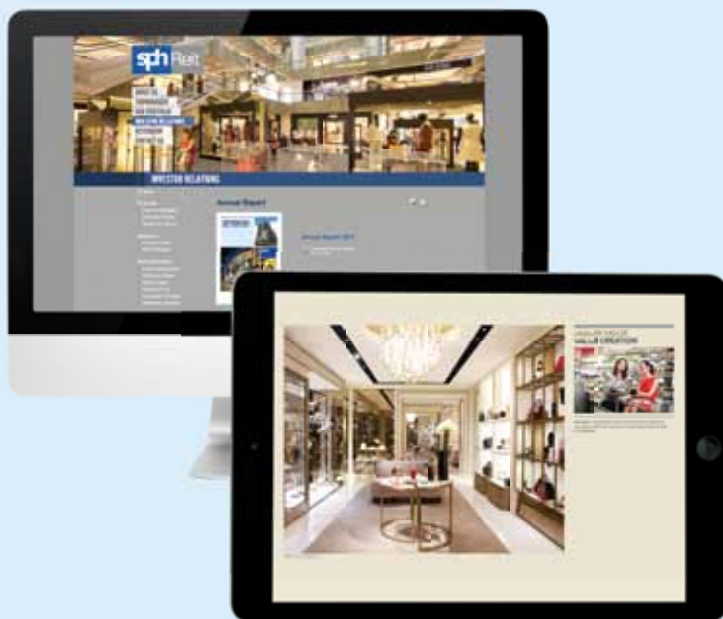


PERFORMING WELL WELL-POSITIONED



ANNUAL REPORT
2015





Visit us or download the Annual Report at www.sphreit.com.sg

VISION

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

MISSION

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

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

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CORPORATE PROFILE

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

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

As at 31 August 2015, SPH REIT comprises two high quality and well located commercial properties in Singapore totalling 906,797 sq ft Net Lettable Area (“NLA”) with an aggregate appraised value of S\$3.21 billion. The portfolio consists of:



Paragon, a premier upscale retail mall and medical suite/office property located in the heart of Orchard Road, Singapore’s most famous shopping and tourist precinct. Paragon consists of a six-storey retail podium and one basement level with 488,856 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 225,443 sq ft of medical suite/office NLA (“Paragon Medical”).



The Clementi Mall, a mid-market suburban mall located in the centre of Clementi town, an established residential estate in the west of Singapore. The retail mall, which also houses a public library, is part of an integrated mixed-use development that includes Housing & Development Board (“HDB”) residential blocks and a bus interchange. The property is connected to the Clementi Mass Rapid Transit (“MRT”) station. The Clementi Mall consists of a five-storey retail podium and one basement level with approximately 192,498 sq ft of retail NLA.

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

FINANCIAL HIGHLIGHTS

For the Financial Year Ended 31 August 2015

	2015 S\$ million	2014 ⁽¹⁾ S\$ million	Change %
Gross Revenue	205.1	202.2	1.4
Net Property Income	155.6	150.7	3.3
Income Available for Distribution	138.5	136.4	1.6
Distribution per Unit (cents)	5.47	5.43	0.7

As at 31 August	2015 S\$ million	2014 S\$ million	Change %
Total Assets	3,309.6	3,269.0	1.2
Total Liabilities	911.8	916.0	(0.5)
Borrowings	844.9	843.1	0.2
Net Assets Attributable to Unitholders	2,397.8	2,353.1	1.9
Number of Units in Issue (million)	2,529.3	2,514.3	0.6
Net Asset Value per Unit (S\$)	0.95	0.93	2.2

Financial Ratios	2015	2014 ⁽¹⁾
Annualised Distribution Yield (%)		
• Based on closing price ⁽²⁾	5.70	5.10
• Based on IPO price ⁽³⁾	6.08	6.03
Gearing Ratio (%)	25.7	26.0
Interest Cover Ratio (times)	6.4	6.8
Average All-in-Cost of Debt (% per annum)	2.55	2.33
Average Term to Maturity for Debt (years)	2.9	4.0

Notes:

(1) The first audited financial statement for SPH REIT was from 9 July 2013 (constitution date) to 31 August 2014. Although SPH REIT was constituted on 9 July 2013, the acquisition of the properties was completed and listed on Singapore Exchange Securities Trading Limited on 24 July 2013. The results of SPH REIT during its private trust period from 9 July 2013 to 23 July 2013 were insignificant. The comparative figures for the financial year from 1 September 2013 to 31 August 2014 ("2014") were extracted from the audited financial statements.

(2) Based on closing price of S\$0.96 per unit on 31 August 2015 (29 August 2014: S\$1.065).

(3) Based on Initial Public Offering ("IPO") price of S\$0.90 per unit on 24 July 2013.

5.47 cents

DISTRIBUTION PER UNIT

UP 0.7% COMPARED TO 2014

5.7%

DISTRIBUTION YIELD

BASED ON CLOSING PRICE OF
S\$0.96 ON 31 AUGUST 2015

S\$155.6 million

NET PROPERTY INCOME

UP 3.3% COMPARED TO 2014

25.7%

GEARING

HEALTHY BALANCE SHEET

S\$3.21 billion

VALUATION OF INVESTMENT PROPERTIES

UP 1.7% COMPARED TO 31 AUGUST 2014

100.0%

COMMITTED OCCUPANCY

SOLID TRACK RECORD





MOVING FORWARD FORWARD THINKING



SPH REIT has shown again it is adept at staying ahead of the market in the face of ever-escalating competition both locally and regionally. Its unwavering commitment to maximising the potential of its properties while managing risks ensures the Trust maintains an excellent footing amidst the ups and downs of a challenging environment.

CHAIRMAN & CEO STATEMENT

Total income available for distribution to Unitholders was S\$138.5 million for FY2015, an increase of S\$2.1 million (1.6%) compared to last year.

Dear Unitholders,

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the “Manager”), we are delighted to present SPH REIT’s Annual Report to Unitholders for the period from 1 September 2014 to 31 August 2015 (“FY2015”).

Performing well, well-positioned

We are pleased that SPH REIT has delivered another year of steady performance in FY2015, amid the challenging retail environment.

Total income available for distribution to Unitholders was S\$138.5 million, an increase of S\$2.1 million (1.6%) compared to last financial year.

The aggregate distribution per unit (“DPU”) of 5.47 cents for FY2015 translated to the distribution yield of 5.70%, based on the closing price of S\$0.96 as at 31 August 2015.

Net property income was up S\$4.9 million (3.3%) to S\$155.6 million for FY2015, with higher contribution from both Paragon and The Clementi Mall.

The resilience can be attributed to the strategic positioning of both properties in our portfolio, proactive leasing strategies, active asset management and firm partnership with our tenants.

The portfolio comprises two high quality properties – Paragon, a premier upscale retail mall on Orchard Road, Singapore’s foremost shopping and tourist precinct and The Clementi Mall, a mid-market suburban mall in an established residential estate in the west of Singapore, with excellent connectivity to the Clementi Bus Interchange and MRT station.

Paragon Medical, which sits on top of the retail podium, is positioned as a multi-disciplinary destination offering about 70 specialists. Together with Mount Elizabeth Hospital and Mount Elizabeth Medical Centre, it has created a medical cluster which is well-recognised in the region.

Distribution Per Unit

5.47¢

Committed Occupancy

100.0%

Gearing

25.7%



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

CHAIRMAN & CEO STATEMENT

Paragon and The Clementi Mall continued to attract high visitorship of 18.8 million and 30.8 million respectively.

Higher value, value creation

The Manager's strategy is to manage its properties for sustainable financial returns by working in close partnership with tenants to strengthen business relationships and continually refresh the properties.

In line with our continual asset enhancement strategy, the chiller decanting project at Paragon was completed on schedule and created about 5,000 square feet of net lettable area which would contribute close to S\$1 million of incremental rental income annually. This allowed us to introduce new tenants, namely, Paul, the French bakery and patisserie and Cole Haan, as well as accommodate the expansion plans of Din Tai Fung and Singapore Medical Specialists Centre.

Our leasing strategy focuses on enhancing shopper's experience with depth and range of merchandise. During the year, new brands such as Brunello Cucinelli, Gieves & Hawkes and Kent & Curwen, were introduced. New retail concepts such as MUJI's first Singapore F&B outlet, Café&Meal MUJI can also be found in Paragon. The design of the cafe is synonymous with the Japanese lifestyle brand of minimalist chic. We are also very pleased that Givenchy, Jimmy Choo

and Cortina Watch have taken up more space and expanded their presence in Paragon. There were also several changes and new additions to strengthen Paragon Junior's offering, including the new Nicholas & Bears store and expanded product variety from existing tenants such as Little Colette, Stride Ride, ELM Tree and Lemmi Fashion.

Similarly, The Clementi Mall saw new tenants like Eu Yan Sang TCM Clinic, Sushi Express, TOG Toy Or Game store and Yoguru added to its existing range of retail offerings to complement established tenants such as Best Denki, FairPrice Finest, Popular Bookstore and Swensen's, as well as the Clementi Public Library.

As at 31 August 2015, the portfolio properties were valued at S\$3.21 billion representing an increase of S\$53.5 million (1.7%) compared to last year.

Sustained performance, performance driven

Through proactive leasing strategy, both Paragon and The Clementi Mall maintained their track record of 100.0% committed occupancy. Paragon achieved consistently robust performance with rental uplift of 9.1% for new or renewed leases

in FY2015. For The Clementi Mall, which opened in 2011, the focus was to fine-tune certain tenancies to strengthen the offering to a wider base of shoppers. It recorded a negative rental reversion of 5.6% on 5.0% of total net lettable area.

Paragon and The Clementi Mall continued to attract high visitorship of 18.8 million and 30.8 million respectively for FY2015. This was a 2.0% and 4.7% increase against last year for the two properties.

Despite higher visitorship to Paragon, tenant sales declined by 3.2% to S\$657 million, largely due to temporary closure of some key stores to facilitate relocation and expansion and the weaker retail sentiment.

The Clementi Mall continued to gain traction with the immediate catchment and achieved an increase of 3.6% in tenant sales to S\$242 million.

In line with SPH REIT's prudent capital management strategy, SPH REIT has a strong balance sheet with gearing of 25.7% as at 31 August 2015. The borrowing of S\$850 million was well-staggered, with a weighted average term to maturity of 2.9 years at an average cost of 2.55%. To manage interest

rate volatility, we have increased the percentage of borrowing on fixed rate basis from 54.7% to 84.7% during the year.

Awards and accolades

Paragon has won several accolades in the year. Our efforts to create an enjoyable shopping environment was recognised when it won Outstanding Efforts in Centre Management at the Singapore Retailers Association (SRA) Shopping Centre Awards in 2014 and was crowned Overall Winner (Judges' Choice) for the Best Dressed Building Contest 2014 organised by Orchard Road Business Association for its splendid Christmas decorations.

Looking ahead

The Singapore economy is expected to grow modestly amid increasing uncertainties in the global environment. Lower tourist arrivals and manpower shortages have added challenges to the local retail industry. Nevertheless, the retail rental market is expected to hold up.

2016 looks set to be another exciting year for SPH REIT. The Manager remains focused on proactively managing the properties to deliver sustainable returns and be at the forefront of the retail arena through our philosophy of continual asset

enhancement. We have embarked on another enhancement project to decant Air Handling Unit (AHU) space to generate about 7,000 square feet of retail net lettable area and improve operational efficiencies at Paragon.

Barring any unforeseen circumstances, both Paragon and The Clementi Mall are expected to remain resilient and deliver a steady performance.

Acknowledgements

We would like to express our deepest appreciation to our Unitholders, business partners, tenants and shoppers for their unwavering support.

Our sincere gratitude also goes to the Board members, management team and staff for their dedication and hard work in the past year.

We look forward to continued success and another good year of sustained performance.

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

Ms Susan Leng Mee Yin
Chief Executive Officer

YEAR IN REVIEW



► September 2014

- Paragon received the “Outstanding Efforts in Centre Management” award for the second consecutive year at the Singapore Retailers Association (“SRA”) Shopping Centre Awards 2014 ceremony.

► December 2014

- Paragon was the Overall Winner for Judges’ Choice at the Best Dressed Building Contest 2014, organised by the Orchard Road Business Association (“ORBA”) as part of the Orchard Road Christmas Light Up event.

- Paragon was voted best in the following awards at the Her World and Nuyou Mall Awards 2014.
 - Top 3 Best Dressed Mall in Central Orchard
 - Top 3 Best Luxe Fashion Award in Central Orchard
 - Top 3 Coolest Kids Fashion Award in Central Orchard
 - Top 3 Best Kids Mall in Central Orchard
 - Super Sporty Mall Award in Central Orchard





► January 2015

- SPH REIT announced DPU of 1.33 cents for its 1st Quarter ended 30 November 2014. Net property income increased 4.9% year-on-year.

► April 2015

- SPH REIT announced DPU of 1.40 cents for its 2nd Quarter ended 28 February 2015. Net property income increased 3.7% year-on-year.

