions.

UNITHOLDER RIGHTS & ENGAGEMENT
UNITHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

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

Engagement with Unitholders
Principle 12: The Manager communicates regularly with its Unitholders and facilitates the participation of Unitholders during general meetings and other dialogues to allow Unitholders to communicate their views on various matters affecting SPH REIT.

CORPORATE GOVERNANCE

Managing Stakeholders Relationships

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

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.

SPH REIT prepares minutes of general meetings, which incorporates comments or queries from Unitholders and responses from the Board and management. These minutes are available on SPH REIT's website through which the Manager communicates and engages with Unitholders.

The Manager has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communications with unitholders. The investor relations policy sets out the mechanism through which unitholders may contact the Manager with questions and through which the Manager may respond to such questions.

At general meetings, each distinct issue is proposed as a separate resolution. For greater efficiency and transparency, resolutions are put to the vote by electronic poll voting. Independent scrutineers are appointed to conduct the voting process, and verify and tabulate votes after each resolution. The results of the electronic poll voting will be announced immediately after each resolution has been put to a vote, and the number of votes cast for and against and the respective percentages are displayed in real-time at the general meeting. The outcome of the general meeting is promptly announced on SGXNET after the general 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.

The Trust Deed does not allow a Unitholder to vote in absentia at general meetings, but allows any Unitholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings. In addition, Unitholders who hold shares through custodial institutions may attend the general meetings as observers.

SPH REIT targets to provide sustainable and progressive dividend payouts.

CORPORATE GOVERNANCE

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 FY2019 which are subject to disclosure requirements under the SGX-ST Listing Manual can be found on page 181 of this Annual Report.

Conflicts of interest

The Manager has instituted the following procedures to deal with potential conflicts of interest 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.

CORPORATE GOVERNANCE

(e) In respect of matters in which the Sponsor (SPH) 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 ARC comprises three independent directors. 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.

Fees Payable to the Manager

Pursuant to the CIS Code issued by MAS, the Manager is to disclose the methodology and justifications of fees which are payable out of the deposited property of a property fund.

The Manager is entitled to the following fees:

Base Fee

The Base Fee, which is contained in Clause 15.1.1 of the Trust Deed, is recurring and enables the Manager to cover the operational and administrative expenses incurred in the management of the portfolio. The Base Fee is calculated at a percentage of asset value as the asset value provides an appropriate metric to determine the resources for managing the assets.

CORPORATE GOVERNANCE

Performance Fee

The Performance Fee is contained in Clause 15.1.2 of the Trust Deed. It is based on NPI and measures the Manager's ongoing effort on the long-term sustainability of the properties through proactive leasing to retain existing tenants and attract new retailers to optimise tenant mix and rental income, as well as to improve operational efficiencies and manage cost prudently. This aligns the interests of the Manager with Unitholders as the Manager is motivated and incentivised to achieve income stability by ensuring the long-term sustainability of the assets through proactive asset management strategies and asset enhancement initiatives. The focus on sustainability of NPI performance addresses both revenue and cost drivers, and ensures the Manager take a long-term, holistic view in carrying out asset management and asset enhancement strategy, instead of taking excessive risks for short-term gains to the detriment of Unitholders.

Acquisition Fee

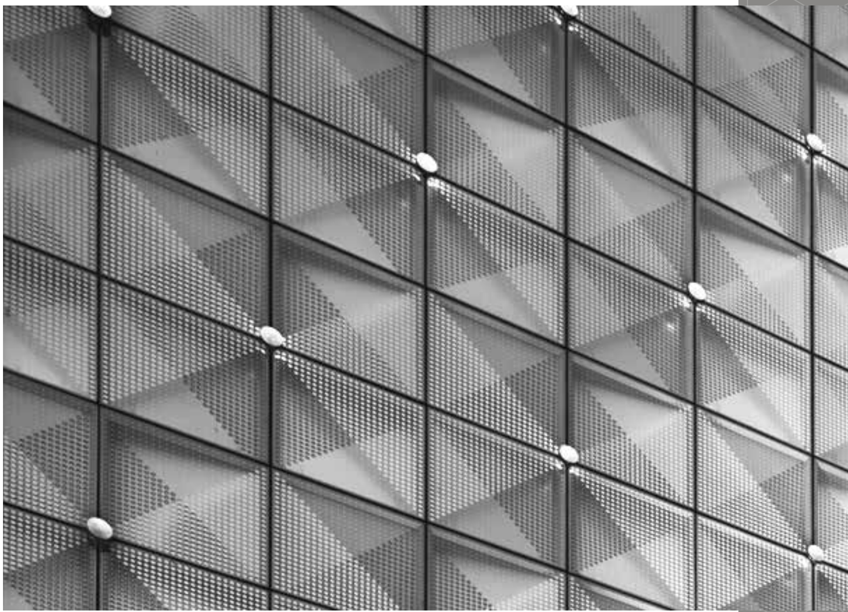
The Acquisition Fee, which is contained in Clause 15.2.1(i) of the Trust Deed, seeks to motivate the Manager to continually pursue quality, yield-accretive opportunities that will add value to the portfolio and deliver inorganic growth to Unitholders, These involve rigorous and disciplined assessment taking into consideration the valuation, yield- accretion, value creation opportunities and continued sustainability of each property. In addition, the Acquisition Fee allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition opportunities, including but not limited to, due diligence efforts and man hours spent in evaluating the transaction. The Acquisition Fee for non-Related Parties acquisitions is higher than the Acquisition Fee for Related Parties because there is additional work required to be undertaken in terms of sourcing, evaluating and conducting due diligence on a non-Related Party acquisition.

As required by the Property Funds Appendix, where real estate assets are acquired from an interested party, the Acquisition Fee payable to the Manager will be in the form of units which shall not be sold within one year from the date of issuance of the units.

Divestment Fee

The Divestment Fee, which is contained in Clause 15.2.1(ii) of the Trust Deed, seeks to motivate the Manager to review the portfolio for opportunities to unlock the underlying value of its existing properties. The fee compensates the Manager for the time, effort and resources expended in identifying and maximizing the value from potential divestment. The Manager provides these services over and above ongoing management services to enhance the long-term sustainability of existing properties. In addition, the Divestment Fee allows the Manager to recover additional costs and resources incurred by the Manager for the divestment, including but not limited to due diligence efforts and man hours spent in marketing and maximising the divestment price. The divestment fee is lower than Acquisition Fee to ensure fees are commensurate with the resources utilised to complete the transaction. The acquisition process is generally more time consuming than the divestment process as there are many considerations in an acquisition process such as property specifications, price, underlying tenancies and financial strength of the master lessee which are more complex than carrying out a divestment.

As required by the Property Funds Appendix, where real estate assets are disposed of to an interested party, the Divestment Fee payable to the Manager will be in the form of units which shall not be sold within one year from the date of issuance of the units.



FINANCIAL CONTENTS

REPORT OF THE TRUSTEE

For the financial year ended 31 August 2019

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of SPH REIT (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act, 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 supplemented by the First Supplemental Deed on 7 November 2016 and Second Supplemental Deed on 6 January 2017 between the Manager and the Trustee in each annual accounting year and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the financial year covered by these financial statements, set out on pages 113 to 178 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
10 October 2019

STATEMENT BY THE MANAGER

For the financial year ended 31 August 2019

In the opinion of the directors of SPH REIT Management Pte. Ltd., the accompanying financial statements set out on pages 113 to 178, comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Changes in Unitholders' Funds, Consolidated Statement of Cash Flows, Portfolio Statements and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of SPH REIT (the "Trust") and its subsidiaries (the "Group") as at 31 August 2019, the total return, distributable income, changes in Unitholders' funds and cash flows of the Group and the total return, distributable income and changes in Unitholders' funds of the Trust for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *"Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Trust will be able to meet its financial obligations as and when they materialise.

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

Leong Horn Kee
Chairman

Soon Tit Koon
Director

Singapore
10 October 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of SPH REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 August 2019, and the Statements of Total Return, Distribution Statements, Statements of Changes in Unitholders' Funds of the Group and the Trust and the Statement of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 113 to 178.

In our opinion, the accompanying consolidated financial statements of the Group and the Statements of Financial Position, Portfolio Statements, Statements of Total Return, Distribution Statement and Statements of Changes in Unitholders' Funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position and the portfolio holdings of the Trust as at 31 August 2019 and the consolidated total return, consolidated distributable income, consolidated changes in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and changes in Unitholders' funds of the Trust for the year then ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties
(Refer to Note 5 and 24(h) to the financial statements)

Risk:

Investment properties represent the single largest category of assets on the Statements of Financial Position, at S$3.6 billion as at 31 August 2019.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied i.e. a small change in the assumptions can have a significant impact to the valuation.

INDEPENDENT AUDITORS' REPORT

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

Our response:

We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the key assumptions used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

We also assessed whether the disclosures in the financial statements appropriately described the inherent degree of subjectivity and key assumptions in the valuations.

Our findings:

The valuers are members of recognised professional bodies for valuers and have confirmed their own independence in carrying out their work.

The valuation methodologies adopted by the valuers are in line with generally accepted market practices and the key assumptions used are within range of available market data. The disclosures in the financial statements are appropriate in their description of the inherent subjectivity and estimation involved.

Other information

SPH REIT Management Pte Ltd, the Manager of the Trust ("Manager") is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon. We have obtained all other information prior to the date of this auditors' report.

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

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

INDEPENDENT AUDITORS' REPORT

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

Responsibilities of the Manager for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lim Jek.