► July 2015

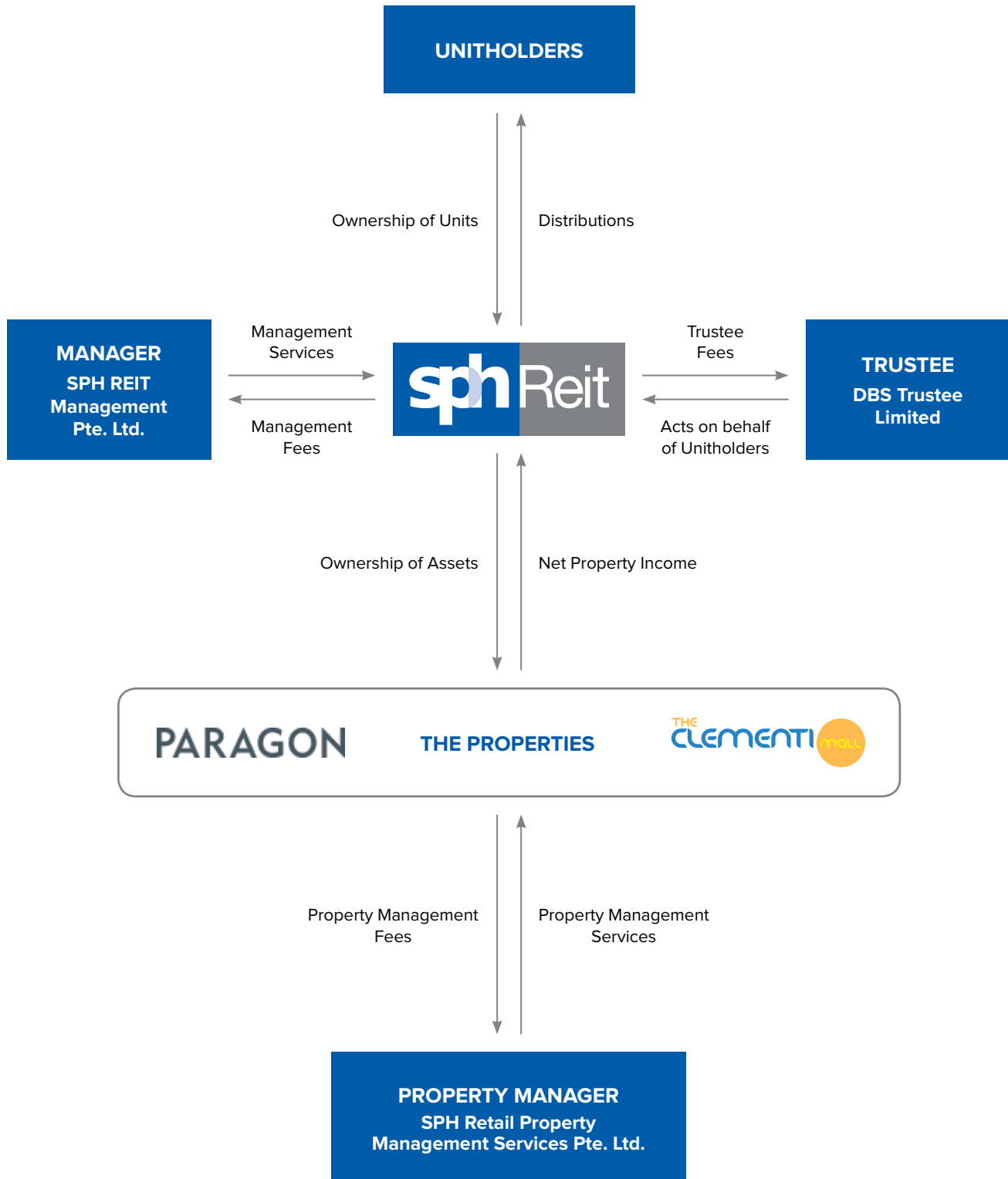
- SPH REIT announced DPU of 1.35 cents for its 3rd Quarter ended 31 May 2015. Net property income increased 4.3% year-on-year.

► August 2015

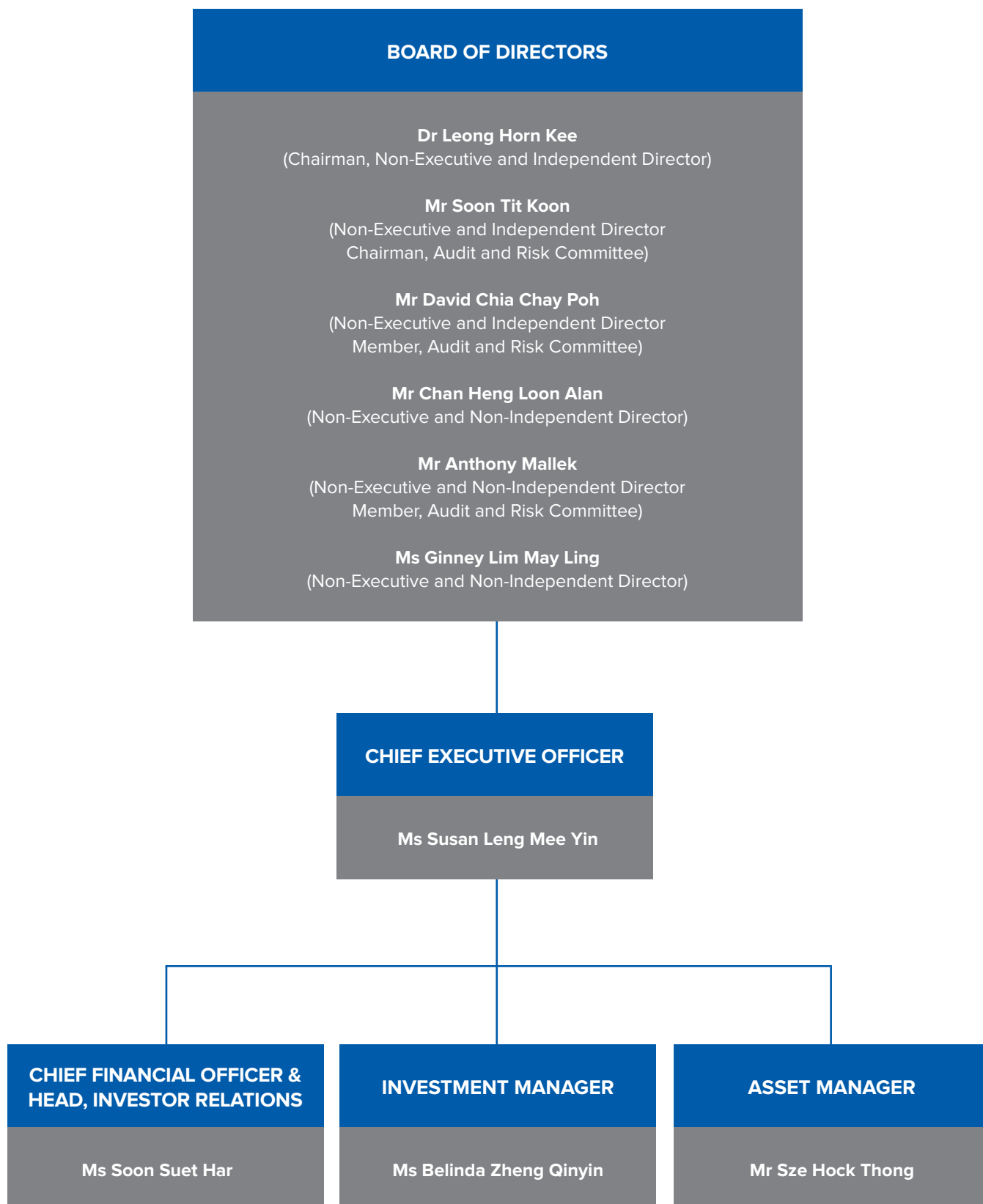
- Valuation of SPH REIT's portfolio of properties increased 1.7% to S\$3.21 billion as at 31 August 2015.
- SPH REIT's aggregate DPU of 5.47 cents was 0.7% higher year-on-year. The DPU was 1.39 cents for its 4th Quarter ended 31 August 2015.



TRUST STRUCTURE



ORGANISATION STRUCTURE



BOARD OF DIRECTORS



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

Leong Horn Kee

Chairman, Non-Executive and Independent Director

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

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

Dr Leong holds Bachelor degrees in Production Engineering, Economics, and Chinese; Master of Business Administration from INSEAD; Master of Business Research and Doctorate of Business Administration from the University of Western Australia (UWA).

Soon Tit Koon

**Non-Executive and Independent Director
Chairman, Audit and Risk Committee**

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

Mr Soon held a series of senior positions in OCBC Bank from 2002 to December 2011 when he retired from the bank. He was the Chief Financial Officer of OCBC Bank from September 2002 to June 2008, and from April 2010 to November 2011. He was the Head of Group Investments of OCBC Bank from June 2008 to April 2010.

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

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

David Chia Chay Poh

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

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

From 1999 to 2002, Mr Chia was the Managing Director and shareholder of FPD 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.

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

BOARD OF DIRECTORS

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

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

Mr Chan is currently on the boards of Singapore Press Holdings Limited and its subsidiaries, MediaCorp TV Holdings Pte. Ltd., MediaCorp Press Ltd and Singapore Press Holdings Foundation Limited.

He currently chairs the External Review Panel for SAF Safety and the Singapore-China Foundation.

He is also a member of the Public Service Commission (PSC), the Singapore Symphony Orchestra Council and the Centre for Liveable Cities' Distinguished Advisors' Panel; and a Director of Business China. He also serves on the boards of the Federation Internationale of Periodics Publishers and the World Association of Newspapers and News Publishers – IFRA (WAN-IFRA). He chaired the Council that revised the Code of Corporate Governance in 2012.

Before joining SPH, Mr Chan was an Administrative Officer in the Civil Service. He has worked in the Government for 25 years and some of his previous appointments included Permanent Secretary of the Ministry of Transport, Deputy Secretary of the Ministry of Foreign Affairs, Principal Private Secretary to then Senior Minister Lee Kuan Yew and Director of Manpower, Ministry of Defence.

Mr Chan holds a Diplome d'Ingenieur from the Ecole Nationale de l'Aviation Civile and a Master of Business Administration (with distinction) degree from the European Institute of Business Administration (INSEAD), France. He is a President's Scholar and was conferred the Public Administration Medal (Gold and Silver) and Meritorious Service Medal for his contributions to public service. In 2009, he was selected by INSEAD as "one of 50 Alumni who changed the world".

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

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

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

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

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

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

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

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

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

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

FURTHER INFORMATION ON BOARD OF DIRECTORS

Leong Horn Kee

Chairman, Non-Executive and
Independent Director

Date of first appointment as a director:
10 June 2013

Current Directorships/Principal Commitments:

- CapitalCorp Partners Private Limited
(Chairman)
- Tat Hong Holdings Ltd*
(Director)
- Wilmar International Limited*
(Director)
- Securities Industry Council
(Member)
- Singapore High Commissioner
to Cyprus
(High Commissioner)

Directorships over the past 3 years (1/9/12-31/8/15):

- Amtek Engineering Ltd*
(Director)
- China Energy Ltd*
(Director)

* Public-listed company

Soon Tit Koon

Non-Executive and
Independent Director

Date of first appointment as a director:
10 June 2013

Board Committee(s) served on:

Audit & Risk Committee
(Chairman)

Current Directorships/Principal Commitments:

Bank of Ningbo Co., Ltd*
(Director)

Directorships over the past 3 years (1/9/12-31/8/15):

WBL Corporation Limited

* Public-listed company

David Chia Chay Poh

Non-Executive and
Independent Director

Date of first appointment as a director:
10 June 2013

Board Committee served on:

Audit & Risk Committee
(Member)

Current Directorships/Principal Commitments:

Associated Property Consultants
Pte Ltd
(Managing Director)

Directorships over the past 3 years (1/9/12-31/8/15):

Nil

BOARD OF DIRECTORS

FURTHER INFORMATION ON BOARD OF DIRECTORS

Chan Heng Loon Alan

Non-Executive and
Non-Independent Director

Date of first appointment as a director:
1 March 2013

Current Directorships/Principal Commitments:

- Singapore Press Holdings Limited (Director)
- Singapore Press Holdings Foundation Limited (Director)
- MediaCorp Press Ltd. (Director)
- MediaCorp TV Holdings Pte. Ltd. (Director)
- External Review Panel for SAF Safety (Chairman)
- Centre for Liveable Cities (Member)
- Singapore-China Foundation Ltd. (Chairman)
- Business China (Director)
- Lan Ting Holdings Pte. Ltd (Director)
- Pavilion Energy Pte. Ltd (Director)
- Pavilion Gas Pte. Ltd. (Director)
- World Association of Newspaper-IFRA (Director)
- Federation Internationale of Periodics Publishers (Member)
- Public Service Commission (Member)
- Singapore Symphony Orchestra Council (Member)

Directorships over the past 3 years (1/9/12-31/8/15):

- Lee Kuan Yew Fund for Bilingualism (Member)
- Singapore Power Ltd (Director)
- SP PowerAssets Ltd (Chairman)
- PowerGas Ltd (Chairman)

Anthony Mallek

Non-Executive and
Non-Independent Director

Date of first appointment as a director:
1 March 2013

Board Committee served on:

Audit & Risk Committee
(Member)

Current Directorships/Principal Commitments:

Nil

Directorships over the past 3 years (1/9/12-31/8/15):

Nil

Ginney Lim May Ling

Non-Executive and
Non-Independent Director

Date of first appointment as a director:
10 June 2013

Board Committee served on:

Nil

Current Directorships/Principal Commitments:

Waterbrooks Consultants Pte Ltd

Directorships over the past 3 years (1/9/12-31/8/15):

Nil

MANAGEMENT TEAM



From Left: Belinda Zheng Qinyin, Susan Leng Mee Yin, Soon Suet Har, Sze Hock Thong

Susan Leng Mee Yin Chief Executive Officer

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

Ms Leng has 18 years of aggregate experience in shopping centre management and property development, and 8 years of accounting and finance experience.

From 2008 to 2010, Ms Leng was Director (Retail Management) at Far East Management (Private) Limited, where her primary responsibility was to steer the leasing and marketing efforts, including public relations to prepare for the opening of West Coast Plaza and Orchard Central. During the period from 2004 to 2008, Ms Leng was in Beijing with her family as her husband had taken up a diplomatic position in Beijing. From 1997 to 2004, Ms Leng was General Manager

at Orchard 290 Ltd, where she was responsible for the profitability and continual growth of Paragon. From 1992 to 1997, she was General Manager at Scotts Holding Limited, where she was responsible for maximising the profitability of Scotts Shopping Centre and keeping the mall relevant to the changing dynamics of the retail scene.

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

MANAGEMENT TEAM

Soon Suet Har

Chief Financial Officer &
Head, Investor Relations

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

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

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

Belinda Zheng Qinyin

Investment Manager

Prior to joining the Manager, Ms Zheng was Manager, Corporate Development Division, with Singapore Press Holdings Limited since 2007 where she was responsible for developing and executing a spectrum of corporate development initiatives, including handling property transactions, new strategic corporate projects, mergers and acquisitions and joint venture partnerships. From 2006 to 2007, Ms Zheng was a Senior Associate at Deloitte & Touche Corporate Finance Pte Ltd where she advised clients on mergers and acquisitions, initial public offerings and valuations. From 2003 to 2005, Ms Zheng was at Deloitte & Touche Singapore's Audit & Assurance Division, where she was involved in statutory audits and special assignments, including forensic audits, quarterly reviews, audit certifications and internal controls reviews.

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

Sze Hock Thong

Asset Manager

Mr Sze has more than 20 years of experience in construction, projects and property management across various institution, residential and commercial developments.

For the earlier 10 years, he was involved in the design and supervision of construction works for Temasek Polytechnic, HDB Hub at Toa Payoh, Paragon Shopping Centre and several residential works.

In the later 10 years, Mr Sze was Head of Facilities and Projects Management with Orchard 290 Ltd; he managed all facilities and asset enhancement initiatives of Paragon and The Clementi Mall. His responsibilities also included overseeing day-to-day operations of the malls; managing car park and security, housekeeping and landscape, tenancy coordination as well as maintenance and engineering. He also played a key role during the design and planning stage for The Seletar Mall.

Mr Sze graduated from Sheffield University (United Kingdom) with an honours Degree in Civil and Structural Engineering. He is a Professional Engineer (PE) registered with the Professional Engineers Board Singapore.

PROPERTY MANAGEMENT TEAM



From left: Tan Poh Seng, Ina Se, Eugenie Yap, Carin Chye, Lim Chin Peng

Eugenie Yap
General Manager

Tan Poh Seng
Financial Controller

Carin Chye
Head, Leasing

Lim Chin Peng
Head, Facilities &
Project Management

Ina Se
Head, Advertising & Promotions



Photo courtesy of Jimmy Choo.