KPMG LLP
Public Accountants and Chartered Accountants

Singapore
10 October 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2019

	Note	Group		Trust	
		2019	2018	**2019**	2018
		S$'000	S$'000	**S$'000**	S$'000
Non-current assets					
Plant and equipment	4	**630**	682	**630**	682
Investment properties	5	**3,597,756**	3,368,300	**3,405,800**	3,368,300
Investment in subsidiary	6	**–**	–	**981**	–
Trade and other receivables	8	**–**	–	**97,149**	–
Derivative financial instruments	11	**1,865**	–	**1,865**	–
		3,600,251	3,368,982	**3,506,425**	3,368,982
Current assets					
Trade and other receivables	8	**5,494**	3,087	**2,603**	3,087
Cash and cash equivalents	9	**342,657**	35,965	**336,761**	35,965
		348,151	39,052	**339,364**	39,052
Total assets		**3,948,402**	3,408,034	**3,845,789**	3,408,034
Non-current liabilities					
Borrowings	10	**811,514**	683,261	**713,739**	683,261
Derivative financial instruments	11	**1,243**	2,814	**1,243**	2,814
Trade and other payables	12	**34,764**	32,622	**34,764**	32,622
		847,521	718,697	**749,746**	718,697
Current liabilities					
Borrowings	10	**279,625**	209,813	**279,625**	209,813
Derivative financial instruments	11	**1,561**	–	**1,561**	–
Trade and other payables	12	**48,258**	40,577	**45,156**	40,577
		329,444	250,390	**326,342**	250,390
Total liabilities		**1,176,965**	969,087	**1,076,088**	969,087
Net assets		**2,771,437**	2,438,947	**2,769,701**	2,438,947
Represented by:					
Unitholders' funds		**2,458,864**	2,438,947	**2,471,777**	2,438,947
Perpetual securities holders' fund	13	**297,924**	–	**297,924**	–
Non-controlling interests	14	**14,649**	–	**–**	–
		2,771,437	2,438,947	**2,769,701**	2,438,947
Units in issue ('000)	15	**2,588,701**	2,571,845	**2,588,701**	2,571,845
Net asset value per unit ($)		**0.95**	0.95	**0.95**	0.95

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

STATEMENTS OF TOTAL RETURN

For the financial year ended 31 August 2019

	Note	Group 2019 S$'000	Group 2018 S$'000	Trust 2019 S$'000	Trust 2018 S$'000
Gross revenue	17	**228,635**	211,802	**217,188**	211,802
Property operating expenses	18	**(48,856)**	(45,806)	**(45,953)**	(45,806)
Net property income		**179,779**	165,996	**171,235**	165,996
Income support		**–**	624	**–**	624
Amortisation of intangible asset		**–**	(624)	**–**	(624)
Write down of intangible asset		**–**	(876)	**–**	(876)
Manager's management fees	19	**(17,790)**	(16,688)	**(17,790)**	(16,688)
Investment management fees		**(542)**	–	**–**	–
Trustee's fees		**(520)**	(487)	**(504)**	(487)
Trust expenses	20	**(1,475)**	(1,133)	**(3,689)**	(1,133)
Dividend income from subsidiaries		**–**	–	**2,004**	–
Finance income		**765**	778	**725**	778
Finance costs	21	**(30,480)**	(24,506)	**(27,869)**	(24,506)
Net income		**129,737**	123,084	**124,112**	123,084
Fair value change on investment properties	5	**19,443**	14,772	**33,865**	14,772
Net foreign currency exchange differences		**–**	–	**3,618**	–
Total return for the year before taxes and distribution		**149,180**	137,856	**161,595**	137,856
Less: income tax	22	**(359)**	–	**(3)**	–
Total return for the year after taxes and before distribution		**148,821**	137,856	**161,592**	137,856
Attributable to:					
Unitholders of the Trust		**149,898**	137,856	**161,558**	137,856
Perpetual securities holders	13	**34**	–	**34**	–
Non-controlling interests	14	**(1,111)**	–	**–**	–
		148,821	137,856	**161,592**	137,856
Earnings per unit (cents)					
Basic and diluted	23	**5.79**	5.36	**6.24**	5.36

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

DISTRIBUTION STATEMENTS

For the financial year ended 31 August 2019

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Income available for distribution to Unitholders at beginning of the year	**38,785**	38,304	**38,785**	38,304
Total return attributable to Unitholders	**149,898**	137,856	**161,558**	137,856
(Less)/Add: Net tax adjustments (Note A)	**(4,864)**	4,454	**(16,524)**	4,454
Total income available for distribution to Unitholders for the year	**183,819**	180,614	**183,819**	180,614
Distribution to Unitholders				
– Distribution of 1.42 cents per unit for the period from 1 June 2017 to 31 August 2017	**–**	(36,297)	**–**	(36,297)
– Distribution of 1.34 cents per unit for the period from 1 September 2017 to 30 November 2017	**–**	(34,380)	**–**	(34,380)
– Distribution of 1.40 cents per unit for the period from 1 December 2017 to 28 February 2018	**–**	(35,947)	**–**	(35,947)
– Distribution of 1.37 cents per unit for the period from 1 March 2018 to 31 May 2018	**–**	(35,205)	**–**	(35,205)
– Distribution of 1.43 cents per unit for the period from 1 June 2018 to 31 August 2018	**(36,778)**	–	**(36,778)**	–
– Distribution of 1.34 cents per unit for the period from 1 September 2018 to 30 November 2018	**(34,602)**	–	**(34,602)**	–
– Distribution of 1.41 cents per unit for the period from 1 December 2018 to 28 February 2019	**(36,440)**	–	**(36,440)**	–
– Distribution of 1.39 cents per unit for the period from 1 March 2019 to 31 May 2019	**(35,953)**	–	**(35,953)**	–
	(143,773)	(141,829)	**(143,773)**	(141,829)
Income available for distribution to Unitholders at end of the year	**40,046**	38,785	**40,046**	38,785

Note A – Net tax adjustments				
Non-tax deductible items:				
Manager's management fees	**16,791**	16,688	**16,791**	16,688
Trustee's fees	**520**	487	**504**	487
Amortisation of intangible asset	**–**	624	**–**	624
Amortisation of upfront fee for loan facility	**943**	1,552	**908**	1,552
Fair value change on investment properties	**(21,329)**	(14,772)	**(33,865)**	(14,772)
Net foreign currency exchange differences	**–**	–	**(3,621)**	–
Net income from subsidiaries	**(4,134)**	–	**(2,004)**	–
Cost incurred to acquire subsidiaries	**2,096**	–	**4,678**	–
Other items	**249**	(125)	**85**	(125)
Net tax adjustments	**(4,864)**	4,454	**(16,524)**	4,454

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 August 2019

	Group		Trust	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Balance as at beginning of year	**2,438,947**	2,421,060	**2,438,947**	2,421,060
Operations				
Total return for the year after tax attributable to Unitholders of the Trust	**149,898**	137,856	**161,558**	137,856
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	**(3,295)**	1,422	**(3,295)**	1,422
Net change in fair value of cash flow hedge reclassified to Statements of Total Return	**1,549**	3,750	**1,549**	3,750
Foreign currency translation reserve				
Translation differences from financial statements of foreign operations	**(1,253)**	–	**–**	–
Net (loss)/gain recognised directly in Unitholders' funds	**(2,999)**	5,172	**(1,746)**	5,172
Unitholders' transactions				
Distribution to unitholders	**(143,773)**	(141,829)	**(143,773)**	(141,829)
Manager's fee paid/payable in units	**16,791**	16,688	**16,791**	16,688
	(126,982)	(125,141)	**(126,982)**	(125,141)
Balance as at end of year	**2,458,864**	2,438,947	**2,471,777**	2,438,947
Perpetual securities holders' funds				
Balance as at beginning of year	**–**	–	**–**	–
Issue of perpetual securities	**300,000**	–	**300,000**	–
Issue costs	**(2,110)**	–	**(2,110)**	–
Amount reserved for distribution to perpetual securities holders	**34**	–	**34**	–
Balance as at end of year	**297,924**	–	**297,924**	–

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2019

	Group	
	2019	2018
	S$'000	S$'000
Cash flows from operating activities		
Total return for the year	**148,821**	137,856
Adjustments for:		
Fair value change on investment properties	**(19,443)**	(14,772)
Manager's fee paid/payable in units	**16,791**	16,688
Depreciation of plant and equipment	**187**	212
Finance income	**(765)**	(778)
Finance costs	**30,480**	24,506
Amortisation of intangible asset	**–**	624
Write down of intangible asset	**–**	876
Straight-line rental adjustments	**64**	(251)
Operating cash flow before working capital changes	**176,135**	164,961
Changes in operating assets and liabilities		
Trade and other receivables	**(2,468)**	478
Trade and other payables	**6,804**	(599)
Net cash from operating activities	**180,471**	164,840
Cash flows from investing activities		
Acquisition of investment property	**(207,670)**	(65,081)
Additions to investment properties	**(7,869)**	(6,911)
Purchase of plant and equipment	**(71)**	(24)
Interest received	**762**	817
Net cash used in investing activities	**(214,848)**	(71,199)
Cash flows from financing activities		
Payment of transaction costs related to borrowing	**(478)**	(860)
Perpetual securities	**300,000**	–
Issue cost of perpetual securities	**(2,110)**	–
Proceeds from issue of units to non-controlling interests	**16,834**	–
Proceeds from bank loan (net of transaction costs)	**200,115**	44,933
Distribution to unitholders	**(143,773)**	(141,829)
Distributions to non-controlling interests of a subsidiary	**(450)**	–
Interest paid	**(28,879)**	(22,925)
Net cash from/(used in) financing activities	**341,259**	(120,681)
Net increase/(decrease) in cash and cash equivalents	**306,882**	(27,040)
Effect of exchange rate fluctuations on cash and cash equivalents held	**(190)**	–
Cash and cash equivalents at beginning of the year	**35,965**	63,005
Cash and cash equivalents at end of the year	**342,657**	35,965

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

PORTFOLIO STATEMENT OF THE GROUP

For the financial year ended 31 August 2019

Description of Property	Location	Tenure of Land	Term of Lease
Investment properties in Singapore			
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 July 2013 (Listing date)
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 August 2010
The Rail Mall	380 to 400 & 422 to 484 (Even Nos) Upper Bukit Timah Road, Singapore 678040 to 678050 & 678051 to 678087	Leasehold	99 years, commencing on 18 March 1947
Investment property in Australia			
Figtree Grove Shopping Centre[1]	19 & 23 Princes Highway, Figtree, Wollongong, NSW 2525	Freehold	–
Portfolio of investment properties			
Other assets and liabilities (net)			
Net assets of the Group			
Perpetual securities holders' funds			
Non-controlling interests			
Unitholders' funds			

1 The acquisition of Figtree Grove Shopping Centre was completed on 21 December 2018.

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

PORTFOLIO STATEMENT OF THE GROUP

For the financial year ended 31 August 2019

Remaining Term of Lease 31 August 2019	Occupancy Rate as at 31 August 2019 (%)	Occupancy Rate as at 31 August 2018 (%)	At Valuation 31 August 2019 S$'000	At Valuation 31 August 2018 S$'000	Percentage of Unitholders' funds 31 August 2019 (%)	Percentage of Unitholders' funds 31 August 2018 (%)
93 years	**99.8**	99.6	**2,745,000**	2,719,000	**111**	111
90 years	**100.0**	100.0	**597,000**	586,000	**24**	24
27 years	**84.3**	94.8	**63,800**	63,300	**3**	3
–	**99.2**	–	**191,956**	–	**8**	–
			3,597,756	3,368,300	**146**	138
			(826,319)	(929,353)	**(33)**	(38)
			2,771,437	2,438,947	**113**	100
			(297,924)	–	**(12)**	–
			(14,649)	–	**(1)**	–
			2,458,864	2,438,937	**100**	100

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

PORTFOLIO STATEMENT OF THE TRUST

For the financial year ended 31 August 2019

Description of Property	Location	Tenure of Land	Term of Lease
Investment properties in Singapore			
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 July 2013 (Listing date)
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 August 2010
The Rail Mall	380 to 400 & 422 to 484 (Even Nos) Upper Bukit Timah Road, Singapore 678040 to 678050 & 678051 to 678087	Leasehold	99 years, commencing on 18 March 1947
Portfolio of investment properties			
Other assets and liabilities (net)			
Net assets of the Trust			
Perpetual securities holders' funds			
Unitholders' funds			

PORTFOLIO DETAILS

Investment properties in Singapore

The carrying amount of the investment properties were based on independent valuations as at 31 August 2019 and 31 August 2018 conducted by Edmund Tie & Company (SEA) Pte Ltd ("ETC"). ETC 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 Statements of Total Return.