HIGHER VALUE VALUE CREATION



SPH REIT's broad-based asset enhancement programme recognises the Trust's success is inextricably linked to that of its tenants.

OPERATIONS REVIEW

The portfolio maintained 100.0% committed occupancy, with a positive rental reversion of 8.6%.

Against a backdrop of weak consumer sentiment and challenging economic climate, the Manager's proactive leasing strategies and active asset management continued the portfolio's strong operational performance into FY2015. The portfolio maintained 100.0% committed occupancy, with a positive rental reversion of 8.6%.

The Manager constantly strives to revitalise the tenant mix in response to changes in consumer demands while also ensuring sustainable financial returns through strong business relationships with the tenants.

Typically, SPH REIT's leases are structured with three-year tenures comprising base rent and turnover



rent which is pegged to tenants' sales. The turnover rent makes up 2% to 3% of the portfolio's gross revenue. To provide for organic growth, 32% of the portfolio's leases are embedded with step-up clauses which provide for increases in the base rent during the lease term.

PARAGON

During the year, new store concepts and new brands were introduced as part of ongoing efforts to keep Paragon refreshed. Several of these new brands, including Brunello Cucinelli, Gieves & Hawkes and Kent & Curwen, were made available in Singapore for the first time. Expansion needs of some existing tenants in the mall were

met through a program of tenants' relocation, which was aimed at improving alignment of tenancies as well as strengthening the trade mix and positioning on each level. Tenants which completed their store expansion and re-opened towards the end of FY2015 included Givenchy, Jimmy Choo and Cortina Watch.

New retail concepts such as MUJI's first Singapore café, Café&Meal MUJI can also be found in Paragon. The design of the cafe is synonymous with the Japanese lifestyle brand of minimalist chic, and the menu items served at the cafe are based on the deli offerings and recipes from Japan.

Paragon recorded 18.8 million visitors in FY2015, an increase of 2.0% against 18.4 million visitors in FY2014. It achieved S\$657 million in tenants' sales with an occupancy cost of 19.0%, marginally lower than S\$679 million in FY2014 with an occupancy cost of 18.1%. This decline is largely due to temporary closure of some key stores at prime space in the mall for renovation works, to facilitate relocation and expansion as well as slower tourist arrivals and weaker retail sentiment.

As part of its Asset Enhancement Initiatives (AEI), the chiller decanting project was successfully completed in July 2015 and would contribute close to S\$1 million of incremental



Summary of Renewals/New Leases For FY2015

	Number of renewals/ new leases	Retention Rate ^(a)	NLA		Rental Reversion ^(c)
			Area (sq ft)	% of property	
Paragon	118	65.3%	235,948	33.0%	9.1%
The Clementi Mall	20	70.0%	9,556	5.0%	-5.6%
SPH REIT Portfolio	138	65.9%	245,504	27.1% ^(b)	8.6%

Notes:

- (a) Based on number of leases.
- (b) As a % of SPH REIT portfolio's total NLA of 906,797 sq ft as at 31 August 2015.
- (c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases are typically committed three years ago.



OPERATIONS REVIEW

rental income annually from FY2016. This AEI created about 5,000 sq ft of lettable space which enabled some tenants to expand their presence and allowed the introduction of new tenants, namely Paul, the French bakery and patisserie and Cole Haan.

Further Asset Enhancement Initiatives in the pipeline include an Air Handling Unit (AHU) decanting project which would see more than 7,000 sq ft of retail net lettable area added to Paragon. The conversion of AHUs to fan coils will take place over three years to minimise disruption to tenants' trading.

Paragon continues to maintain 100.0% committed occupancy, with a positive rental reversion of 9.1% amid a challenging retail environment with a tenant retention rate of 80.2% by NLA, reflecting the Manager's proactive lease management.

THE CLEMENTI MALL

The Clementi Mall maintained 100.0% committed occupancy and recorded a 4.7% increase in visitorship to 30.8 million. This enabled it to achieve an increase of 3.6% in tenants' sales to S\$242 million with a decrease in occupancy cost from 15.3% to 14.6%. During the year, the focus has been on fine-tuning its tenancies to attract the desired retailers and strengthen the offering to a wider base of shoppers. The Clementi Mall recorded a negative rental reversion of 5.6%. This involved only 5.0% of total net lettable area.

Lease Expiry Profile

SPH REIT's portfolio lease expiry profile was well staggered with 27.7% of leases by Gross Rental Income expiring in FY2016. As leases are renewed or relet ahead of time, only 9.8% of the leases remain to be committed. The Weighted Average Lease Expiry (WALE) was 2.3 years by NLA as at 31 August 2015.





Portfolio Committed Occupancy

	As at 31 August 2014	As at 31 August 2015
Paragon	100.0%	100.0%
The Clementi Mall	100.0%	100.0%
SPH REIT Portfolio	100.0%	100.0%

Portfolio Lease Expiry as at 31 August 2015

	FY2016	FY2017	FY2018	FY2019	FY2020 and beyond
Number of leases expiring	50	201	121	58	13
Expiries as a % of total NLA	9.4%	36.0%	32.7%	13.4%	8.5%
Expiries as a % of Gross Rental Income	9.8%	31.9%	34.5%	12.0%	11.8%

OPERATIONS REVIEW

Tenant Profile

The SPH REIT portfolio has a tenant base of 443 tenants as at 31 August 2015 covering a wide variety of trade sectors, providing SPH REIT with good diversification.

Top 10 tenants by Gross Rental Income

SPH REIT's top 10 tenants in terms of Gross Rental Income contributed 26.0% of Gross Rental Income for the month of August 2015. No single trade sector accounted for more than 28.1% of Gross Rental Income.

The top 10 tenants of the portfolio (by Gross Rental Income for the month of August 2015) are, in alphabetical order: Burberry (Singapore) Distribution Company Pte Ltd, Cold Storage Singapore (1983) Pte Ltd, Cortina Watch Pte Ltd, Ferragamo (Singapore) Pte Ltd, FJ Benjamin (Singapore) Pte Ltd, Metro (Private) Limited, Pacific Healthcare Holdings Ltd, Prada Singapore Pte Ltd, Tod's Singapore Pte Limited and Wing Tai Retail Management Pte Ltd.

The table below sets out selected information about the top 10 tenants of the portfolio based on Gross Rental income for the month of August 2015:

Top 10 Tenants

Tenant ⁽¹⁾⁽²⁾	Trade Sector	Lease Expiry (Year) ⁽³⁾	% of Gross Rental Income
Tenant A	Luxury Brands, Jewellery & Watches	2nd Half 2019	6.5%
Tenant B	Departmental Stores & Supermarket, Medical suite/office	Between 2nd Half 2016 and 2nd Half 2017	4.2%
Tenant C	Luxury Brands, Jewellery & Watches, Lifestyle	Between 1st Half 2016 and 2nd Half 2020	3.0%
Tenant D	Medical suite/office	Between 1st Half 2016 and 1st Half 2019	2.5%
Tenant E	Luxury Brands, Jewellery & Watches	2nd Half 2016	1.9%
Tenant F	Luxury Brands, Jewellery & Watches, Lifestyle	Between 2nd Half 2016 and 2nd Half 2017	1.7%
Tenant G	Departmental Stores & Supermarket, Lifestyle	Between 2nd Half 2016 and 1st Half 2021	1.7%
Tenant H	Fashion, Handbags, Shoes, Accessories & Optical, Lifestyle	Between 1st Half 2015 and 2nd Half 2018	1.6%
Tenant I	Luxury Brands, Jewellery & Watches	1st Half 2018	1.5%
Tenant J	Luxury Brands, Jewellery & Watches	1st Half 2018	1.4%
Total			26.0%

Notes:

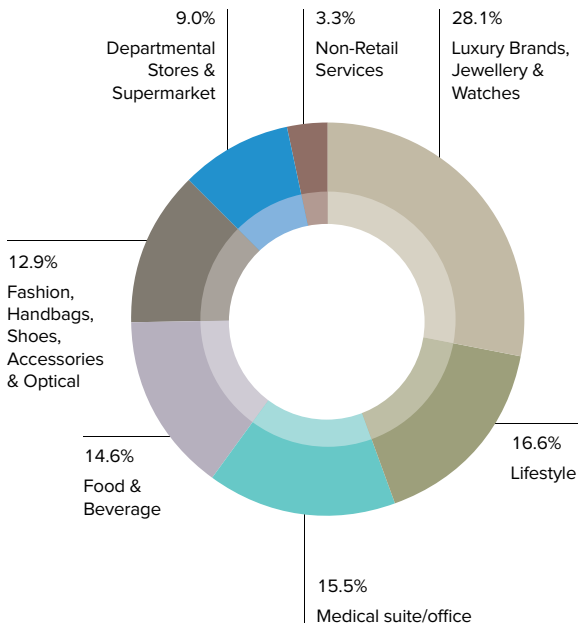
- (1) The list of top 10 tenants above does not take into account one of the tenants which has not consented to the disclosure of its tenancy arrangements in the Annual Report.
- (2) The names of the tenants cannot be matched to the information set out above for confidentiality reasons.
- (3) Some of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

By Trade Mix

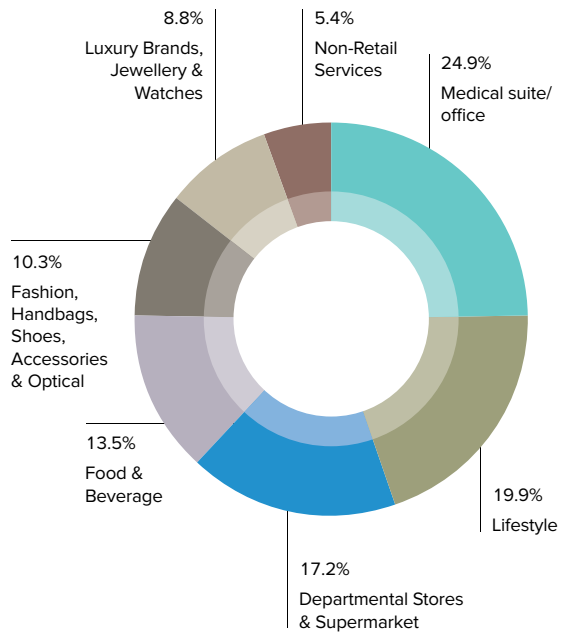
SPH REIT's portfolio is well-diversified and relies on different trade sectors for rental income.

The following charts provide a breakdown by Gross Rental Income and NLA of the different trade sectors represented in the portfolio as at 31 August 2015:

Portfolio – Trade Mix by Gross Rental Income



Portfolio – Trade Mix by NLA







RESILIENT GROWTH GROWTH INNOVATORS



SPH REIT portfolio turned in a 3.3% increase in net property income which speaks to the soundness of its principles and practices. Gearing of 25.7% places it in a strong position for growth opportunities.

FINANCIAL REVIEW

Statement of Net Income and Distribution for the Financial Year Ended 31 August 2015

	2015 S\$'000	2014 ⁽¹⁾ S\$'000	Change %
Gross revenue	205,113	202,241	1.4
Property operating expenses	(49,493)	(51,590)	(4.1)
Net property income	155,620	150,651	3.3
Income support ⁽²⁾	3,008	4,424	(32.0)
Amortisation of intangible asset	(3,008)	(4,424)	(32.0)
Manager's management fees	(15,976)	(15,521)	2.9
Trust expenses ⁽³⁾	(1,689)	(1,641)	2.9
Finance income	657	219	200.0
Finance costs	(21,669)	(19,797)	9.5
Net income	116,943	113,911	2.7
Add: Non-tax deductible items ⁽⁴⁾	21,595	22,453	(3.8)
Income available for distribution	138,538	136,364	1.6
Distribution per unit (cents) ("DPU")	5.47	5.43	0.7

Notes:

- (1) The first audited financial statement for SPH REIT was from 9 July 2013 (constitution date) to 31 August 2014. Although SPH REIT was constituted on 9 July 2013, the acquisition of the properties was completed and listed on Singapore Exchange Securities Trading Limited on 24 July 2013. The results of SPH REIT during its private trust period from 9 July 2013 to 23 July 2013 were insignificant. The comparative figures for the financial year from 1 September 2013 to 31 August 2014 ("2014") were extracted from the audited financial statements.
- (2) Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support.
- (3) Includes recurring trust expenses such as trustee's fees, listing fees, valuation fees, audit and tax adviser's fees, cost associated with the preparation of annual reports, and investor communication costs.
- (4) Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, amortisation of income support and amortisation of debt issuance costs.



Gross Revenue

Gross revenue for FY2015 was up S\$2.9 million (1.4%) to S\$205.1 million.

Higher rental income from the healthy portfolio rental reversion of 8.6%, was partially impacted by fitting-out period scheduled for the tenancy revitalisation program at Paragon.

Through proactive leasing strategy, both properties continued to maintain their track record of full occupancy.

Property Operating Expenses

Property operating expenses was S\$2.0 million (4.1%) lower against FY2014.

The continued efforts to improve operational efficiencies and manage cost has resulted in lower expenses. With the completion of the chiller replacement and decanting project, Paragon has enjoyed savings in utilities consumption from the more efficient chillers.

Net Property Income

Net property income ("NPI") of S\$155.6 million for FY2015, was S\$4.9 million (3.3%) higher than last year.

NPI margin of 75.9% was achieved, better than FY2014 of 74.5%.

Both Paragon and The Clementi Mall outperformed the previous year,

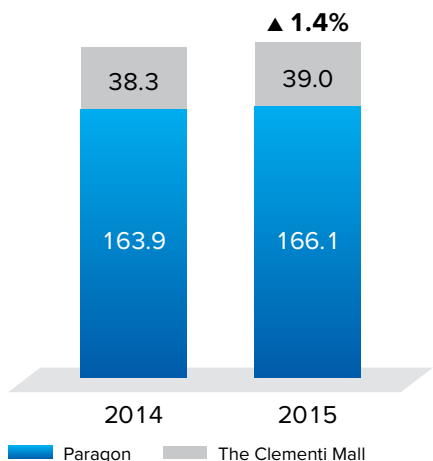
by S\$3.5 million (2.9%) and S\$1.4 million (5.3%) respectively.

The required income support for The Clementi Mall was S\$3.0 million for FY2015. With higher NPI, the amount was lower by S\$1.4 million (32.0%) compared to last year.