Investment property in Australia

The carrying amount of the investment property was based on independent valuation as at 31 August 2019 conducted by M3property Pty Ltd ("M3"). M3 has appropriate professional qualifications and experience in the location and category of the property being valued. The valuation of the investment property was based on the discounted cash flow and capitalisation methods. The net change in fair value has been recognised in the Statements of Total Return.

PORTFOLIO STATEMENT OF THE TRUST

For the financial year ended 31 August 2019

Remaining Term of Lease 31 August 2019	Occupancy Rate as at 31 August 2019 (%)	Occupancy Rate as at 31 August 2018 (%)	At Valuation 31 August 2019 S$'000	At Valuation 31 August 2018 S$'000	Percentage of Unitholders' funds 31 August 2019 (%)	Percentage of Unitholders' funds 31 August 2018 (%)
93 years	**99.8**	99.6	**2,745,000**	2,719,000	**111**	111
90 years	**100.0**	100.0	**597,000**	586,000	**24**	24
27 years	**84.3**	94.8	**63,800**	63,300	**3**	3
			3,405,800	3,368,300	**138**	138
			(636,099)	(929,353)	**(26)**	(38)
			2,769,701	2,438,947	**112**	100
			(297,924)	–	**(12)**	–
			2,471,777	2,438,947	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

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 supplemented by the First Supplemental Deed on 7 November 2016 and Second Supplemental Deed on 6 January 2017 (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 and its subsidiaries 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 financial statements of the Trust as at and for the year ended 31 August 2019 comprise the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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 5.0% 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. The Management fees payable in units will be computed 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 end date of the relevant financial quarter, to which such fees relate. The base fees are payable quarterly in arrears. The annual performance fees are payable annually in arrears.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

1. GENERAL INFORMATION (CONT'D)

(b) Manager's management fees (cont'd)

For the period from 24 July 2013 (listing date) to 28 February 2017 and from 1 September 2017 to 31 May 2019, the Manager has elected to receive 100% of management fees in units.

The Manager has elected for partial payment of management fees in cash for the half year from 1 March 2017 to 31 August 2017 and for the period from 1 June 2019 to 31 August 2019.

For all acquisitions or disposals of properties or investments, the Manager is entitled to receive acquisition fee at 0.75% of the purchase price for acquisition from related parties and 1.0% for all other cases and a divestment fee of 0.5% of the sale price.

(c) Property Manager's management fees

(i) 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 2019, the property management fees are paid in cash.

(ii) Project management fees

The Property Manager is entitled to receive project management fees ranging between 1.25% and 5% of the total construction cost, for the development or redevelopment, the refurbishment, retrofitting and renovation works on or in respect of a property. The project management fees are payable to the Property Manager in the form of cash and/or units.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

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*" revised and 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 ("FRS").

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policies

The Group has applied the recognition and measurement principles of the following FRSs, for the annual period beginning on 1 September 2018:

- FRS 115 *Revenue from Contracts with Customers*
- FRS 109 *Financial Instruments*

The application of the above standards did not have a material effect on the financial statements.

FRS 109 *Financial Instruments*

(i) Classification and measurement of financial assets and financial liabilities

Under FRS 109, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 *Financial Instruments: Recognition and Measurement* categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group and the Trust classify and measure financial assets and financial liabilities and related gains and losses under the FRS 109, see note 2(h) and 2(i).

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 of each class of the Group's and the Trust's financial assets and financial liabilities as at 1 September 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Changes in accounting policies (cont'd)

FRS 109 *Financial Instruments* (cont'd)

(i) Classification and measurement of financial assets and financial liabilities (cont'd)

			1 September 2018	
	Original classification under FRS 39	**New classification under FRS 109**	**Original carrying amount under FRS 39 S$'000**	**New carrying amount under FRS 109 S$'000**
Group and Trust				
Financial assets				
Trade and other receivables excluding non-financial instruments	Loans and receivables	Amortised costs	2,905	2,905
Cash and cash equivalents	Loans and receivables	Amortised costs	35,965	35,965
Total financial assets			38,870	38,870
Financial liabilities				
Trade and other payables excluding non-financial instruments	Other financial liabilities	Other financial liabilities	(70,481)	(70,481)
Borrowings	Other financial liabilities	Other financial liabilities	(893,074)	(893,074)
Derivative financial instruments	Fair value –hedging instrument	Fair value –hedging instrument	(2,814)	(2,814)
Total financial liabilities			(966,369)	(966,369)

(ii) Impairment

FRS 109 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' model. The Group and the Trust applies the simplified approach and records lifetime expected credit loss on all trade receivables (see note 2(h)(v)). The change in the impairment loss amount was negligible.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group Accounting

(i) Subsidiaries

- Consolidation

  The consolidated financial statements include the financial statements of the Trust and its subsidiaries made up to the end of the financial year.

  Subsidiaries are entities controlled by the Group, generally accompanied by a shareholding of more than one half of the voting rights. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

  In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

  Non-controlling interests are that part of net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Trust. They are shown separately in the Statements of Total Return and Statements of Financial Position. Total return is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

- Acquisitions

  The acquisition method of accounting is used to account for business combinations by the Group.

  The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

- Acquisitions (cont'd)

  Acquisition-related costs are expensed as incurred.

  Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

  On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

  Goodwill arising from business combination is the excess of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets and contingent liabilities acquired. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Statements of Total Return.

  Goodwill arising from business combination is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

  The gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

- Disposals

  Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any amounts previously recognised in unitholder's funds in respect of that entity are transferred to the Statements of Total Return or transferred directly to retained earnings if required by a specific standard.

  Any retained interest in the entity is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the Statements of Total Return.

- Transactions with non-controlling interests

  Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with unitholders of the Group. Any difference between the change in the carrying amount of the non-controlling interest and the fair value of the consideration paid or received is recognised in unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars ("presentation currency"), which is also the Trust's functional currency. All financial information presented in Singapore Dollars have been rounded to the nearest thousand, unless otherwise stated.

(ii) Transactions and balances

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 gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are taken to the Statements 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. Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the reporting date;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are taken to unitholders' funds and transferred to the Statements of Total Return upon the disposal of the foreign operation as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the reporting date.

Foreign currency differences are recognised in unitholders' funds. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the Statements of Total Return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Currency translation (cont'd)

(iv) Net investment in a foreign operation

When a derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognised in unitholders' funds and presented in the foreign currency translation reserve. Any ineffective portion of the changes in the foreign exchange gains and losses is recognised in the Statements of Total Return. The amount recognised in unitholders' funds is reclassified to Statements of Total Return as a reclassification adjustment on disposal of the foreign operation.

(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 Statements 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 Statements of Total Return. The cost of maintenance, repairs and minor improvements is charged to the Statements 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 Statements 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

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in the Statements of Total Return when the changes arise.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Plant and equipment (cont'd)

(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 Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the Statements 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 Statements of Total Return.

(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 Statements of Total Return on a systematic basis over its estimated useful life.

(g) Cash and cash equivalents

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

Policy applicable from 1 September 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

- Financial assets at amortised cost

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

  – it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

  – its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (cont'd)

(i) Classification (cont'd)

<u>Financial assets: Business model assessment – Policy applicable from 1 September 2018</u>

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

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

<u>Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 September 2018</u>

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

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

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable rate features;

– prepayment and extension features; and

– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (cont'd)

(i) Classification (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 September 2018 (cont'd)

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

Policy applicable before 1 September 2018

The Group 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. Management 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 twelve months after the reporting 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 Group 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 Group 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 Statements of Total Return. Any amounts in the fair value reserve relating to that asset is also transferred to the Statements of Total Return.

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (cont'd)

(iv) Subsequent measurement

Policy applicable from 1 September 2018

- Financial assets at amortised cost

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

Policy applicable before 1 September 2018

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

(v) Impairment

Policy applicable from 1 September 2018

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

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

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

– Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

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

General approach

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (cont'd)

(v) Impairment (cont'd)

Policy applicable from 1 September 2018 (cont'd)

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

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

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (cont'd)

(v) Impairment (cont'd)

Policy applicable from 1 September 2018 (cont'd)

Presentation of allowance for ECLs in the Statements of Financial Position

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

Write-off

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

Policy applicable before 1 September 2018

The Group assesses at each reporting 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.

- Loans and receivables

  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 Statements 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 Statements of Total Return.

  The allowance for impairment loss account is reduced through the Statements 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.

(vi) Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Derivative financial instruments and hedging activities

Policy applicable from 1 September 2018

Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities.

A derivative 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 Group 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 Group 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 Group 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.

Hedging relationships designated under FRS 39 that were still existing as at 31 August 2018 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of FRS 109.

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 twelve months, and as a current asset or liability if the remaining expected life of the hedged item is less than twelve months. The fair value of a trading derivative is presented as a current asset or liability.

(i) Cash flow hedge

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings 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 unitholders' funds and accumulated in the hedging reserve and transferred to the Statements of Total Return in the periods when the interest expense on the borrowings is recognised in the Statements of Total Return. The gain or loss relating to the ineffective portion is recognised immediately in the Statements of Total Return.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Policy applicable from 1 September 2018 (cont'd)

(ii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the Statements of Total Return.

Policy applicable before 1 September 2018

The policy applied in the comparative information presented for 2018 is similar to that applied for 2019. For all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to the Statements of Total Return in the same period or periods during which the hedged expected future cash flows affect the Statements 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 as at the reporting 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 reporting 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.

(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.

An impairment loss is recognised when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU). Recoverable amount of the asset (or CGU) is the higher of the asset's (or CGU's) fair value less cost to sell and value-in-use.

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 Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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

Rental income from operating leases

Rental income receivable under operating leases is recognised as 'revenue' on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period in which they are earned. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Dividend income

Dividend income is recognised in the Statements of Total Return on the date that the right to receive payment is established.

Interest income

Interest income is recognised using the effective interest method.

(n) Income taxes

Current tax for current and prior years 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 reporting date.

Deferred 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 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 tax is measured:

(i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes (cont'd)

Deferred tax liabilities are recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred 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 Statements of Total Return, except to the extent that the tax arises from a transaction which is recognised directly in unitholders' funds.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes (cont'd)

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

The Trust distribution policy is to distribute at least 90% of its 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. The actual level of distribution will be determined at the Manager's discretion, taking into consideration the Trust's capital management and funding requirements.

(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) Finance costs

Finance costs are recognised in the Statements of Total Return using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 Statements of Total Return over the period of the borrowing using the effective interest method.

Borrowing is presented as a current liability unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting 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.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(s) Provisions

Provisions are recognised when the Group 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 Group 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 Statements 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 Statements 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.

(v) Earnings per unit

Basic earnings per unit is calculated by dividing the total return for the year after tax attributable to unitholders of the Trust by the weighted average number of units outstanding during the year. Diluted earnings per unit is determined by adjusting the total return for the year after tax attributable to unitholders of the Trust and the weighted average number of units outstanding, adjusted for the effects of all dilutive potential units.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

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 which have significant effect on amounts recognised relates to the fair value of investment properties which is based on independent professional valuations, determined using valuation techniques and assumptions set out in (Note 5).

4. PLANT AND EQUIPMENT

	Group and Trust	
	2019	2018
	S$'000	S$'000
Cost		
Beginning of financial year	**1,573**	1,522
Additions	**135**	51
End of financial year	**1,708**	1,573
Accumulated depreciation		
Beginning of financial year	**891**	679
Depreciation charge	**187**	212
End of financial year	**1,078**	891
Net book value		
Beginning of financial year	**682**	843
End of financial year	**630**	682

5. INVESTMENT PROPERTIES

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Beginning of financial year	**3,368,300**	3,278,000	**3,368,300**	3,278,000
Acquisition of investment property[1]	**211,250**	65,955	**–**	65,955
Additions	**3,845**	9,573	**3,635**	9,573
Fair value change	**19,443**	14,772	**33,865**	14,772
Translation differences	**(5,082)**	–	**–**	–
End of financial year	**3,597,756**	3,368,300	**3,405,800**	3,368,300

1 Included acquisition fees and acquisition related expenses of S$14.422 million (2018: S$2.717 million).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

5. INVESTMENT PROPERTIES (CONT'D)

In determining the fair value, the independent external 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 24(h).

The net change in fair value of the investment properties has been recognised in the Statements of Total Return in accordance with the Trust's accounting policies.

At 31 August 2019, investment properties with a carrying amount of approximately S$2,937 million (2018: S$2,719 million) are mortgaged to banks as security for the term loans (Note 10).

6. INVESTMENT IN SUBSIDIARY

	Trust	
	2019	2018
	S$'000	S$'000
Equity investment at cost	**981**	–

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Effective Interests held by the Group	
		2019	2018
		%	%
Held by the Trust			
SPH REIT (Investments) Pte. Ltd.[1]	Singapore	**100**	–
Held through subsidiaries			
Held by SPH REIT (Investments) Pte. Ltd.			
SPH REIT Australia Trust[2]	Australia	**100**	–
Held by SPH REIT Australia Trust			
SPH REIT Moelis Australia Trust[3]	Australia	**85**	–
Held by SPH REIT Moelis Australia Trust			
Figtree Holding Trust[3]	Australia	**85**	–
Held by Figtree Holding Trust			
Figtree Trust[3]	Australia	**85**	–

1 Audited by KPMG LLP Singapore
2 Exempted from statutory audit
3 Audited by KPMG LLP Australia

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

6. INVESTMENT IN SUBSIDIARY (CONT'D)

Acquisition of subsidiary

On 21 December 2018, the Trust completed its acquisition of Figtree Grove Shopping Centre for a total consideration of approximately S$208.5 million, which include acquisition fees and acquisition related expenses of S$14.4 million. The Trust's acquisition was through a 85% owned subsidiary, SPH REIT Moelis Australia Trust.

From the date of acquisition to 31 August 2019, Figtree Grove Shopping Centre has contributed gross revenue of S$11.4 million and total return of S$5.2 million to the Group's results. If the acquisition had occurred on 1 September 2018, the Manager estimates that the contribution to the Group's gross revenue and total return from Figtree Grove Shopping Centre would have been S$16.4 million and S$7.4 million respectively. In determining this amount, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 September 2018.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition dates.

	2019 S$'000
Investment properties	**196,828**
Trade and other receivables	**191**
Trade and other payables	**(2,974)**
Total identifiable net assets acquired	**194,045**
Total consideration	**194,045**
Add: Acquisition fees and acquisition related expenses	**14,422**
Less: Consideration not yet paid	**(797)**
Total net cash outflow	**207,670**

As at 31 August 2019, the Completion Amount Statement remains under negotiation between SPH REIT Moelis Australia Trust and the vendor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

7. INTANGIBLE ASSET

	2019 S$'000	2018 S$'000
Cost		
Beginning of financial year	**17,500**	17,500
Write off of intangible asset	**(17,500)**	–
End of financial year	**–**	17,500
Accumulated amortisation		
Beginning of financial year	**17,500**	16,000
Amortisation	**–**	624
Write down of intangible asset	**–**	876
Write off of intangible asset	**(17,500)**	–
End of financial year	**–**	17,500
Carrying amounts		
Beginning of financial year	**–**	1,500
End of financial year	**–**	–

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 was provided for five years from listing date on 24 July 2013 and ended on 23 July 2018. The total amount drawn for the five years was S$12.2 million.

In previous financial year, the write down of intangible asset arose due to a lower amount of income support drawdown as a result of better performance of The Clementi Mall.

In current financial year, the intangible asset has been written off.

8. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Non-current				
Amount owing by subsidiaries	**–**	–	**97,149**	–
Current				
Trade receivables from non-related parties	**4,031**	1,416	**2,232**	1,416
Amount owing by related parties	**9**	540	**9**	540
Other receivables	**156**	756	**94**	756
Deposits	**125**	179	**125**	179
Accrued interest	**17**	14	**17**	14
Prepayments	**508**	182	**126**	182
Other asset	**648**	–	**–**	–
	5,494	3,087	**2,603**	3,087

The amount owing by subsidiaries is non-trade in nature, unsecured, interest free and repayable on demand. The amount is not expected to be repaid in the next 12 months.

The amount owing by related parties is non-trade in nature, unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

9. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Cash held as fixed bank deposit	**298,000**	18,000	**298,000**	18,000
Cash and bank balances	**44,657**	17,965	**38,761**	17,965
	342,657	35,965	**336,761**	35,965

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 2.27% (2018: 0% to 2.22%) and 0% to 2.27% (2018: 0% to 2.22%) per annum for the Group and the Trust respectively. During the current financial year, the Group and the Trust's fixed bank deposit was placed for a month with an interest rate of 2.04% per annum. During the previous financial year, the Group and the Trust's fixed bank deposits were placed for varying periods of generally up to 6 months, with interest rates ranging from 1.16% to 1.83% per annum.

10. BORROWINGS

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Secured term loans	**1,093,112**	895,000	**995,000**	895,000
Less: Unamortised transaction costs	**(1,973)**	(1,926)	**(1,636)**	(1,926)
	1,091,139	893,074	**993,364**	893,074
Borrowings repayable:				
Within 1 year	**279,625**	209,813	**279,625**	209,813
Between 1 – 5 years	**811,514**	683,261	**713,739**	683,261
	1,091,139	893,074	**993,364**	893,074

The Group and the Trust secured term loans amounted to S$1.1 billion (2018: S$895 million) and S$995 million (2018: S$895 million) respectively.

The exposure of the Group and the Trust to liquidity and interest rate risks related to interest-bearing borrowings are disclosed in note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

10. BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding interest-bearing borrowings are as follows:

	Currency	Weighted average nominal interest rate %	Year to maturity	**2019** Face value S$'000	**2019** Carrying amount S$'000	2018 Face value S$'000	2018 Carrying amount S$'000
Group							
Fixed rate loans	SGD	2.58	2021 – 2022	**185,000**	**184,736**	250,000	249,553
Fixed rate loan	AUD	3.69	2023	**79,424**	**79,151**	–	–
Floating rate loans	SGD	2.58	2020 – 2024	**810,000**	**808,628**	645,000	643,521
Floating rate loan	AUD	3.05	2023	**18,688**	**18,624**	–	–
Trust							
Fixed rate loans	SGD	2.58	2021 – 2022	**185,000**	**184,736**	250,000	249,553
Floating rate loans	SGD	2.58	2020 – 2024	**810,000**	**808,628**	645,000	643,521

The SGD term loan of S$995 million is secured by way of the following:

- First legal mortgage on Paragon (Note 5)
- First legal charge over the tenancy account and sales proceeds account for Paragon
- Assignment of certain insurances taken in relation to Paragon

The AUD term loan balance of A$105 million is secured by way of mortgage on Figtree Grove Shopping Centre (Note 5).