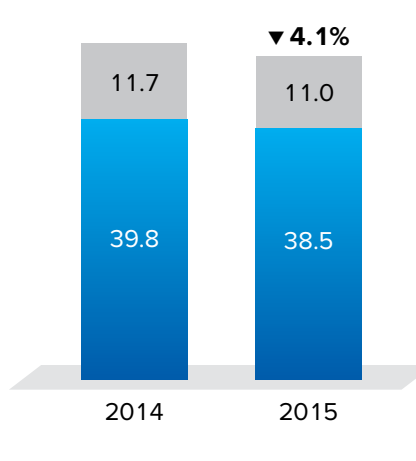
Net income

Net income increased by S\$3.0 million (2.7%) to S\$116.9 million for FY2015 against last year. This was mainly attributable to the higher NPI and finance income, partially offset by the increase in finance cost. Finance cost was S\$1.9 million (9.5%) higher as the average cost of debt as at 31 August 2015 was 2.55% compared to last year of 2.33%.

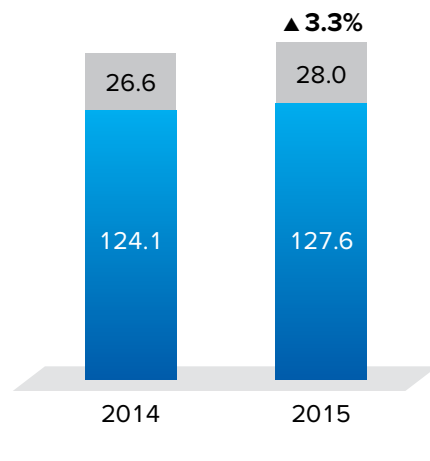
Gross Revenue
(S\$ million)



Property Operating Expenses
(S\$ million)



Net Property Income
(S\$ million)



FINANCIAL REVIEW

Distribution

Total income available for distribution to Unitholders was S\$138.5 million, an increase of S\$2.1 million (1.6%)

compared to last financial year. The aggregate distribution per unit (“DPU”) of 5.47 cents for FY2015

translated to the distribution yield of 5.7%, based on the closing price of S\$0.96 as at 31 August 2015.

Quarter Ended	2015 (cents)	2014 (cents)	Change (%)
1Q	1.33	1.30 ⁽¹⁾	2.3
2Q	1.40	1.39	0.7
3Q	1.35	1.35	-
4Q	1.39	1.39	-
Total	5.47	5.43	0.7

Note:

(1) SPH REIT's inaugural distribution was 1.86 cents for the period from 24 July 2013 (listing date) to 30 November 2013. The distribution per unit (DPU) of 1.30 cents was based on income available for distribution for the comparative quarter from 1 September 2013 to 30 November 2013.

Valuation of Properties

As at 31 August 2015, SPH REIT's properties were valued at S\$3.21 billion by DTZ Debenham Tie

Leung (SEA) Pte Ltd. The increase of S\$53.5 million (1.7%), compared to last year's valuations of S\$3.16 billion,

was supported by the improved performance of the properties.

Property	Valuation (S\$ million) As at 31 August			Capitalisation Rate (%) As at 31 August
	2015	2014	Change	2015 and 2014
Paragon	2,641.0	2,588.0	53.0	Retail: 4.85% Medical suite/ office: 4.25%
The Clementi Mall ⁽¹⁾	571.5	571.0	0.5	5.00%
SPH REIT Portfolio	3,212.5	3,159.0	53.5	-
Representing:				
Additions			16.9	
Fair value change			36.6	

Note:

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

Net Asset Value (“NAV”) Per Unit

As of 31 August 2015, SPH REIT's NAV was S\$0.95 per unit. This was 2.2% higher than the NAV of S\$0.93 per unit as of 31 August 2014.

Cash Flows and Liquidity

As at 31 August 2015, SPH REIT's cash and cash equivalents amounted to S\$77.4 million.

Net cash generated from operating activities for FY2015 was S\$158.4 million. Net cash used in investing

activities was S\$14.8 million, mainly for the replacement and relocation of chillers and decanting works. Net cash used in financing activities was S\$156.8 million, mainly for distribution to unitholders and interest settlement.

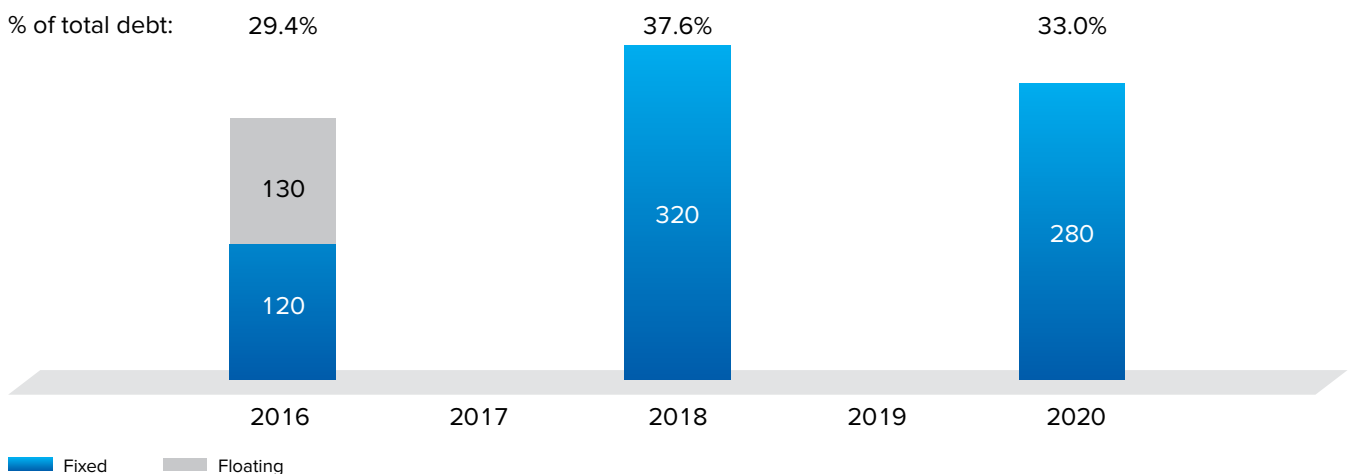
Capital Management

On 24 July 2013 (listing date), SPH REIT established a term loan facility of S\$975 million obtained from DBS Bank Ltd. and Overseas-Chinese Banking Corporation Limited. The amount drawn down was S\$850 million as at 31 August 2015. The term loan is secured by way of a first legal mortgage on Paragon, first legal charge over the tenancy account and sales proceeds account for Paragon, and an assignment of certain insurances taken in relation to Paragon.

In line with SPH REIT's prudent capital management strategy, the debt maturity profile was well-staggered and refinancing will occur in three tranches of approximately equal size. During the year, SPH REIT revised the maturity profile of the existing loan facility for the purpose of rebalancing costs and average maturity. Certain loan tranches maturing in July 2018 and July 2020, totalling S\$135 million, were revised to a 3-year maturity period ending in March 2018.

At the same time, to manage exposure to interest rate risk, SPH REIT entered into interest rate swaps to fix an additional amount of S\$255 million and increased the percentage of total borrowing on fixed interest rate basis from 54.7% to 84.7%. The longer tenure tranches maturing in 2018 and 2020, had been fully fixed. It registered gearing level of 25.7% and average cost of debt of 2.55% as at 31 August 2015. The weighted average term to maturity was 2.9 years as at 31 August 2015, with the first S\$250 million tranche due for refinancing in July 2016.

Debt Maturity Profile (S\$ million)



Key Indicators as at 31 August

	2015	2014
Gearing ratio	25.7%	26.0%
Interest coverage ratio	6.4 times	6.8 times
Weighted average term to maturity	2.9 years	4.0 years
Average all-in interest rate	2.55%	2.33%
Derivative financial instrument ⁽¹⁾ as % of NAV	0.18%	0.37%

Note:

(1) The derivative financial instruments refer to the fair value of interest rate swap contracts as at balance sheet date.

UNIT PRICE PERFORMANCE

SPH REIT registered an increase in distribution at 5.47 cents compared to last year, supported by healthy operational performance.

During the year, the unit price of SPH REIT declined by 9.9%, to close at S\$0.96 on 31 August 2015, compared to S\$1.065 a year ago. It remained above its initial public offering (IPO) price of \$0.90.

Price fell because of heightened market volatility brought about by concern over China's slowdown, devaluation of the Chinese renminbi, uncertainties over the timing of the Fed's interest rate hike and risk of capital outflows with the impending interest rate hike, alongside a strengthening US dollar. There were analyst reports that highlighted an uncomfortable mix of low growth, heightened currency volatility, rising risk from anticipated rise in interest rates for REITs¹.

SPH REIT registered an increase in distribution at 5.47 cents compared to last year, supported by healthy operational performance. Coupled with the downward revision in closing unit price, the distribution yield for FY2015 was higher at 5.7%, compared to last year of 5.1%. The yield was attractive relative to that of other investments such as Singapore government bond and FTSE Straits Times Index.

SPH REIT achieved an annualised total return of 8.7% during the approximately two-year period from 24 July 2013 (listing date) to 31 August 2015, taking into account both price appreciation and cumulative distribution since listing over IPO price. This was notwithstanding the total return of -4.7% for FY2015.

Key Statistics

	FY2015	Listing date (24 July 2013) to 29 August 2014
Highest closing price (S\$)	1.080	1.085
Lowest closing price (S\$)	0.915	0.940
Year-end closing price (S\$)	0.960	1.065
Total trading volume (million units) ⁽¹⁾	264.5	309.7
Average daily trading volume (million units) ⁽¹⁾	1.1	1.1

Note:

(1) Excludes the first 5 days of trading from listing date to remove IPO effect.

Source: Bloomberg

Return on Investment in SPH REIT

	FY2015 ⁽¹⁾	Listing date (24 July 2013) to 31 August 2015 ⁽²⁾
	Based on last year's closing price of S\$1.065 as at 29 August 2014	Based on IPO price of S\$0.90
(a) Total return	-4.7%	19.4% ⁽³⁾
(b) Capital appreciation	-9.9%	6.7%
(c) Annual / cumulative distribution yield	5.2%	12.7%

Note:

(1) For FY2015:

(a) Sum of price appreciation and distribution for FY2015, over last year's closing price of S\$1.065 as at 29 August 2014.

(b) Based on closing price of S\$1.065 on 29 August 2014 and S\$0.96 on 31 August 2015.

(c) Based on distribution of 5.47 cents for the year ended 31 August 2015, over last year's closing price of S\$1.065 as at 29 August 2014.

(2) For period from listing date (24 July 2013) to 31 August 2015:

(a) Sum of price appreciation and cumulative distribution since listing, over IPO issue price of S\$0.90

(b) Based on the IPO issue price of S\$0.90 and closing price of S\$0.96 on 31 August 2015

(c) Based on cumulative distribution since listing and over IPO issue price of S\$0.90.

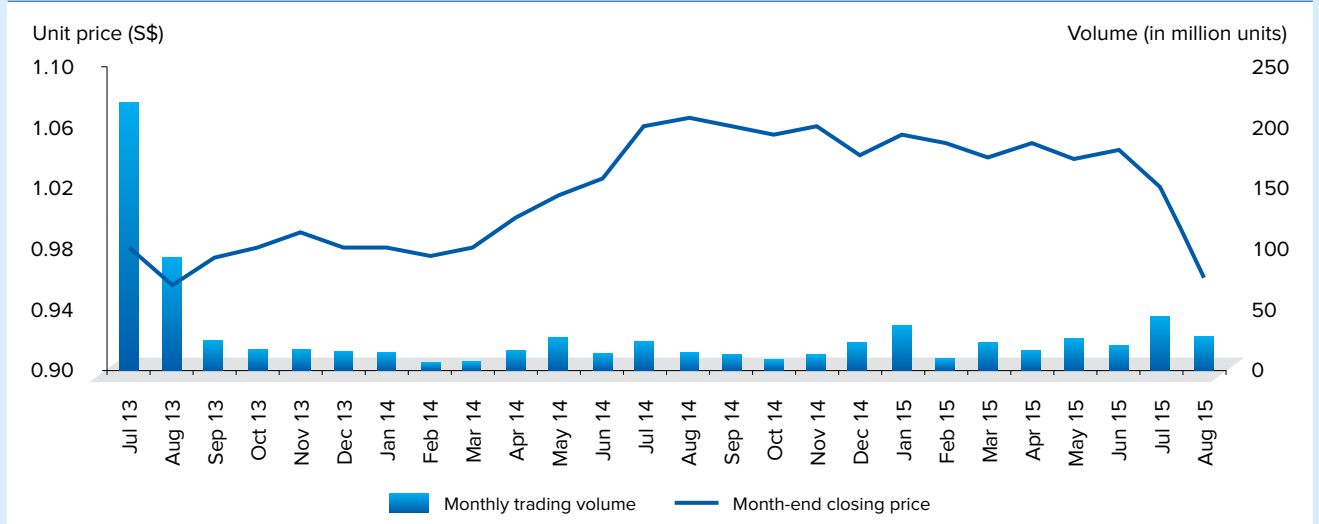
The distribution was 5.99 cents for the period ended 31 August 2014 and 5.47 cents for the year ended 31 August 2015.

(3) The annualised return over the approximately two-year period since IPO was 8.7%.