In respect of bank borrowings, where appropriate, the Group's policy is to manage its interest rate risk exposure by entering into fixed rate loan and/or interest rate swaps over the duration of its borrowing. Accordingly, the Group 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 Group agreed with other parties to pay/receive 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 2019, the Group and the Trust's fixed rate loan and loans hedged with interest rate swaps amounted to S$718 million (2018: S$625 million) and S$639 million (2018: S$625 million) respectively. The fixed interest rates of the Group and the Trust were from 2.04% to 3.69% (2018: 1.44% to 2.65%) and 2.04% to 3.28% (2018: 1.44% to 2.65%) per annum respectively. The floating rates of SGD term loans are referenced to Singapore dollar swap offer rate and repriced every three months. The floating rate of AUD term loan is referenced to Australian dollar bank bill swap rate and repriced every three months. The effective interest rates of the Group and the Trust as at the reporting date was 2.91% (2018: 2.85%) and 2.86% (2018: 2.85%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

10. BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Borrowings S$'000	Interest payable S$'000	Total S$'000
Group			
2019			
Beginning of financial year	**893,074**	**2,509**	**895,583**
Changes from financing cash flows			
Payment of transaction costs related to borrowing	**(478)**	**–**	**(478)**
Proceeds from bank loans (net of transaction costs)	**200,115**	**–**	**200,115**
Interest paid	**–**	**(28,879)**	**(28,879)**
Total changes from financing activities	**199,637**	**(28,879)**	**170,758**
Non-cash changes			
Finance costs	**–**	**29,458**	**29,458**
Amortisation of transaction costs	**1,022**	**–**	**1,022**
Translation differences	**(2,594)**	**–**	**(2,594)**
End of financial year	**1,091,139**	**3,088**	**1,094,227**
2018			
Beginning of financial year	847,427	2,498	849,925
Changes from financing cash flows			
Payment of transaction costs related to borrowing	(838)	–	(838)
Proceeds from bank loans (net of transaction costs)	44,933	–	44,933
Interest paid	–	(22,925)	(22,925)
Total changes from financing activities	44,095	(22,925)	21,170
Non-cash changes			
Finance costs	–	22,936	22,936
Amortisation of transaction costs	1,552	–	1,552
End of financial year	893,074	2,509	895,583

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

11. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Trust	
	Contract notional amount S$'000	**Fair value amount* S$'000**
2019		
Non-current assets		
Group: Net investment hedge/ Trust: FVTPL		
– Cross currency interest-rate swaps	**78,904**	**910**
– Cross currency swaps	**19,233**	**955**
	98,137	**1,865**
Non-current liabilities		
Cash flow hedge		
–Interest-rate swaps	**95,000**	**(1,243)**
Current liabilities		
Cash flow hedge		
–Interest-rate swaps	**280,000**	**(1,561)**
2018		
Non-current liabilities		
Cash flow hedge		
–Interest-rate swaps	375,000	(2,814)

The Cross currency interest-rate swaps and Cross currency swaps will be collectively termed as "Cross currency swaps".

The notional principal amounts of the outstanding cross currency interest-rate swaps, cross currency swaps and interest rate swap contracts and their corresponding fair values as at 31 August 2019 are:

	Group and Trust	
	2019 S$'000	2018 S$'000
Notional due:		
Within 1 year	**280,000**	–
Between 1 – 5 years	**193,137**	375,000
Total	**473,137**	375,000

* The fair values of cross currency interest-rate swaps, cross currency swaps and interest rate swap contracts had been calculated (using rates quoted by the Trust's bankers) assuming the contracts are terminated at the reporting date. These interest rate swaps are contracted with counter-parties which are banks and financial institutions with acceptable credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

12. TRADE AND OTHER PAYABLES

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Non-current				
Deposits received	**34,764**	32,622	**34,764**	32,622
Current				
Trade payable to non-related parties	**2,074**	347	**334**	347
Amount owing to ultimate holding company	**26**	–	**26**	
Amount owing to related parties	**3,963**	2,373	**3,963**	2,373
Amount owing to non-controlling interests	**248**	–	**–**	–
Other payables	**6,414**	7,458	**6,246**	7,458
Accrued expense	**8,598**	6,600	**8,119**	6,600
Interest payable	**3,088**	2,509	**3,088**	2,509
Deposits received	**20,247**	18,572	**20,247**	18,572
Collections in advance	**3,600**	2,718	**3,133**	2,718
	48,258	40,577	**45,156**	40,577

The amount owing to related parties is trade in nature, unsecured, interest-free and repayable on demand. Included in the amount owing to related parties of the Group and the Trust, is an amount of S$1.0 million of manager's management fee for 2019 that is payable in the form of cash.

The amounts owing to ultimate holding company and non-controlling interests are non-trade in nature, unsecured, interest-free and repayable on demand.

13. PERPETUAL SECURITIES HOLDERS' FUND

On 30 August 2019, the Trust issued S$300.0 million of subordinated perpetual securities at a rate of 4.10% per annum, with the first distribution rate reset falling on 30 August 2024 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative. Accordingly, the perpetual securities are classified as equity. The expenses relating to the issue of the perpetual securities are deducted against the proceeds from the issue.

The perpetual securities are classified as equity instruments and recorded within the Group's and Trust's Statements of Financial Position. As at 31 August 2019, the S$297.9 million (2018: S$ Nil) presented in the Statements of Financial Position represents the carrying value of the S$300.0 million (2018: S$ Nil) perpetual securities issued, net of issue costs and includes the amount reserved for distribution to the perpetual securities holders as at year-end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

14. NON-CONTROLLING INTERESTS

On 21 December 2018, the Group acquired 85% interest in Moelis Australia Trust (refer to Note 6). Accordingly, at the reporting date, the Group only had one subsidiary with non-controlling interest of 15%. The non-controlling interest is not material to the Group.

15. UNITS IN ISSUE

	Trust	
	2019	2018
	'000	'000
Units in issue		
Beginning of financial year	**2,571,845**	2,556,106
Issue of new units:		
– Manager's fee paid in units	**16,856**	15,739
End of financial year	**2,588,701**	2,571,845

During the financial year, the Trust issued 16,856,043 (2018:15,739,303) new units at the issue price range of S$0.9931 to S$1.0411 (2018: S$0.9756 to S$1.0377 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; and
- 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.

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 financial year ended 31 August 2019

16. CAPITAL AND OTHER COMMITMENTS

(a) Commitments for capital expenditure

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Authorised and contracted for				
– investment properties	**530**	1,205	**342**	1,205

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

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

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Within 1 year	**194,649**	187,868	**183,490**	187,868
Between 1 – 5 years	**203,488**	199,760	**171,727**	199,760
After 5 years	**23,374**	–	**235**	–
	421,511	387,628	**355,452**	387,628

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

17. GROSS REVENUE

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Rental income	**218,532**	202,498	**209,265**	202,498
Car park income	**6,417**	6,305	**6,417**	6,305
Other income	**3,686**	2,999	**1,506**	2,999
	228,635	211,802	**217,188**	211,802

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

18. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Property tax	**19,775**	19,027	**19,477**	19,027
Maintenance and utilities	**12,614**	11,480	**11,001**	11,480
Property management fees	**9,487**	8,590	**8,849**	8,590
Marketing	**3,311**	3,579	**3,210**	3,579
Staff cost	**2,894**	2,626	**2,894**	2,626
Others	**775**	504	**522**	504
	48,856	45,806	**45,953**	45,806

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 Group's payroll as its daily operations and administrative functions are provided by the Manager and the Property Manager.

19. MANAGER'S MANAGEMENT FEES

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Base fee	**8,875**	8,401	**8,875**	8,401
Performance fee	**8,915**	8,287	**8,915**	8,287
	17,790	16,688	**17,790**	16,688

During financial year 2019, the manager's management fees of the Group and the Trust that are paid/payable in the form of cash amounted to S$1.0 million (2018: S$Nil).

20. TRUST EXPENSES

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Auditor's remuneration				
– audit fees	**260**	181	**205**	181
– non-audit fees	**66**	55	**66**	55
Valuation expense	**96**	75	**96**	75
Consultancy and other professional fees	**462**	391	**2,796**	391
Other expenses	**591**	431	**526**	431
	1,475	1,133	**3,689**	1,133

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

21. FINANCE COSTS

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Interest on borrowing	**27,909**	19,186	**25,377**	19,186
Amortisation of upfront fee for loan facility	**1,022**	1,552	**943**	1,552
Other financial expenses	**–**	18	**–**	18
Cash flow hedges – loss reclassified from Unitholders' Funds	**1,549**	3,750	**1,549**	3,750
	30,480	24,506	**27,869**	24,506

22. INCOME TAX

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Withholding tax	**359**	–	**3**	–

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

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Total return for the year	**149,180**	137,856	**161,595**	137,856
Tax calculated at tax rate of 17%	**25,361**	23,436	**27,471**	23,436
Expenses not deductible for tax purposes	**3,409**	3,268	**3,682**	3,268
Income not subject to tax due to tax transparency	**(24,441)**	(24,193)	**(24,441)**	(24,193)
Other income not subject to tax	**(703)**	–	**(956)**	–
Fair value change on investment properties	**(3,626)**	(2,511)	**(5,756)**	(2,511)
Withholding tax	**359**	–	**3**	–
	359	–	**3**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

23. EARNINGS PER UNIT

Basic and diluted Earnings per Unit are based on:

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Total return for the year after tax (S$'000)	**149,898**	137,856	**161,558**	137,856
Weighted average number of Units ('000)	**2,588,756**	2,571,862	**2,588,756**	2,571,862
Basic and diluted Earnings per Unit (cents)	**5.79**	5.36	**6.24**	5.36

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

24. FINANCIAL RISK MANAGEMENT

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

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 measures to reflect changes in market conditions and the Group'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 Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group's debt comprises mainly bank borrowing to finance the acquisition of its investment properties. Where appropriate, the Group 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 Group's borrowings are denominated in SGD and AUD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Interest rate risk (cont'd)

Movements in interest rates will therefore have an impact on the Group. If the interest rate change by 0.50% (2018: 0.50%) 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:

	Statements of Total Return		Hedging Reserve	
	Increase S$'000	Decrease S$'000	Increase S$'000	Decrease S$'000
Group				
2019				
Borrowings	**(1,873)**	**1,873**	**–**	**–**
Interest rate swap	**–**	**–**	**3,122**	**(3,168)**
	(1,873)	**1,873**	**3,122**	**(3,168)**
2018				
Borrowings	(1,350)	1,350	–	–
Interest rate swap	–	–	3,829	(3,896)
	(1,350)	1,350	3,829	(3,896)
Trust				
2019				
Borrowings	**(1,780)**	**1,780**	**–**	**–**
Interest rate swap	**–**	**–**	**3,122**	**(3,168)**
	(1,780)	**1,780**	**3,122**	**(3,168)**
2018				
Borrowings	(1,350)	1,350	–	–
Interest rate swap	–	–	3,829	(3,896)
	(1,350)	1,350	3,829	(3,896)

(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 Group. For trade receivables, the Group manages its credit risk through prior assessment of business proposition and credit standing of tenants, and monitoring procedures. Where appropriate, the Group obtains collateral in the form of deposits, and bankers'/insurance guarantees from its tenants. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. As such, management has determined the credit quality of the tenants to be of acceptable risk.

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 Statements of Financial Position which comprise mainly trade receivables, and cash balances placed with banks. As at the reporting date, the Group has no significant concentration of credit risks. As at 31 August 2019 and 31 August 2018, all trade receivables were backed by bankers'/insurance guarantees and/or deposits from tenants.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Group		Trust	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Derivative assets (Note 11)				
– Cross currency interest-rate swaps	**910**	–	**910**	–
– Cross currency swaps	**955**	–	**955**	–
Trade and other receivables, exclude prepayments and other assets (Note 8)	**4,338**	2,905	**99,626**	2,905
Cash and cash equivalents	**342,657**	35,695	**336,761**	35,695
	348,860	38,600	**438,252**	38,600

Impairment losses

Comparative information under FRS 39

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

	2018
	S$'000
Group	
Past due 1 to 30 days	1,094
Past due 31 to 60 days	21
Past due 61 to 90 days	67
Past due over 90 days	234
	1,416
Trust	
Past due 1 to 30 days	1,094
Past due 31 to 60 days	21
Past due 61 to 90 days	67
Past due over 90 days	234
	1,416

Expected credit loss assessment for individual tenants as at 1 September 2018 and 31 August 2019

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants, which comprises a very large number of balances.

Loss rates are calculated using a "roll-rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off and are based on actual credit loss experience over the past three years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Impairment losses (cont'd)

Comparative information under FRS 39 (cont'd)

The following table provides information about the exposure to credit risk for trade receivables for individual tenants as at 31 August 2019:

	Gross carrying amount S$'000	Impairment loss allowance S$'000
2019		
Group		
Current (not past due)	**2,517**	–
Past due 1 to 30 days	**1,063**	–
Past due 31 to 60 days	**63**	–
Past due 61 to 90 days	**104**	–
Past due over 90 days	**284**	–
	4,031	–
Trust		
Current (not past due)	**1,180**	–
Past due 1 to 30 days	**902**	–
Past due 31 to 60 days	**16**	–
Past due 61 to 90 days	**77**	–
Past due over 90 days	**57**	–
	2,232	–

The Group does not have trade receivables for which no loss allowance is recognised because of collateral.

The Manager believes that no allowance for impairment is necessary in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the Group, and the Group has sufficient security deposits as collateral, and hence ECL is not material.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Non-trade amounts owing by subsidiaries

The Trust has non-trade receivables from its subsidiaries of S$97,149,000 (2018: S$Nil). These balances are amounts lent to subsidiaries to satisfy their funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default, these exposures are considered to have low credit risk. Therefore impairment on these balances has been measured on the 12-month expected credit loss basis; and the amount of the allowance is insignificant.

Non-trade amounts owing by related parties

The Group and the Trust have non-trade amount owing by related parties of S$9,000 (2018: S$540,000) respectively. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default, these exposures are considered to have low credit risk. Therefore impairment on these balances has been measured on the 12-month expected credit loss basis; and the amount of the allowance is insignificant.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated A to AA-, based on Standard & Poor's ratings.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. The Group and the Trust held cash and cash equivalents of S$342,657,000 (2018: S$35,965,000) and S$336,761,000 (2018: S$35,965,000) respectively at 31 August 2019. The cash and cash equivalents are held with bank and financial institution counterparties which are rated A to AA-, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflect the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

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

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

	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
Group				
2019				
Net-settled interest rate swap	**(3,054)**	**(1,913)**	**(1,571)**	**–**
Cross currency swaps				
– Outflow	**(2,813)**	**(2,813)**	**(95,273)**	**–**
– Inflow	**2,437**	**2,437**	**100,108**	**–**
Trade and other payables*	**(44,658)**	**(15,508)**	**(18,868)**	**(388)**
Borrowings	**(308,334)**	**(235,179)**	**(619,830)**	**–**
	(356,422)	**(252,976)**	**(635,434)**	**(388)**
2018				
Net-settled interest rate swap	(2,209)	(866)	35	–
Trade and other payables*	(37,859)	(17,499)	(15,123)	–
Borrowings	(231,051)	(296,379)	(416,869)	–
	(271,119)	(314,744)	(431,957)	–
Trust				
2019				
Net-settled interest rate swap	**(3,054)**	**(1,913)**	**(1,571)**	**–**
Cross currency swaps				
– Outflow	**(2,813)**	**(2,813)**	**(95,273)**	**–**
– Inflow	**2,437**	**2,437**	**100,108**	**–**
Trade and other payables*	**(42,023)**	**(15,508)**	**(18,868)**	**(388)**
Borrowing	**(304,831)**	**(231,676)**	**(517,140)**	**–**
	(350,284)	**(249,473)**	**(532,744)**	**(388)**
2018				
Net-settled interest rate swap	(2,209)	(866)	35	–
Trade and other payables*	(37,859)	(17,499)	(15,123)	–
Borrowing	(231,051)	(296,379)	(416,869)	–
	(271,119)	(314,744)	(431,957)	–

* Excludes collections in advance

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Currency risk

The Group is exposed to currency risk on distributions from its Australia operations. In 2019, the Group entered into cross currency swap contracts with a total notional amount of S$98,137,000 (2018: S$Nil) whereby the Group agreed with counterparties to repay its loan interests and principals in Australian Dollar ("AUD") in exchange of receiving Singapore Dollar in return at specified rates, on specified dates.

At the reporting date, the exposure to currency risk is as follows:

	Group		Trust	
	2019 AUD S$'000	2018 AUD S$'000	**2019 AUD S$'000**	2018 AUD S$'000
Cash and cash equivalents	**1,251**	–	**1,251**	–
Statements of Financial Position exposure	**1,251**	–	**1,251**	–
Add: Effect of cross currency swaps	**98,137**	–	**98,137**	–
Less: Cross currency swaps designated for net investment hedge	**(98,137)**	–	**–**	–
Net exposure	**1,251**	–	**99,388**	–

Sensitivity analysis

A 5% strengthening (weakening) of the Singapore Dollar against Australian Dollar would increase/(decrease) total return (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Trust	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Statements of Total Return				
5% strengthening	**63**	–	**4,969**	–
5% weakening	**(63)**	–	**(4,969)**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statements of Financial Position.

	Gross amount of recognised financial instruments S$'000	Gross amount of recognised financial instruments offset in the Statements of Financial Position S$'000	Net amount of financial instruments presented in the Statements of Financial Position S$'000	Related amount not offset in the Statements of Financial Position S$'000	Net amount S$'000
<u>Group and Trust</u>					
2019					
Financial Assets					
Cross currency interest-rate swaps	**910**	**–**	**910**	**–**	**910**
Cross currency swaps	**955**	**–**	**955**	**–**	**955**
Financial Liabilities					
Interest rate swaps	**(2,804)**	**–**	**(2,804)**	**–**	**(2,804)**
2018					
Financial Liabilities					
Interest rate swaps	(2,814)	–	(2,814)	–	(2,814)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Hedge Accounting

Cash flow hedges

As at 31 August 2019, the Group and the Trust held the following instruments to hedge exposures to changes in interest rate.

		Maturity	
	Within 1 year	**Within 2 to 5 years**	**More than 5 years**
<u>Group and Trust</u>			
Interest rate risk			
Interest rate swaps			
Net exposure (in $'000)	280,000	95,000	–
Average fixed interest rate	2.28	2.12	–
Cross currency interest rate swaps			
Net exposure (in $'000)	–	78,904	–
Average fixed interest rate	–	3.18	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Hedge Accounting (cont'd)

Cash flow hedges (cont'd)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2019			
	Nominal amount $'000	**Carrying amount (assets) $'000**	**Carrying amount (liabilities) $'000**	**Line item in the Statements of Financial Position where the hedging instrument is included**
<u>**Group and Trust**</u>				
Cross currency interest rate swap	78,904	–	(1,756)	Derivative financial instruments
Interest rate swaps	375,000	–	(2,804)	Derivative financial instruments

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

During the period - 2019					
Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2019 $'000	Hedging (gains) or losses recognised in Unitholder's Fund $'000	Hedge ineffectiveness recognised in Statements of Total Return $'000	Line item in profit or loss that includes hedge ineffectiveness	Amounts reclassified from Hedging Reserve to Statements of Total Return $'000	Line item in profit or loss affected by the reclassification
1,756	1,756	–	Not applicable	–	Not applicable
1,539	1,539	–	Not applicable	(1,549)	Finance costs

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Hedge Accounting (cont'd)

Net investment hedge

A foreign currency exposure arises from the Group's net investment in its subsidiary in Australia that has a AUD functional currency. The risk arises from the fluctuation in spot exchange rates between the AUD and the SGD, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedges is the risk of a weakening AUD against the SGD that will result in a reduction in the carrying amount of the Group's net investment in its subsidiary in Australia.

Part of the Group's net investment is hedged through the use of AUD denominated cross currency interest rate swaps. The Group entered into cross currency interest rate swaps to swap fixed rate SGD loans for fixed rate AUD obligations.

The amounts related to items designated as hedging instruments were as follows:

	2019			
	Nominal amount $'000	Carrying amount (assets) $'000	Carrying amount (liabilities) $'000	Line item in the Statements of Financial Position where the hedging instrument is included
<u>Group</u>				
Cross currency swaps	98,137	3,621	–	Derivative financial instruments

The amounts related to items designated as hedged items were as follows:

	2019
	Change in value of the hedged item used for calculating hedge ineffectiveness $'000
AUD net investment	3,682

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

During the period – 2019					
Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2019 $'000	**Hedging (gains) or losses recognised in Unitholder's Fund $'000**	**Hedge ineffectiveness recognised in Statements of Total Return $'000**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amounts reclassified from Hedging Reserve to Statements of Total Return $'000**	**Line item in profit or loss affected by the reclassification**
(3,621)	(3,621)	–	Not applicable	–	Not applicable

During the period – 2019	
Foreign currency translation reserve $'000	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied $'000**
(3,621)	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Capital management

The Group's objectives for managing capital are to safeguard the Group'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 Group may issue new units or obtain new borrowings.

The Group is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45% of the fund's deposited property.

As at reporting date, the Group has a gearing of 27.5% (2018: 26.3%), and is in compliance with the Aggregate Leverage limit of 45% (2018: 45%).