Source: Bloomberg

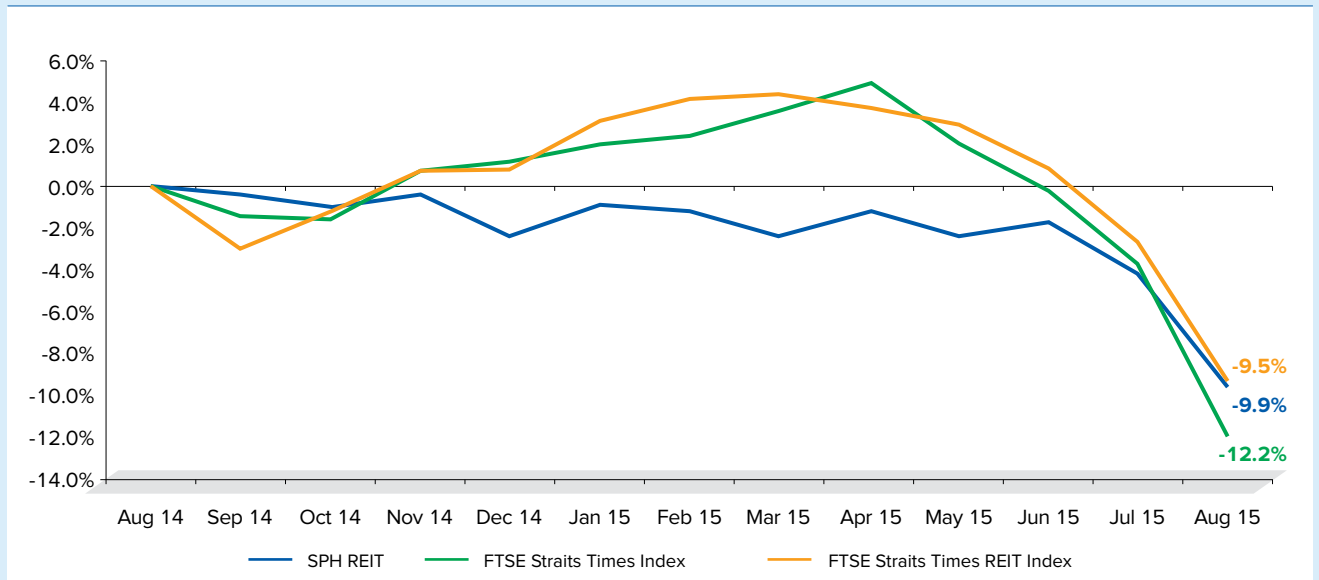
(1) The reports included DBS Group Research, "Pockets of Opportunity", 19 August 2015 and OCBC Investment Research, "Urge Caution on S-REITs; Reallocate to High-End and Growth Themes", 21 July 2015

Monthly Unit Price and Volume (Listing Date to 31 August 2015)



Source: Bloomberg

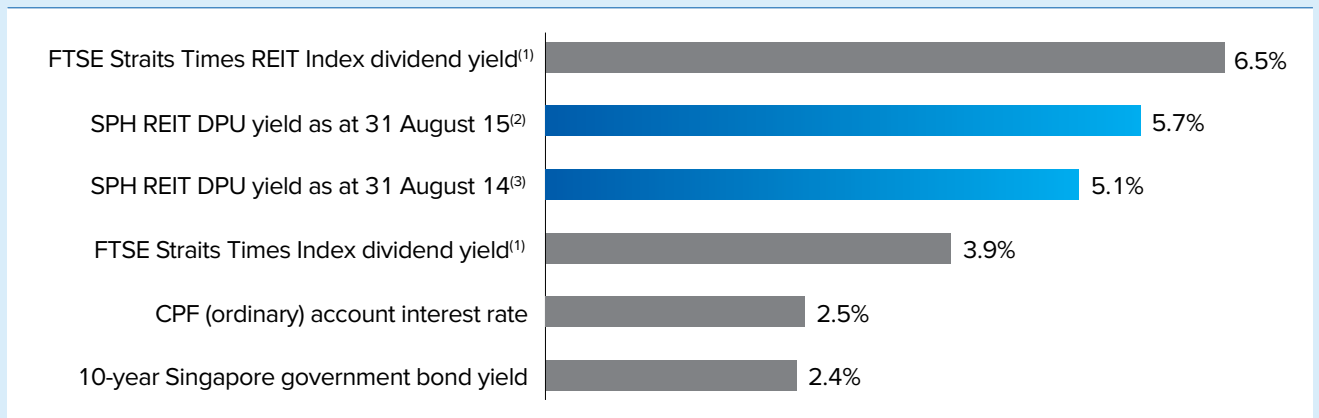
Monthly Comparative Price Trends for FY2015



Note: The price change was compared to the month-end closing price in August 2014.

Source: Bloomberg

Comparative Yields



Notes:

(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 2015.

(2) Based on DPU of 5.47 cents for FY2015 and closing price of S\$0.96 as at 31 August 2015.

(3) Based on annualised DPU of 5.99 cents for the period from 24 July 2013 (listing date) to 31 August 2014 and closing price of S\$1.065 as at 29 August 2014.

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





SUSTAINED PERFORMANCE PERFORMANCE DRIVEN



SPH REIT, with a focus on building a sustainable business model and maintaining a portfolio of vibrant malls, strives to remain at the forefront of the retail arena.

PORTFOLIO OVERVIEW

PARAGON

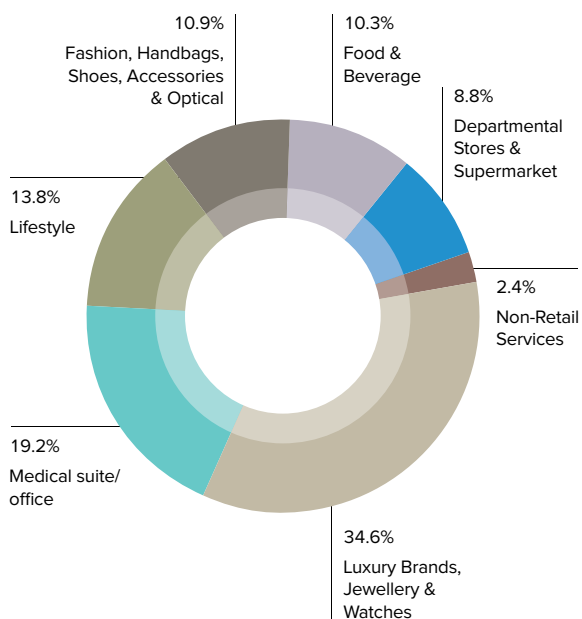


Property Information

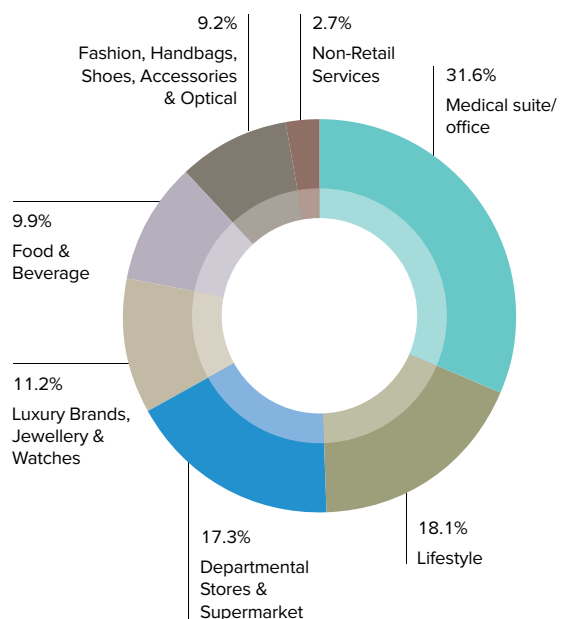
Description	A 6-storey retail podium with 1 basement level, together with a 14-storey medical suite/office tower and another 3-storey medical suite/office tower both sitting on top of the retail podium. It also includes a basement carpark.
Net Lettable Area	Retail: 488,856 sq ft Medical suite/office: 225,443 sq ft Total: 714,299 sq ft
Number of tenants	294
Car Park Lots	416
Title	99 years commencing 24 July 2013
Gross Revenue⁽¹⁾	S\$166.1 million
Net Property Income⁽¹⁾	S\$127.6 million
Market Valuation	S\$2,641.0 million as at 31 August 2015
Purchase Price	S\$2,500.0 million
Committed Occupancy	100.0% as at 31 August 2015
Key Tenants	Balenciaga, Burberry, Ermenegildo Zegna, Etro, Givenchy, Gucci, Miu Miu, Prada, Salvatore Ferragamo, Tod's, Versace Crystal Jade Golden Palace Restaurant, Din Tai Fung, Imperial Treasure Super Peking Duck Restaurant Citigold Private Client, Marks & Spencer, Metro, MUJI, Paragon Market Place Fitness First, Pacific Healthcare Specialist Centre
Awards and Accolades	<ul style="list-style-type: none"> • Singapore Retailers Association ("SRA") Shopping Centre Awards 2014 – Outstanding Efforts in Centre Management • Orchard Road Christmas Light Up, Best Dressed Building Contest 2014 – Winner for Judges' Choice category • Her World and Nuyou Mall Awards 2014 <ul style="list-style-type: none"> – Top 3 Best Dressed Mall in Central Orchard – Top 3 Best Luxe Fashion Mall in Central Orchard – Top 3 Coolest Kids Fashion Mall in Central Orchard – Top 3 Best Kids Mall in Central Orchard – Super Sporty Mall in Central Orchard

Note:
(1) FY2015.

Trade Mix – by Gross Rental Income for the Month of August 2015



Trade Mix – by NLA for the Month of August 2015



PORTFOLIO OVERVIEW

Strategically located in the heart of Orchard Road, Paragon has firmly established itself as a premier upscale retail mall and medical suite/office property.

PARAGON

Strategically located in the heart of Orchard Road, Paragon has firmly established itself as a premier upscale retail mall and medical suite/office property.

Consisting of a six-storey retail podium and one basement level with 488,856 sq ft of retail NLA, Paragon is a choice destination for up-market shoppers in search of luxury products and quality services.

One of Paragon's unique feature is the mall's all-glass facade with 136 metres of prime Orchard Road frontage, showcasing duplex stores of top international luxury brands, Gucci, Miu Miu, Prada, Salvatore Ferragamo

and Tod's. Other top international luxury brands such as Ermenegildo Zegna, Givenchy and Jimmy Choo have established their flagship stores at Paragon. The first and only boutique by Brunello Cucinelli in Singapore can also be found in Paragon.

Retailers and shoppers are attracted to the clean and simple layout of Paragon which offers a good view of the wide selection of brands available at the mall.

Paragon is also well known for its range of shops that cater to the needs of diverse shoppers. It has expanded its men's range with brands such as Cerruti 1881, Gieves & Hawkes and Kent & Curwen. Paragon's level

four features a wide selection of well known sports and apparel brands, while Paragon Junior on level five features popular brands for children including Armani Junior, Burberry Children, Kids21 and Nicholas & Bears.

With a multitude of options from casual dining such as PS. Cafe, French bakery and patisserie, Paul, to the exclusive Crystal Jade Golden Palace and the award-winning Imperial Treasure Super Peking Duck Restaurant, patrons at Paragon are spoilt for choice when it comes to dining selections. More extensive casual dining can be found at Basement 1, including Michelin star awarded Din Tai Fung, authentic Japanese at Akashi Japanese





Restaurant, all natural Italian eat-in and take out-shop at Gastronomica Da Paolo and handmade soba from Shimbashi Soba.

Paragon Medical comprises a 14-storey tower and another three-storey tower which sit on top of the retail podium, with a total 225,443 sq ft of medical suite/office NLA. It is positioned as a multi-disciplinary one-stop destination offering about 70 specialists, which include cardiology, dentistry, dermatology, gynaecology, obstetrics, oncology, orthopaedics, paediatrics, urology and laboratories. Paragon Medical together with Mount Elizabeth Hospital and Mount Elizabeth Medical Centre, a renowned private hospital and specialist medical centre, create a medical cluster which is well-recognised in the region. To engage with patrons, Paragon Medical's website features informative articles on the latest healthcare issues.

Visitors to Paragon are treated to customer-friendly services by our group of "ambassadors" who take pride in serving customers and attending to their needs. Our suite of services include restaurant reservation, taxi booking, purchase of gift vouchers, information on shop and medical directories, provision of tourist maps and wheelchair loan. In addition, we have a group of security officers who are trained to provide directions in the mall, attend to visitors' queries and provide a helping hand with shopping bags for shoppers, as well as visitors with wheelchairs or prams to board and alight safely at the driveways.

The Orchard Road Precinct

Orchard Road has a rich history of being Singapore's main shopping street, much like Fifth Avenue of New York in the United States or Myeongdong in Seoul, Korea. The unique characteristic of each mall along Orchard Road makes

shopping at Orchard Road an exciting experience for both locals and tourists. Tourists also enjoy staying at Orchard Road as they are in the heart of Singapore's famous shopping belt and there is a large variety of hotels that cater to different preferences.

Paragon is a member of the Orchard Road Business Association (ORBA). Since October 2014, ORBA has been organising the popular Pedestrian Night On Orchard Road every first Saturday night of each month. For this event, the road between Scotts Paterson Junction and Bideford Junction is closed to vehicular traffic and transformed into a pedestrian street, which attracts visitorship to explore and enjoy the offerings in Orchard Road. Supported by the Singapore Tourism Board, the initiative has injected greater vibrancy to Orchard Road and increased shopper traffic to Paragon.

THE CLEMENTI MALL



Property Information

Description	A 5-storey retail podium including a basement carpark, a public library, with direct transport links to the bus interchange on the ground floor and the Clementi MRT station on the 3rd floor via a linkbridge.
Net Lettable Area	Retail: 192,498 sq ft
Number of tenants	149
Car Park Lots	166
Title	99 years commencing 31 August 2010
Gross Revenue⁽¹⁾	S\$39.0 million
Net Property Income⁽¹⁾	S\$28.0 million
Market Valuation⁽²⁾	S\$571.5 million as at 31 August 2015
Purchase Price⁽³⁾	S\$553.0 million
Committed Occupancy	100.0% as at 31 August 2015
Key Tenants	Charles & Keith, Cotton On, G2000, The Body Shop BreadTalk, Foodfare, Ichiban Sushi, McDonald's, Soup Restaurant, Swensen's Best Denki, BHG, Clementi Public Library, FairPrice Finest, Popular Bookstore

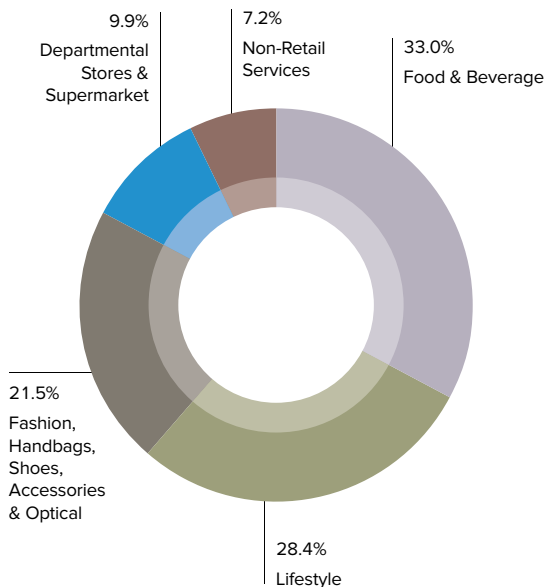
Notes:

(1) FY2015.

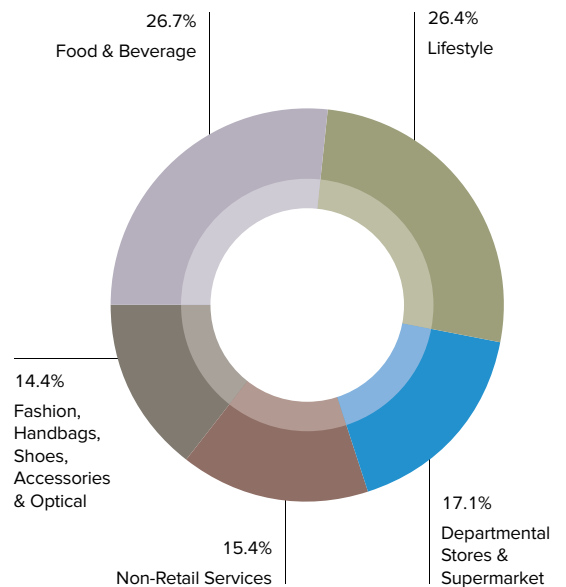
(2) The Clementi Mall's valuation excludes income support. The guaranteed NPI per year is S\$31 million and the aggregate top up NPI shall not exceed S\$20 million over five years.

(3) The Clementi Mall's purchase price was without income support.

Trade Mix – by Gross Rental Income for the Month of August 2015



Trade Mix – by NLA for the Month of August 2015



PORTFOLIO OVERVIEW

Opened in 2011, The Clementi Mall is the first mixed-use development in Singapore encompassing a public library, bus interchange, HDB residential blocks and mall. It is directly connected to the Clementi MRT station.



THE CLEMENTI MALL

The Clementi Mall is a mid-market family-oriented suburban mall located in the centre of Clementi town, a well-established residential area in the west of Singapore which has a concentration of both landed property as well as public housing.

Opened in 2011, The Clementi Mall is the first mixed-use development in Singapore encompassing a public library, bus interchange, HDB residential blocks and mall. It comprises a five-storey retail podium and one basement level with 192,498 sq ft of retail NLA.

Its location is strategic as it has good connectivity to other parts of Singapore. It is directly connected to the Clementi MRT station (East-West line) via a link bridge on the third level, as well as the Clementi bus interchange which has 15 bus services.

The Clementi Mall has a strong and regular visitorship of more than 30 million annually as it is the only major shopping mall in the Clementi precinct. It has become a popular gathering point for residents living in Clementi, Bukit Timah and Queenstown.

It also benefited from the student population from various educational institutions located nearby, including Singapore Polytechnic and the National University of Singapore.

During the year, twelve digital screens have been installed to facilitate more effective communication of tenants' offerings as well as the mall's events and promotions to the shoppers.



MARKET OVERVIEW

1.0 MACRO-ECONOMIC OVERVIEW

1.1 GDP Growth and Retail Sales

Moderate economic growth in 2014 and H1 2015, as Singapore focuses on productivity growth

According to the Ministry of Trade and Industry (MTI), Singapore's real Gross Domestic Product (GDP) grew by 2.9% y-o-y in 2014. This was lower compared to the 4.4% in 2013, due to moderate growth in the construction sector and services producing industries. The slower growth was partly due to the government focusing on productivity growth and becoming a manpower-lean economy.

On a y-o-y basis, real GDP growth eased from 2.8% in Q1 2015 to 1.8% in Q2 2015. This resulted from the weaker than expected global economy that impacted externally-oriented sectors such as manufacturing.

Consumer confidence in Singapore remained high globally

Despite moderate economic growth, consumer confidence remained high in 2014 and H1 2015. The Nielsen Consumer Confidence Index for Singapore increased by 3.5-points y-o-y to 100% for 2014, before a slight fall of 0.5-points in H1 2015. As at end Q2 2015, Singapore's score of 99% was ranked the world's 14th most optimistic market, above the global average of 96%.

Retail sales remained largely the same as that in 2014, despite more Singapore residents travelling overseas

On the back of the growth of budget airlines and stronger SGD, there was a rise in outbound departures of Singapore residents by 21.3% from 2010 to 2014. Notwithstanding, total retail sales⁽¹⁾ (excluding motor vehicles) remained relatively stable from 2011 to 2013, with a 0.7% decline y-o-y in 2014. Retail sales continued to contract by 0.1% and 0.8% y-o-y in Q1 2015 and Q2 2015 respectively.

Meanwhile, Private Consumption Expenditure (PCE), a reflection of consumer confidence and household retail spending, continued to grow by 2.5% in 2014, albeit lower than the 3.6% in 2013.

1.2 Tourism

Tourism sector moderated in 2014 and H1 2015, with some signs of improvement in recent months

As a result of various external events such as aviation incidents and regional geo-political issues, international tourist arrivals declined by 3.0% y-o-y to 15.1 million⁽²⁾ in 2014, mainly due to the fall in Mainland Chinese visitors who are typically on tour packages to Thailand, Malaysia and Singapore.

While Indonesian visitors to Singapore also declined by 2.1% to 3.0 million in 2014, Indonesia continued to be the largest tourism market, accounting for 20% of the overall international visitor arrivals. This is followed by visitors from Mainland China (1.7 million; 11%) and Malaysia (1.2 million; 8%).

Despite the moderation in visitor arrivals, tourism receipts stayed firm at \$23.6 billion⁽³⁾.

There was an increase in Free-and-Independent Travellers (FITs) from countries such as China and Australia, who visited Singapore as a mono-destination. In addition, visitor arrivals from other countries remained resilient, rising by nearly 1% y-o-y in 2014. According to the Singapore Tourism Board (STB), Hong Kong (+16.9%), South Korea (+13.8%) and Vietnam (+11.5%) registered the highest growth rates among the top 15 international visitor-generating markets in 2014. This was due to the proliferation of budget airlines and increased air capacity.

Visitor arrivals from January to July 2015 amounted to 8.8 million, registering a 1.7% y-o-y decline. Visitor arrivals have picked up in recent months, especially with a return in Mainland Chinese visitors. The slew of large-scale events planned for the rest of 2015 is also expected to boost visitor arrivals. STB expects overall visitor arrivals in Singapore to reach 15.1 to 15.5 million in 2015.

Singapore continues to be well-positioned as a global retail and tourism destination. Prominent travel media company Lonely Planet ranked Singapore as the top 2015 tourist destination in 2014, citing its "life-changing" food, "emerging" local fashion industry and new attractions as the major pull factors. The city-state also continues to be a top Meetings, Incentives, Conventions and Events (MICE) destination.

1.3 Outlook

Singapore's real GDP growth in 2015 projected at 2.0% to 2.5%

Despite its recent weak performance, the global economy is expected to improve in 2015 at a gradual pace. It is underpinned by the recovery of the US economy and anticipated economic growth in the Eurozone, as a result of the quantitative easing measures introduced since March 2015. However, the slowdown in Mainland China's economy, coupled with the continued tight domestic labour market, pose some risks.

Taking the above into account, the government forecasts Singapore's real GDP growth to be between 2.0% and 2.5% in 2015 (Table 1.1). Oxford Economics (OE) forecasts real GDP to grow by 3.3% in 2016.

(1) Based on the monthly retail sales and food and beverages indices from the Department of Statistics Singapore (DOS).

(2) Source: Singapore Tourism Board International Visitor Arrivals Statistics.

(3) All currencies in this report are in SGD, unless stated otherwise.

Table 1.1: Key Macro-economic Indicators

Indicator	2014	2015 F	2016 F
Real GDP Growth	2.9%	2.0% to 2.5% (MTI)	3.3% (OE)
Inflation	1.0%	-0.5% to 0.5% (MAS)	2.3% (OE)
Population Growth	1.3%	1.3% (OE)	1.3% (OE)
International Visitor Arrivals (STB)	15.1 million	15.1 to 15.5 million (8.8 million in January to July 2015)	NA
Tourism Receipts (STB)	\$23.6 billion	\$23.5 to \$24.0 billion	NA

Source: MTI, DOS, MAS, Oxford Economics, DTZ Consulting & Research, September 2015.

Large scale events and efforts by government agencies expected to boost tourism and retail industries

The government continues to be pro-active in boosting the tourism industry. For instance, STB and Changi Airport Group signed a multi-million marketing collaboration with Royal Caribbean International in August 2015 to promote cruising in Singapore. The collaboration is estimated to attract over 170,000 visitors to Singapore to sail on the Royal Caribbean cruises between 2015 and 2018, and generate over \$100 million in tourism receipts. Emphasis will also be on the MICE industry, with some 35% increase in marketing investment, to consolidate Singapore’s position as a top MICE destination.

In addition, the conferment of Singapore Botanic Gardens as Singapore’s first UNESCO World Heritage Site in July 2015 and occurrence of several large scale events such as Formula 1® Singapore Grand Prix in September are likely to improve visitor arrivals and boost the retail demand in Singapore.

Much effort has been placed in revitalising the retail sector. STB has been actively promoting Singapore as the tourist destination through the injection of over \$20 million in marketing efforts to boost tourism.

Coupled with the massive promotional activities to celebrate Singapore’s Golden Jubilee, retail spending is expected to pick up in H2 2015. Based on forecasts by OE, the outlook for retail sales in 2015 is relatively optimistic, with retail sales projected to grow by 3.8% y-o-y, higher compared to 2014 (0.3%).

2.0 RETAIL PROPERTY MARKET⁽⁴⁾

2.1 Retail Trends

Traditional brick-and-mortar retailers facing greater competition from online shopping – Retailers are facing greater competition as online shopping becomes more popular. The importance of e-commerce is evident from the increase in online expenditure in Singapore. According to MasterCard in September 2015, during the Great Singapore Sale 2015, \$303.5 million was spent online by Singapore cardholders locally, a 5.6% increase y-o-y. In addition, there was a 9.8% growth y-o-y in e-commerce transactions during this period.

The impact of online shopping and e-commerce on retailers in Singapore is significant, given the city-state’s high internet and smartphone penetration rates⁽⁵⁾. Euromonitor forecasts internet retailing to grow rapidly by more than 10% per annum till 2019, almost three times that of store-based retailing.

In response to the fast growing number of consumers engaging in online shopping, brick-and-mortar retailers are becoming more innovative, augmenting their competitiveness through the use of e-commerce and omni-channel marketing. Examples include Charles and Keith, Kate Spade and Watson’s as well as supermarket chains such as Cold Storage and NTUC FairPrice.

The government also launched the second Retail Productivity Plan in September 2015, which aims to help retailers in Singapore to sell and market their products on international platforms such as Amazon and Alibaba. It will also help retailers with branding and concept innovation as well as create more opportunities to improve operational efficiency.

Likewise, retail malls, including ION Orchard and Suntec City, have introduced mobile apps to expand their online presence.

Introduction of new-to-market brands and new retail concepts – Amid rising competition, landlords continue to introduce new-to-market retailers to cater to the ever-changing consumer tastes. For example, about 65% of the tenants at Capitol Piazza, which opened in Q2 2015, were flagship stores and new-to-market brands e.g., Marimekko, Dazzling Cafe and Angelina.

(4) This report focuses on retail space held by the private sector.
 (5) In Singapore, resident household access to internet is at 88% and its smartphone penetration rate is at 85%, as at end 2014 (Source: Infocomm Development Authority).

MARKET OVERVIEW

In July 2015, British label John Lewis made its Singapore debut at Robinsons. New retail concepts were also introduced in Paragon. MUJI introduced its first Café&Meal MUJI concept in Singapore in September 2015 while Clarks Originals will be opening its first stand-alone store in October 2015.

Steady demand for luxury and designer brands –

Average resident monthly household income has increased steadily by about 5% per annum from 2005 to 2014 to \$9,982. The rising affluence has supported the demand for luxury and designer brands.

Continuous efforts to revitalise and refresh retail offerings –

Retail landlords continue to be pro-active, implementing Asset Enhancement Initiatives (AEI) and refreshing their tenant mix to remain relevant. VivoCity completed its AEI in April 2015, adding nine new retailers. Malls like Plaza Singapura and The Centrepoint also plan to undergo refurbishments to introduce more spacious layouts, new tenant mixes and thematic zones to remain competitive.

Increasing presence of pop-up stores – As retailers struggle with rising operational costs, landlords have been offering flexible lease tenures via pop-up stores. The lease period of such pop-up stores typically ranges from three to 12 months.

The increasing presence of pop-up stores not only allows landlords to periodically refresh its tenant mix, but also allows landlords to manage transitional vacancies.

2.2 Existing Supply⁽⁶⁾

2.4 million sq ft completed in 2014, the highest since 2009

A total of 2.4 million sq ft of retail NLA was completed in 2014, the highest since 2009 (2.6 million sq ft). Bulk of the new supply (74%; 1.8 million sq ft) in 2014 was in the Suburban Areas. About 407,000 sq ft (17%) was completed in Orchard/ Scotts Road, while 222,000 sq ft (9%) was in the Other City Areas.

400,000 sq ft completed in H1 2015

About 400,000 sq ft was completed in H1 2015. This includes Capitol Piazza and 321 Clementi.

Major retail completions in 2014 and H1 2015 are highlighted in Table 2.1.

Table 2.1: Major Retail Completions in 2014 and H1 2015

Development	Location	Net Lettable Area (sq ft)
2014		
orchardgateway	Orchard Road	167,000
268 Orchard	Orchard Road	122,000
AEI at Shaw Centre	Scotts Road	104,000
BIGBOX	Venture Avenue	400,000
ONE KM	Tanjong Katong Road	204,000
Eastpoint Mall	Simei Street 6	200,000
The Seletar Mall	Sengkang West Avenue	188,000
H1 2015		
Capitol Piazza	Stamford Road	131,000
AEI at Suntec City	Temasek Boulevard	105,000 (all phases)
321 Clementi	Clementi Avenue 3	57,000

Source: URA, DTZ Consulting & Research, September 2015

Islandwide retail stock was 47.4 million sq ft, as at end Q2 2015. Majority is situated in the Suburban Areas (50%; 23.7 million sq ft), while the remaining are located in the Other City Areas (34%; 16.2 million sq ft) and Orchard/ Scotts Road (16%; 7.6 million sq ft).

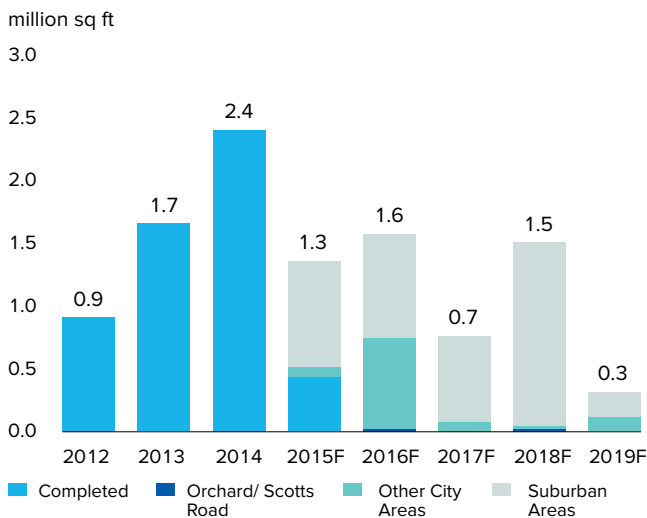
2.3 Potential Supply

About 5.0 million sq ft in the pipeline from Q3 2015 to 2019

From Q3 2015 to 2019, approximately 5.0 million sq ft of retail space is expected to complete. Majority (80%; 4.0 million sq ft) will be in the Suburban Areas, while about 20%, or some 1.0 million sq ft will be in the Other City Areas. The pipeline supply from 2015 to 2018 is relatively balanced at about 0.7 to 1.6 million sq ft per annum, lower than that in 2013 (1.7 million sq ft) and 2014 (2.4 million sq ft) (Figure 2.1).

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

Figure 2.1: Retail New Supply



Source: URA, DTZ Consulting & Research, September 2015

Meanwhile, the pipeline supply in Orchard/ Scotts Road is expected to remain limited, at about 17,000 sq ft or 0.3% of the total projected supply. The new supply is mainly from residential and hotel projects e.g., The Biltmore and Yotel, with no major retail developments scheduled to complete in the area.