(h) 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).

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
2019				
Assets				
Investment properties	**–**	**–**	**3,597,756**	**3,597,756**
Derivative financial instruments	**–**	**1,865**	**–**	**1,865**
Liabilities				
Derivative financial instruments	**–**	**(2,804)**	**–**	**(2,804)**
2018				
Assets				
Investment properties	–	–	3,368,300	3,368,300
Liabilities				
Derivative financial instruments	–	(2,814)	–	(2,814)

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(h) Fair value measurements (cont'd)

Fair value hierarchy (cont'd)

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Trust				
2019				
Assets				
Investment properties	**–**	**–**	**3,405,800**	**3,405,800**
Derivative financial instruments	**–**	**1,865**	**–**	**1,865**
Liabilities				
Derivative financial instruments	**–**	**(2,804)**	**–**	**(2,804)**
2018				
Assets				
Investment properties	–	–	3,368,300	3,368,300
Liabilities				
Derivative financial instruments	–	(2,814)	–	(2,814)

Level 2

The fair value of interest rate swap contracts and cross currency 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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(h) Fair value measurements (cont'd)

***Fair value hierarchy* (cont'd)**

Description	Valuation technique(s)	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment properties	Discounted cash flow	Discount rate 6.50% – 8.00% (2018: 6.50% – 8.00%) Terminal Yield 4.00% – 6.50% (2018: 4.00% – 6.50%)	Significant reduction in the capitalisation rate, discount rate and/or terminal yield in isolation would result in a significantly higher fair value of the investment properties.
	Income capitalisation	Capitalisation rate 3.75% to 6.00% (2018: 3.75% to 6.00%)	

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;
- Terminal yield reflects the uncertainty, functional/economic obsolescence and the risk associated with the investment properties; and
- 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 year 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.

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Financial instruments by category

	Fair value – hedging instruments S$'000	**Amortised cost S$'000**	**Other financial liabilities S$'000**	**Total S$'000**
<u>Group</u>				
2019				
Assets				
Derivative financial instruments	**1,865**	**–**	**–**	**1,865**
Trade and other receivables[1]	**–**	**4,338**	**–**	**4,338**
Cash and cash equivalents	**–**	**342,657**	**–**	**342,657**
	1,865	**346,995**	**–**	**348,860**
Liabilities				
Trade and other payables[2]	**–**	**–**	**(79,422)**	**(79,422)**
Borrowing	**–**	**–**	**(1,091,139)**	**(1,091,139)**
Derivative financial instruments	**(2,804)**	**–**	**–**	**(2,804)**
	(2,804)	**–**	**(1,170,561)**	**(1,173,365)**

	Fair value – hedging instruments S$'000	Loans and receivables S$'000	Other financial liabilities S$'000	Total S$'000
<u>Group</u>				
2018				
Assets				
Trade and other receivables[1]	–	2,905	–	2,905
Cash and cash equivalents	–	35,965	–	35,965
	–	38,870	–	38,870
Liabilities				
Trade and other payables[2]	–	–	(70,481)	(70,481)
Borrowing	–	–	(893,074)	(893,074)
Derivative financial instruments	(2,814)	–	–	(2,814)
	(2,814)	–	(963,555)	(966,369)

1 Excludes prepayments
2 Excludes collections in advance

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Financial instruments by category (cont'd)

	Fair value – hedging instruments S$'000	**Amortised cost S$'000**	**Other financial liabilities S$'000**	**Total S$'000**
Trust				
2019				
Assets				
Derivative financial instruments	**1,865**	**–**	**–**	**1,865**
Trade and other receivables[1]	**–**	**99,626**	**–**	**99,626**
Cash and cash equivalents	**–**	**336,761**	**–**	**336,761**
	1,865	**436,387**	**–**	**438,252**
Liabilities				
Trade and other payables[2]	**–**	**–**	**(76,787)**	**(76,787)**
Borrowing	**–**	**–**	**(993,364)**	**(993,364)**
Derivative financial instruments	**(2,804)**	**–**	**–**	**(2,804)**
	(2,804)	**–**	**(1,070,151)**	**(1,072,955)**

	Fair value – hedging instruments S$'000	Loans and receivables S$'000	Other financial liabilities S$'000	Total S$'000
Trust				
2018				
Assets				
Trade and other receivables[1]	–	2,905	–	2,905
Cash and cash equivalents	–	35,965	–	35,965
	–	38,870	–	38,870
Liabilities				
Trade and other payables[2]	–	–	(70,481)	(70,481)
Borrowing	–	–	(893,074)	(893,074)
Derivative financial instruments	(2,814)	–	–	(2,814)
	(2,814)	–	(963,555)	(966,369)

1 Excludes prepayments
2 Excludes collections in advance

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

25. RELATED PARTIES TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 Group 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 Group.

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions were carried out in the normal course of business:

	Group	
	2019	2018
	S$'000	S$'000
Manager's management fees paid to a related company	**17,790**	16,688
Manager's acquisition fees paid to a related company	**1,694**	632
Property management fees paid/payable to a related company	**9,487**	8,590
Property management fees paid/payable to non-controlling interests	**542**	–
Income support received/receivable from related company	**–**	624
Trustee's fees paid/payable to the Trustee	**520**	487
Staff reimbursements paid/payable to a related company	**2,894**	2,622
Rental and other income received/receivable from related companies	**758**	1,411
Other expenses paid/payable to related companies	**638**	1,074

26. 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 Group.

Segment revenue comprises mainly of income generated from each segment's 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, Group expenses, finance income and finance expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

26. OPERATING SEGMENTS (CONT'D)

	Paragon S$'000	The Clementi Mall S$'000	The Rail Mall S$'000	Figtree Grove[1] S$'000	Total S$'000
2019					
Result					
Gross revenue	170,397	41,849	4,942	11,447	228,635
Property operating expenses	(34,373)	(10,509)	(1,071)	(2,903)	(48,856)
Segment net property income	136,024	31,340	3,871	8,544	179,779
Unallocated amounts:					
Manager's management fees					(17,790)
Investment management fees					(542)
Trustee's fee					(520)
Other Group expenses					(1,475)
Finance income					765
Finance costs					(30,480)
Net income					129,737
Fair value change on investment properties	23,395	10,231	239	(14,422)	19,443
Total return for the year before taxes and distribution					149,180
Less: income tax					(359)
Total return for the year after taxes and before distribution					148,821
Segment assets	2,745,527	597,103	63,800	191,956	3,598,386
Segment assets includes:					
– Plant and equipment	527	103	–	–	630
– Investment properties	2,745,000	597,000	63,800	191,956	3,597,756
Unallocated assets					350,016
Total assets					3,948,402
Segment liabilities	43,468	10,385	1,158	–	55,011
Unallocated liabilities:					
– Borrowings					1,091,139
– Others					30,815
Total liabilities					1,176,965
Other information					
Additions to:					
– Plant and equipment	50	85			135
– Investment properties	2,605	769	261	210	3,845
Acquisition of investment property	–	–	–	211,250	211,250
Depreciation of plant and equipment	(154)	(33)	–	–	(187)

1 Figtree Grove Shopping Centre was acquired on 21 December 2018. Total acquisition cost of S$211.2 million included acquisition fees and acquisition related expenses (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

26. OPERATING SEGMENTS (CONT'D)

	Paragon S$'000	The Clementi Mall S$'000	The Rail Mall[2] S$'000	Total S$'000
2018				
Result				
Gross revenue	169,461	41,499	842	211,802
Property operating expenses	(34,438)	(11,212)	(156)	(45,806)
Segment net property income	135,023	30,287	686	165,996
Income support	–	624	–	624
Amortisation of intangible asset	–	(624)	–	(624)
Write down of intangible asset	–	(876)	–	(876)
	135,023	29,411	686	165,120
Unallocated amounts:				
Manager's management fees				(16,688)
Trustee's fee				(487)
Other Group expenses				(1,133)
Finance income				778
Finance costs				(24,506)
Net income				123,084
Fair value change on investment properties	16,984	443	(2,655)	14,772
Total return for the year before taxes and distribution				137,856
Less: income tax				–
Total return for the year after taxes and before distribution				137,856
Segment assets	2,719,631	586,051	63,300	3,368,982
Segment assets includes:				
– Plant and equipment	631	51	–	682
– Investment properties	2,719,000	586,000	63,300	3,368,300
Unallocated assets				39,052
Total assets				3,408,034
Segment liabilities	40,331	9,873	990	51,194
Unallocated liabilities:				
– Borrowings				893,074
– Others				24,819
Total liabilities				969,087
Other information				
Additions to:				
– Plant and equipment	11	40	–	51
– Investment properties	7,017	2,556	–	9,573
Acquisition of investment property	–	–	65,955	65,955
Depreciation of plant and equipment	(194)	(18)	–	(212)

2 The Rail Mall was acquired on 28 June 2018. Total acquisition cost of S$65.9 million included acquisition fees and acquisition related expenses (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

26. OPERATING SEGMENTS (CONT'D)

Geographical information

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the corresponding investment properties.

	Group	
	2019	2018
	S$'000	S$'000
Revenue		
Singapore	**217,188**	211,802
Australia	**11,447**	–
	228,635	211,802
Non-current assets[1]		
Singapore	**3,406,430**	3,368,982
Australia	**191,956**	–
	3,598,386	3,368,982

1 Non-current assets exclude financial instruments

27. FINANCIAL RATIOS

	Group	
	2019	2018
	%	%
Ratio of expenses to weighted average net assets value[1]		
– including performance component of Manager's management fees	**0.78**	0.75
– excluding performance component of Manager's management fees	**0.44**	0.41
Total operating expenses to net asset value[2]	**2.44**	2.58
Portfolio turnover rate[3]	**–**	–

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 Group, excluding property expenses and finance expense.

2 The ratio is computed based on the total property expenses, including all fees and charges paid to the Trustee, the Manager and related parties for the financial year and as a percentage of net asset value as at the end of the financial year.

3 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. The portfolio turnover rate was nil for the year ended 31 August 2019 and 31 August 2018, as there were no sales of investment properties.

28. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 September 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning after 1 September 2019.

Applicable to the 2020 financial statements

- FRS 116 *Leases*
- INT-FRS 123 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (FRS 28)
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109)
- *Previously Held Interest in a Joint Operation* (Amendments to FRS 103 and 111)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23)

The Group has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. The Group's assessment of FRS 116, which is expected to have a more significant impact on the Group, is as described below.