Upcoming supply in the Suburban Areas mainly located in new estates

Although majority (80%) of the potential supply from Q3 2015 to 2019 are located in the Suburban Areas, most of the new retail malls will be situated in new residential areas.

The Punggol Planning Area for instance, has at least three retail developments in the pipeline totalling 502,000 sq ft to serve the rising number of residents in the estate. This includes Waterway Point (371,000 sq ft), which is scheduled to open in Q4 2015.

Despite the large supply of upcoming retail space in the Suburban Areas, only one upcoming development will be in Clementi. NeWest, located at West Coast Drive, is a mixed-use residential and commercial development with 74,000 sq ft of retail space, and is expected to complete in 2016.

2.4 Demand and Occupancy

While net absorption was positive in 2014, demand moderated in H1 2015

Islandwide net absorption⁽⁷⁾ remained positive at 1.7 million sq ft in 2014, indicating firm demand for retail spaces across the city-state. Notwithstanding, islandwide occupancy rate fell by 1.5%-points y-o-y to 93.5% in 2014, due to the large supply of 2.4 million sq ft in 2014.

(7) Net absorption is the change in the total occupied or let floor space over a specified period of time, either positive or negative.

Net absorption was -299,000 sq ft in H1 2015, due to some retailers vacating their premises. This was especially apparent in Orchard/ Scotts Road, where net absorption was -184,000 sq ft. Notable closures include Marks & Spencers and Cold Storage at The Centrepoint, Isetan at Wisma Atria and John Little at Marina Square and Tiong Bahru Plaza. LifeBrandz has also ceased operations at Clarke Quay, closing its F&B and entertainment outlets such as Mulligan’s Irish Pub and Aquanova in March 2015.

As retailers and F&B establishments encounter tighter labour policies and manpower shortages, some are focusing in strategic locations. Metro for instance, will not be renewing its lease at Compass Point and City Square after it expires in August and December 2015 respectively.

Notwithstanding, islandwide occupancy rate remained above 90% in H1 2015. In particular, occupancy rates in Orchard/ Scotts Road and Suburban Areas were higher, at 92.0% and 93.0% as at Q2 2015 respectively.

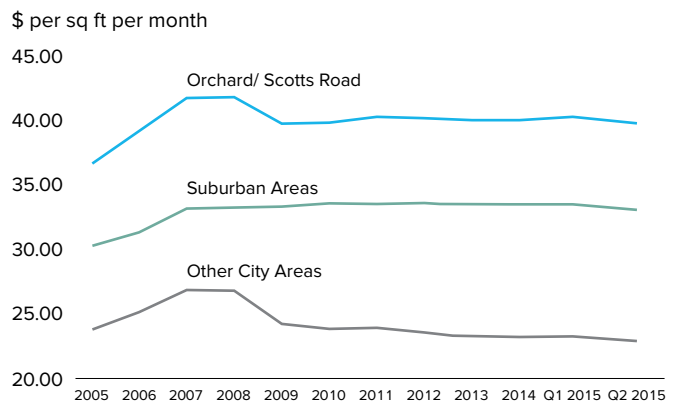
2.5 Rents

Landlords are exercising greater rental flexibility

The weaker retail market and rising business costs have generally resulted in greater resistance from tenants relating to rent increases. As a result, landlords have been more flexible during rental negotiations.

According to DTZ, islandwide average fixed gross retail rents for prime first and upper-storey retail units have been relatively stable since 2009. However, in Q2 2015, islandwide average rents moderated by 2.2% y-o-y amid operating headwinds. Average prime first-storey rents⁽⁸⁾ in Orchard/ Scotts Road and the Suburban Areas were more resilient, declining by 0.5% and 1.3% y-o-y respectively in Q2 2015 (Figure 2.2).

Figure 2.2: Average Prime First-storey Fixed Gross Rents



Source: DTZ Consulting & Research, September 2015

(8) Refers to the average gross rents (excluding turnover rents) of prime specialty retail shops good frontage or pedestrian footage.

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2.6 Outlook

Overall rents expected to soften due to global economic uncertainty

Challenges faced by retailers are likely to continue and this will exert downward pressure on retail rents in H2 2015. The weakening of the regional currencies against the SGD is expected to continue through the year. Consequently, further strain on the tourism sector is expected as visitors may avoid the city-state due to rising costs. The decline in consumer confidence is also likely to weigh on retail sales growth, as consumers curtail their spending.

To remain competitive, retailers are reinventing e.g., offering exclusive discounts to encourage purchases. Landlords are also helping retailers to tide through the challenges by offering rental rebates as well as rental holidays for new tenants.

Going into 2016, overall retail rents in Orchard/ Scotts Road and the Suburban Areas are expected to soften further due to the weakened sector. Nonetheless, well-positioned malls that are able to offer unique experiences as well as a diverse range of offerings are more likely to be resilient.

2.7 Implications on Paragon

Rents in Orchard/ Scotts Road expected to be supported by limited supply, new-to-market tenants

While occupancy rate in Orchard/ Scotts Road moderated by 1.5%-points y-o-y to 93.5% in 2014, Paragon has stood against competition, maintaining full occupancy as it has for over the past decade. Paragon, an established premier luxury shopping mall which enjoys strong centre management, continues to be one of the top retail developments in the area and its rents are likely to hold up well.

With a strong reputation as the prime shopping district in Singapore, retail developments in Orchard/ Scotts Road have been a magnet to new-to-market retailers. Retail rents in Orchard/ Scotts Road are expected to be supported by limited supply. Only 0.3% (17,000 sq ft) of the total supply from Q3 2015 to 2019 will be located in Orchard/ Scotts Road.

Orchard/ Scotts Road, the most popular shopping and free-access attraction in Singapore, with a total of 7.6 million sq ft of retail space in over 60 retail developments, is supported by over 12,000 hotel rooms and serviced apartments in the vicinity. Going forward, an estimated additional 2,600 hotel rooms are expected in Orchard/ Scotts Road from Q3 2015 to 2017.

2.8 Implications on The Clementi Mall

Rents in Clementi planning area to remain firm

The Clementi Mall has excellent connectivity, with its

co-location with a bus interchange and connection to the Clementi MRT station. It is strategically located at the heart of Clementi Planning Area⁽⁹⁾ and enjoys a strong catchment. Apart from serving about 91,000 residents⁽¹⁰⁾ in the Clementi Planning Area and about 173,000 residents in the neighbouring Bukit Timah and Queenstown Planning Areas, The Clementi Mall is supported by more than 60,000 students from tertiary institutions in the area, as well as the significant working population at one-north.

Following the recent completion of residential developments Trivelis (888 units) and The Vision (295 units), The Clementi Mall's resident catchment is expected to increase further over the next few years, with upcoming residential projects such as Clementi Ridges (684 units), Clementi Gateway (278 units), Clementi Crest (385 units), The Triling (755 units) and Seahill (176 units). The Clementi Mall is well-positioned to cater to this growing catchment, given its variety of offerings and central location.

With limited potential supply between Q3 2015 and 2019 in the Clementi Planning Area, retail rents in Clementi are expected to remain relatively firm going forward.

3.0 MEDICAL SUITE PROPERTY MARKET

3.1 Healthcare Services Industry Trends

Growing affluence and population in SEA expected to bolster demand for healthcare and medical services

The healthcare industry has grown rapidly in Asia⁽¹¹⁾. Likewise, demand for healthcare and medical services in South East Asia (SEA) is expected to increase. Key growth drivers in the region include a fast-growing middle class as well as an ageing population. In particular, OE forecasts that expenditure on hospital and outpatient services in SEA will rise by 5.0% y-o-y to USD34.6 (\$49.0) billion in 2016.

Singapore's established status and branding as a world-class medical destination has enabled it to capitalise on SEA's growth potential. Latest statistics from STB showed that 77% (\$638 million) of medical tourism receipts in 2013 was from SEA, mainly Indonesia (56%), followed by Vietnam (10%) and Malaysia (9%).

In particular, the medical tourism receipts per capita for Vietnam and Indonesia were among the highest⁽¹²⁾ in 2013 at \$212 and \$150 respectively, while that for Malaysia was \$61. On the other hand, Mainland Chinese visitors accounted for only 3% (\$28 million) of the medical tourism receipts in 2013. Similarly, medical tourism receipts per capita for Mainland China was low at \$13 in 2013.

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

(10) Source: DOS Singapore's Population Statistics for 2014.

(11) According to Frost and Sullivan in 2014, healthcare spending in Asia is expected to grow from USD1.34 trillion in 2013 to USD2.2 trillion in 2018.

(12) Global average of annual medical tourism receipts per capita in 2013 was \$53.

Competition for the medical tourism pie is growing

Despite the strong potential of the healthcare market in Asia, Singapore is facing intense competition from other countries e.g., Thailand and Malaysia, amid more affordable travel and medical options, online connectivity and weakening regional currencies. For instance, while specialist services have been Singapore's key competitive advantage, Thailand has long rivaled the city-state in this aspect. Notably, Bumrungrad International was the first Asian hospital to receive the accreditation as a Joint Commission International Hospital, attesting to its high standards of healthcare quality. Meanwhile, Malaysia is gaining ground, in terms of the quality of healthcare and medical services and its private healthcare providers are increasingly recognised internationally.

Amid increased competition, Singapore saw a decline in its medical tourism receipts for the first time in 2013, from \$1.1 billion in 2012 to \$832 million⁽¹³⁾ in 2013. On the other hand, Thailand and Malaysia have experienced strong growth in their earnings from medical tourism in recent years. According to the Malaysia Healthcare Travel Council, the number of healthcare travellers to Malaysia has increased by an average of about 13% per annum from 641,000 in 2011 to 882,000 in 2014. Meanwhile, medical tourism revenue in Malaysia is also growing at a similar pace at about 11% per annum from RM594 (\$193) million in 2012 to RM730 (\$237) million in 2014, according to Malaysia's Ministry of Health.

In addition, Mainland China and Japan are also looking to ramp up their medical tourism sector, as they aim to grow foreign tourism to boost their economies.

With the formation of the Asean Economic Community (AEC) by end 2015, there will be a freer flow of capital, goods and services and skilled labour, which will also benefit the healthcare sector. Nonetheless, as private healthcare service providers find it easier to venture to developing markets, Singapore will face more competition in the long-term.

Singapore possesses a dynamic and established eco-system of healthcare and medical services

Notwithstanding the increased competition, Singapore has an established eco-system of healthcare and medical services.

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

The increased number of international research organisations in Singapore e.g., American Association for Cancer Research, Duke University and John Hopkins University, has also helped to uphold Singapore's reputation as a world class medical hub.

In addition, healthcare service providers in Singapore have established comprehensive platforms with industry partners e.g., IT systems, medical equipment pharmaceuticals, nutrition and consumer lifestyle, to co-develop and test new products, solution and business models. The collaborative environment has enabled the medical sector to explore image-guided and robotic-assisted surgery, augmenting the city-state's competitive advantage in offering world-class medical services.

Local demand and healthcare expenditure to continue to grow

While Singapore's medical tourism sector is facing some challenges, domestic demand for private healthcare services is expected to expand due to rising affluence, changing lifestyles and aspirations e.g., healthcare in Singapore is increasingly perceived as part of improving one's quality of life and well-being. The ageing population in Singapore is another key driver, with the number of citizens aged 65 years and above estimated to nearly double from 440,000 in 2015 to 900,000 in 2030. This translates to a compound annual growth rate of 4.9%⁽¹⁴⁾, which is three times that of overall population growth.

In line with the abovementioned, OE forecasts consumer spending in hospital and out-patient services in Singapore to increase by 5.3% y-o-y to USD5.2 (\$7.4) billion in 2016.

3.2 Government Policies

Total Gross Floor Area of medical clinics (or medical suites) is restricted under the new guidelines on allowable quantum for medical clinics in commercial buildings

To ensure that medical centres are located appropriately on sites zoned for Health and Medical Care, URA and the Ministry of Health (MOH) implemented new guidelines to guide the conversion of commercial space to medical clinics.

With effect from 23 December 2014, the total Gross Floor Area (GFA) of medical clinics in commercial buildings are capped at 3,000 sq m (32,292 sq ft) or 20% of the total floor area approved for commercial use, whichever is lower. Approved and existing medical clinics located in a commercial development that have exceeded the cap are allowed to remain and will not be required to reduce their total floor area.

(13) Source: STB's Annual Report on Tourism Statistics for 2013.

(14) Source: Department of Statistics Singapore and Frost and Sullivan.

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3.3 Existing Supply

New medical suites in H1 2015

There were some additions to the medical suite stock in H1 2015. Raffles Medical Group converted a floor (34,000 sq ft) in Raffles Hospital at North Bridge Road (Other Areas), which was previously used as a research centre by Pfizer, to specialist clinics and a bone marrow transplant centre.

Raffles Medical Group also opened a new multi-disciplinary medical centre (17,500 sq ft) at the 4th and 5th floors of the newly revamped Shaw Centre in Orchard Road/ Tanglin in July 2015.

Close to 1,600 medical suites in Singapore

With the new additions, DTZ estimates that there are close to 1,600 medical suites in Singapore, as at August 2015. Majority (63%, close to 1,000 units) are hospital-supported medical suites, while the remaining (37%, almost 600 units) are medical suites in standalone developments.

Of the medical suites in standalone developments, approximately 70% (418 units) are for lease only. Such medical suites e.g., Paragon Medical and Camden Medical Centre, usually managed by dedicated property management teams, major medical group practices and REITs, are limited in number, especially in Orchard/ Scotts Road and typically command a rental premium over those which are strata-titled for sale.

Orchard Road/ Tanglin continues to be the largest medical suite cluster in Singapore

Being an established premier healthcare and medical destination for both locals and foreigners, Orchard Road/ Tanglin continues to account for majority (46%, 741 units) of the medical suite stock in Singapore. Of this, 53% (396 units) are hospital-supported, while 34% (249 units) are medical suites in standalone development that are for lease only.

Notwithstanding the new additions in H1 2015, Paragon Medical (75 units) continues to be the largest standalone medical centre in Orchard Road/ Tanglin. It has maintained a strong competitive advantage over other medical suites in the area, given its close proximity to Mount Elizabeth Hospital and Medical Centre (Orchard).

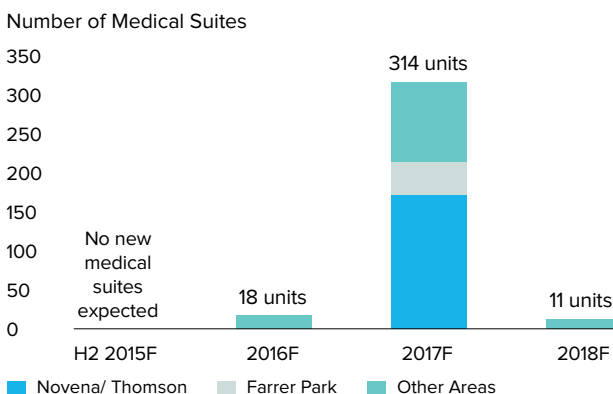
3.4 Potential Supply

An estimated 350 to 400 medical suites in the pipeline

The pipeline supply for medical suites remains largely similar to 2014's estimate (350 to 400 units). Supply will be tight for the rest of 2015 and 2016, with only Raffles Medical Group's 9,000 sq ft medical centre at Holland Village completing in 2016.