FRS 116

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT-FRS 104 *Determining whether an Arrangement contains a Lease*, INT-FRS 15 *Operating Leases – Incentives* and INT-FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Trust plan to apply FRS 116 initially on 1 September 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of Unitholders' Funds at 1 January 2019, with no restatement of comparative information. The Group and the Trust plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 September 2019 and identified as leases in accordance with FRS 17 and INT-FRS 104.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2019

28. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

FRS 116 (cont'd)

(i) The Group as lessee

The Group and the Trust expect to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Group and the Trust are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 September 2019. For lease contracts that contain the option to renew, the Group and the Trust are expected to use hindsight in determining the lease term.

The Group and the Trust expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Lease payments that are increased periodically to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous. Instead, the Group will include the payments due under the lease in their lease liability.

The Group does not expect the adoption of FRS116 to have a significant impact on its financial statements.

(ii) The Group as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases, and to account for these leases using the existing operating lease accounting model. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

29. SUBSEQUENT EVENT

Subsequent to the reporting date, the Manager announced a distribution of 1.46 cents per unit, for the quarter from 1 June 2019 to 31 August 2019.

30. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements were authorised for issue by the Manager and the Trustee on 10 October 2019.

STATISTICS OF UNITHOLDINGS

As at 10 October 2019

Issued and Fully Paid-Up Units
2,588,701,358 units (voting rights: vote per unit)
There is only one class of units in SPH REIT.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Unitholders	%	No. of Units	%
1 – 99	6	0.02	98	0.00
100 – 1,000	8,326	28.18	8,239,067	0.32
1,001 – 10,000	17,552	59.41	68,823,196	2.66
10,001 – 1,000,000	3,622	12.26	197,232,221	7.62
1,000,001 And Above	39	0.13	2,314,406,776	89.40
Total	**29,545**	**100.00**	**2,588,701,358**	**100.00**

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1.	TIMES PROPERTIES PRIVATE LIMITED	1,264,679,500	48.85
2.	TPR HOLDINGS PTE LTD	486,017,500	18.77
3.	DBS NOMINEES (PRIVATE) LIMITED	200,352,661	7.74
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	75,433,330	2.91
5.	NTUC FAIRPRICE CO-OPERATIVE LTD	67,213,000	2.60
6.	SPH REIT MANAGEMENT PTE LTD	55,587,127	2.15
7.	RAFFLES NOMINEES (PTE.) LIMITED	48,153,553	1.86
8.	HSBC (SINGAPORE) NOMINEES PTE LTD	20,531,363	0.79
9.	LEE FOUNDATION STATES OF MALAYA	17,500,000	0.68
10.	DBSN SERVICES PTE. LTD.	14,212,671	0.55
11.	OCBC SECURITIES PRIVATE LIMITED	6,114,100	0.24
12.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,985,000	0.19
13.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,745,900	0.18
14.	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	4,565,100	0.18
15.	BPSS NOMINEES SINGAPORE (PTE.) LTD.	4,054,447	0.16
16.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,298,578	0.13
17.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,740,502	0.11
18.	UOB KAY HIAN PRIVATE LIMITED	2,711,800	0.10
19.	CHEONG SAE PENG	2,350,000	0.09
20.	LOW KIM HONG	2,200,000	0.08
	Total	**2,287,446,132**	**88.36**

STATISTICS OF UNITHOLDINGS

As at 10 October 2019

SUBSTANTIAL UNITHOLDERS

No.	Name of Company	Direct Interest	Deemed Interest	% of Total Issued Units
1.	Singapore Press Holdings Ltd[1]	–	1,806,284,127	69.776
2.	Times Properties Private Limited[2]	1,264,679,500	541,604,627	69.776
3.	TPR Holdings Pte Ltd	486,017,500	–	18.775
4.	NTUC Enterprise Co-operative Limited[3]	–	134,426,000	5.192
5.	National Trades Union Congress[4]	1,800,000	134,426,000	5.262
6.	Singapore Labour Foundation[4]	–	134,426,000	5.192

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 55,587,127 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 55,587,127 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 30% of the votes in each of NTUC Fairprice Co-operative Limited and NTUC Income Insurance Co-operative Limited.

4 Singapore Labour Foundation and National Trades Union Congress are each 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. Singapore Labour Foundation and National Trades Union Congress are each 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.

DIRECTORS' UNITHOLDINGS IN SPH REIT

(As at 21 September 2019)

No.	Name of Director	Direct Interest	Deemed Interest
1.	LEONG HORN KEE	–	200,000
2.	SOON TIT KOON	100,000	–
3.	CHIA CHAY POH DAVID	150,000	–
4.	LIM MAY LING GINNEY	200,000	–

FREE FLOAT

Approximately 24.94% of the units in SPH REIT is held by the public and Rule 723 of SGX Listing Manual has been complied with.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year ended 31 August 2019, 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 Year Ended 31 August 2019	Year Ended 31 August 2018
Singapore Press Holdings Ltd and its subsidiaries or associates		
– Manager's management fees	17,790	16,688
– Manager's acquisition fees	1,694	632
– Property management/project management fees and reimbursable	12,287	11,682
– Income support	–	624
– Rental income	409	714
– Other Income	207	524
DBS Trustee Limited		
– Trustee's fees	504	487

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 25 in the financial statements.

SUBSCRIPTION OF SPH REIT UNITS

During the financial year ended 31 August 2019, SPH REIT issued 16,856,043 new units as payment of management fees.

NOTICE OF ANNUAL GENERAL MEETING

SPH REIT
(CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO A TRUST DEED DATED 9 JULY 2013 (AS AMENDED))

NOTICE IS HEREBY GIVEN that the Sixth 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 Wednesday, November 27, 2019 at 2.30 p.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 year ended August 31, 2019 together with the Auditors' Report thereon. *(Ordinary Resolution 1)*

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. *(Ordinary Resolution 2)*

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions:

3. That pursuant to Clause 5 of the trust deed constituting SPH REIT (as amended) (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 regulations 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, any director of 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, such director of 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. *(Ordinary Resolution 3)*

(Please see Explanatory Note 1)

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

Lim Wai Pun
Sheryl Cher Ya Li
Company Secretaries

Singapore,
5 November 2019

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. 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 who is not a relevant intermediary 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. 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.

2. A Unitholder who is a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the proxy form.

   "**relevant intermediary**" means

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or

   (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

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 24 November 2019 at 2.30 p.m., being 72 hours before the time fixed for the Annual General Meeting.

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 or service providers) for the purpose of the processing, administration and analysis by SPH REIT (or its agents or service providers) 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 or service providers) 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 or service providers), 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 or service providers) 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.

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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 (AS AMENDED))

PROXY FORM
ANNUAL GENERAL MEETING

(PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

IMPORTANT
1. A relevant intermediary may appoint more than one proxy to attend the Annual General Meeting and vote (please see note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies 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.
3. 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.
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 5 November 2019.

Refreshment after Annual General Meeting
Coffee, tea and water will be served after the Annual General Meeting.

I/We ____ of
(Name and identification number)

____
(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 Sixth 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 Wednesday, 27 November 2019 at 2.30 p.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/their discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

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 year ended 31 August 2019 together with the Auditors' Report thereon. (Ordinary Resolution 1)		
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. (Ordinary Resolution 2)		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments. (Ordinary Resolution 3)		

Dated this ____________ day of ____________ 2019

Total number of Units held

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

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

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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

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Notes:

1. Please insert the total number of units in SPH REIT ("**Units**") held by you. If you have Units entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 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 who is not a relevant intermediary entitled to attend and vote at the 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. 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. A Unitholder who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the instrument appointing a proxy or proxies.

   "**relevant intermediary**" means

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds these Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Completion and return of this instrument appointing a proxy or proxies 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 or proxies 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 72 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 72 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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Manager.

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CORPORATE DIRECTORY

MANAGER

SPH REIT Management Pte. Ltd.
1000 Toa Payoh North,
News Centre
Singapore 318994
Telephone : +65 6319 3380
Facsimile : +65 6319 8149
Email : ir@sphreit.com.sg

DIRECTORS OF THE MANAGER

Dr Leong Horn Kee
- Chairman, Non-Executive and Independent Director
- Member, Nominating & Remuneration Committee

Mr Soon Tit Koon
- Non-Executive and Independent Director
- Chairman, Audit & Risk Committee
- Member, Nominating & Remuneration Committee

Mr David Chia Chay Poh
- Non-Executive and Independent Director
- Chairman, Nominating & Remuneration Committee
- Member, Audit & Risk Committee

Ms Hoo Sheau Farn
- Non-Executive and Independent Director
- Member, Audit & Risk Committee
- Member, Nominating & Remuneration Committee

Mr Ng Yat Chung
- Non-Executive and Non-Independent Director
- Member, Nominating & Remuneration Committee

Mr Chua Hwee Song
- Non-Executive and Non-Independent Director
- Member, Nominating & Remuneration Committee

Ms Ginney Lim May Ling
- Non-Executive and Non-Independent Director
- Member, Nominating & Remuneration Committee

AUDIT & RISK COMMITTEE

Mr Soon Tit Koon
(Chairman)
Mr David Chia Chay Poh
Ms Hoo Sheau Farn

NOMINATING & REMUNERATION COMMITTEE

Mr David Chia Chay Poh
(Chairman)
Dr Leong Horn Kee
Mr Soon Tit Koon
Ms Hoo Sheau Farn
Mr Ng Yat Chung
Mr Chua Hwee Song
Ms Ginney Lim May Ling

MANAGEMENT

Ms Susan Leng Mee Yin
Chief Executive Officer

Mr Benjamin Kuah Hsien Yiao
Chief Financial Officer & Head, Investor Relations

Ms Belinda Zheng Qinyin
Investment Manager

Ms Evelyn Tan Yee Pieng
Asset Manager

COMPANY SECRETARIES

Mr Lim Wai Pun
Ms Sheryl Cher Ya Li

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
Level 44 DBS Asia Central
Marina Bay Financial Centre
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: Mr Lim Jek
(With effect from financial year ended 31 August 2019)

This annual report was produced by the Corporate Communications & CSR Division and printed in-house by the Production Division

SPH REIT MANAGEMENT PTE. LTD.
(As Manager of SPH REIT)

1000 Toa Payoh North,
News Centre
Singapore 318994

www.sphreit.com.sg
Co. Reg. No. 201305497E

sph Reit

GROWING GREATER VALUE

ANNUAL REPORT 2019