According to URA, most of the medical suites in the pipeline are expected to complete in 2017 (Figure 3.1). The completion of some potential developments may be postponed from 2017 to 2018. This includes Royal Square at Novena (171 units) and Vision Exchange (53 units).

Figure 3.1: Potential Supply⁽¹⁵⁾



Source: DTZ Consulting & Research, September 2015

Raffles Medical Group is also developing a 20-storey extension to its existing hospital at North Bridge Road, and it is expected to complete in H1 2017. It will house specialist and family medicine clinics, diagnostic services, as well as training facilities and supporting F&B.

Supply in Orchard Road/ Tanglin expected to remain relatively tight

There is limited potential supply in Orchard Road/ Tanglin over the next few years. The only known project in the pipeline is the enhancement of TripleOne Somerset by Perennial Real Estate, which received planning permission⁽¹⁶⁾ to increase the development's retail footprint from the existing 70,000 sq ft. The new retail podium is expected to house retail and education trades, as well as up to 32,000 sq ft (GFA) of medical suites. Perennial Real Estate intends to strata-sell the offices at TripleOne Somerset in the future.

Meanwhile, most of the pipeline supply in Singapore will come from Royal Square at Novena, Vision Exchange and SBF Center (48 units), which are mixed-use commercial developments with components such as office, retail and hotel. The medical suites at these developments are also available for sale. Apart from SBF Center which is almost fully sold, the other developments still have a considerable number of medical suites available for sale.

Medical suites in Orchard Road/ Tanglin remain well-positioned

The pipeline supply is not expected to impact Orchard Road/ Tanglin's position as a premier healthcare and medical services cluster. Most of the medical suites in the pipeline, especially those for sale, are small and lack the strong branding in the Orchard Road/ Tanglin area.

(15) Excludes potential supply from Raffles Hospital Extension and enhancement plan of TripleOne Somerset, as information on the number of medical suites from these projects is not available.

(16) As at 30 June 2015, the developer has indicated that the enhancement plans are still subject to final approval from relevant authorities.

3.5 Demand and Occupancy

Occupancy, especially those in Orchard Road/ Tanglin, held steady in H2 2014 and H1 2015

Despite growing competition for medical tourism in the region, medical group practices, such as Raffles Medical Group, continued to expand to cater to an increase in patient base.

Notably, the demand for well-located and well-positioned medical suites such as Paragon Medical remained healthy. On the other hand, medical suites located in peripheral locations that are not close to established hospitals or are not holistically managed, are not as popular and remained vacant.

3.6 Rents

Rents have been stable since H2 2014

Average gross rents for medical suites have generally remained stable from August 2014 to August 2015. The moderate economic growth and challenges Singapore faces in growing its medical tourism market weighed on rental growth. End-users have become somewhat more cost-sensitive, while landlords are more flexible. This is especially so for medical suites which command high rents of as much as above \$20 per sq ft per month.

While asking monthly rents for medical suites at Novena/ Thomson remained stable at around \$8 – \$10 per sq ft, those for medical suites in standalone developments in Orchard Road/ Tanglin were estimated to be at \$9 – \$14 per sq ft as at August 2015. Meanwhile, asking monthly rents for medical suites at Mount Elizabeth Medical Centre (Orchard) were estimated to be around \$15 – \$26 per sq ft in August 2015.

3.7 Outlook

Rents expected to remain relatively resilient in 2016

The moderate economic prospects for Singapore and growing competition for medical tourism are expected to weigh on the demand for healthcare and medical services in the short term. Notwithstanding, there continues to be support from domestic demand, given Singapore's ageing population.

The supply of medical suites in Singapore in 2016 is expected to remain limited and there are not many alternatives, especially in sought-after locations such as Orchard Road. Amid the tighter guidelines on the allowable quantum for medical clinics in commercial buildings, it is unlikely that there will be significant commercial space converting to medical suites.

With the limited pipeline supply offsetting the expected moderation in demand, DTZ expects rents for medical suites to remain relatively resilient.

3.8 Implications on Paragon Medical

Well-managed medical suites with strong branding such as Paragon Medical are expected to be resilient

Despite regional competition, Singapore's healthcare and medical service remain internationally recognised as one of the best and most efficient globally⁽¹⁷⁾. In particular, Orchard Road/ Tanglin continues to be Singapore's most established and premier medical cluster.

Coupled with the fact that supply in Orchard Road/ Tanglin is expected to remain relatively tight over the next few years, medical suite rents in the area, especially for well-managed developments like Paragon Medical which is near Mount Elizabeth Hospital, are expected to be resilient.

Limiting Conditions

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

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

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

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

DTZ Debenham Tie Leung (SEA) Pte Ltd or persons involved in the preparation of this report disclaims all responsibility and will accept no liability to any other party. Neither the whole nor any part, nor reference thereto may be published in any document, statement or circular, nor in any communications with third parties, without our prior written consent of the form or context in which it will appear.

By DTZ Debenham Tie Leung (SEA) Pte Ltd. September 2015

(17) Bloomberg ranked Singapore as having the most efficient healthcare system, out of 51 countries, in 2014. The Economist Intelligence Unit ranked Singapore the second in the world for healthcare outcomes in 2014.

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL SUSTAINABILITY

Green Initiatives

To improve the sustainability and efficiency of the properties, the Manager consciously carries out energy and water saving programmes.

A strong consideration for its properties' projects is to use green technology and equipment and adopt environmentally friendly ideas to reduce carbon footprint. For both properties, the existing light fittings have been replaced with more energy efficient LED lights. Paragon recently upgraded its chillers to help reduce energy consumption. In addition, the toilets at Paragon medical suite/office are equipped with motion sensors to reduce energy consumption.

In support of Earth Hour on 28 March 2015, Paragon switched off its facade lightings from 8.30pm to 9.30pm. The mall's Orchard Road street-front facing tenants such as Calvin Klein Jeans, Gucci, Miu Miu, Prada, Salvatore Ferragamo and Tod's were also encouraged to support the initiative by switching off their signage and window display lightings and dimming their in-store lights.

TENANT ENGAGEMENT

Partnering Initiatives

The Manager firmly believes that building strong relationships with tenants requires a commitment to continually engage them. It invested time and effort to develop relationships to facilitate the exchange of ideas. This gave rise to creative partnerships and collaborations.

Tenant engagement takes place through formal and informal channels. Monthly bulletins are issued to keep tenants updated on tenancy changes, advertising opportunities, promotional initiatives and other important matters. Front line staff also help gather tenants' feedback and suggestions through informal dialogues.

SHOPPER AND COMMUNITY ENGAGEMENT

Art, Culture and Music Initiatives

The Manager believes in supporting arts, music and cultural diversity by staging performances at the malls. It provides the atrium as a performance venue for schools and non-profit organisations to showcase their talents.

Since 2005, Paragon has introduced "Music EnVogue", a live music series that engages visitors through music during the lunch hour and entertaining them whilst they shop. The "Music EnVogue" series provides shoppers with an enjoyable shopping experience, and also elevates Paragon's image as a premier shopping mall.

Paragon has garnered a reputation for staging quality music performances over the years. The SPH Gift of Music series, a free community concert series sponsored by Singapore Press Holdings, has also been staged at Paragon. These performances showcase musicians from the Singapore Symphony Orchestra, Orchestra of the Music Makers and The Philharmonic Winds.

Besides free music performances, visitors to Paragon can appreciate several public sculptures by renowned local and international artists.

Over at The Clementi Mall, cultural performances have always been well received by visitors to the mall, especially during festive seasons such as Chinese New Year, Mid-Autumn Festival and Christmas. These include cultural dance performances, traditional Chinese drumming, *wushu* demonstrations, as well as performances by bands, orchestras and choirs of various schools.





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



Paragon Fall/Winter Fashion Shows
Paragon, September 2014

Paragon held several fashion shows featuring labels such as coast LONDON, Guess Kids, Karen Millen and Warehouse as part of their efforts in tenant engagement to strengthen their respective brands, on top of shopper engagement.



Rev-Up @ Orchard
Paragon, September 2014

A meet and greet session with Lewis Hamilton and Nico Rosberg from the MERCEDES AMG PETRONAS Formula One team not only attracted throngs of fans to Paragon, the venue sponsor, it also boosted tourist traffic to Orchard Road.

CORPORATE SOCIAL RESPONSIBILITY

Harper's Bazaar Fashion Photo Exhibition

Paragon, October 2014

Curated by Kenneth Goh, Editor-in-Chief of Harper's Bazaar who was then the magazine's Creative Director, this photo exhibition featured amazing fashion spreads shot in New York City. It was an eye-opening event, which helped to cultivate art appreciation and also made art accessible to the general public.

The Piano Music by Ryuichi Sakamoto & Joe Hisaishi with Victor Khor And The Young Musicians' Foundation Orchestra

Paragon, October 2014

Singapore pianist Victor Khor and The Young Musicians' Foundation Orchestra (Singapore) presented a sneak preview of their concert featuring the sensuous sounds and unforgettable melodies from two of Japan's greatest composers –Ryuichi Sakamoto and Joe Hisaishi. This piano music presentation was part of an effort to raise funds for The Bone Marrow Donor Program.



Orchard Road Christmas Light-Up Ceremony

Paragon, November 2014

During the Orchard Road Christmas Light-Up Ceremony, Paragon hosted performances by local jazz band, Lounge Lizards, as well as school choirs such as Mee Toh School Choir and Tampines Junior College Choir.

SPH Gift of Music presents The Philharmonic Winds at Paragon

Paragon, December 2014

Award-winning wind orchestra The Philharmonic Winds performed an eclectic mix of jazz pieces and Christmas tunes. The free concert was presented by SPH Gift of Music.



Ikebana International Singapore Chapter Annual Floral Exhibition

Paragon, April 2015

Thirty-eight exhibitors, including the schools of Ikebana-Ikenobo, Sogetsu, Ohara, and Ryusei-ha, together with other famous floral designers and Ikebana artists of Singapore, showcased their Ikebana – the Japanese art of flower arrangement on the theme 'Secret Garden' – for the fifth year at Paragon. The exhibition was dedicated to the memory of the late Mr Lee Kuan Yew, Founding Prime Minister of Singapore, with a special display dedicated to Mr and Mrs Lee. The exhibition also supported the NUHS Fund Ltd for children suffering from cancer.



Fashion Runway @ Orchard

Paragon, April 2015

Fashion Runway @ Orchard is the longest catwalk show which kicks off Fashion Steps Out @ Orchard, a six-week extravaganza showcasing the latest fashion trends in the world. This year, Paragon participated in the event by supporting new tenants, Moisselle and Germaine in the catwalk show. It complemented the efforts of Orchard Road Business Association ("ORBA"), a non profit organisation to promote business development along Orchard Road, a major tourist destination in Singapore.

SGNext50 Fashion Futurism 2015-2065 Wear it Now Exhibition

Paragon, April – May 2015

As a fashion tribute to SG50, Samsung Fashion Steps Out 2015 challenged five of Singapore's top fashion designers and labels to cast their creative visions over the next fifty years and imagine how fashion and style would take shape in Singapore. This fringe event was part of the annual Fashion Steps Out @ Orchard campaign organised by ORBA. The exhibition featured 10 outfits by designers Kenny Lim & Andrew Loh from DEPRESSION, Francis Cheong, Max.Tan, Pauline Lim from PAULINE.NING and Chiang Xiaojun from Pleatation.



Raffles Design Institute Graduation Exhibition

Paragon, June 2015

Raffles Privato, a collaboration between Paragon and Raffles Design Institute, was launched in 2010 and is evidence of the mall's commitment to support local fashion designers and brands.

Every year, Paragon shortlists seven promising fashion designers to develop their graduation collections into commercially viable pieces, to retail at a pop up store at level 3 of the mall. The collection changes every season with a new group of graduating students selected.

SPH Gift of Music presents OMM Community Performance at Paragon

Paragon, July 2015

In the lead up to Orchestra of the Music Makers' ("OMM") performance of Gustav Mahler's "Symphony of a Thousand" at the Esplanade Concert Hall, OMM brought music out of the concert hall for the masses. Shoppers in Paragon enjoyed an extraordinary musical experience as over 100 orchestral musicians and a 150-strong chorus led by conductor Chan Tze Law performed Part 1 of Mahler's spectacular symphony.



NUS Kent Ridge Hall K6 performances

The Clementi Mall, December 2014 & February 2015

To cultivate music appreciation and provide a performance platform for budding musicians, The Clementi Mall invited K6, a music group from the National University of Singapore to showcase their diverse musical talents during the Christmas and Chinese New Year festive period. Shoppers were treated to choral music as well as easy-listening Chinese classics during these festive periods.

Live Well and Eat Right

The Clementi Mall, October 2015

The Clementi Mall collaborated with the Health Promotion Board to organise a roadshow on healthy living, where shoppers got to learn about healthy eating while having fun through interactive games. There were also cooking demonstrations for shoppers to learn healthy cooking techniques and the use of healthier ingredients. In addition, shoppers who joined the "HPB Supermarket Tours" picked up tips on choosing healthier products and what to look out for when reading food labels.

INVESTOR RELATIONS

SPH REIT's Investor Relations practices are built upon firm adherence to a high standard of corporate governance and transparency. The Manager is committed to deliver clear, consistent and timely updates to the investment community and develop long-term relationships with Unitholders. The Manager carefully planned and set up various activities and communication platforms to ensure that all segments of the investment community are engaged. 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 investors

The Manager interacts actively with the investment community through multiple platforms to provide business updates as well as to understand and address issues that matter to investors. These include one-on-one meetings, quarterly post-results briefing, property-related conferences and roadshows. Briefings are held to update analysts on SPH REIT's half-year and full-year financial results, operational performance and market outlook. The Manager holds annual media 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 their operations.

Continual engagement with retail investors is done through public forums such as the Shareinvestor's REITs symposium and the Securities Investors Association (Singapore) ("SIAS") Corporate Profile and Investment Seminar. 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 inaugural Annual General Meeting on 28 November 2014, 13 weeks after the financial year end to ensure timely engagement with Unitholders. The event was well attended with over 300 participants and all resolutions were approved by Unitholders. Electronic poll voting was conducted and results were 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 reports and other announcements. Senior management's audio webcasts of SPH REIT's half-year and full-year results with slide presentations are also available for viewing through the website. It also archives all corporate announcements, presentations and provides email alerts on the latest announcements.

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

INVESTOR RELATIONS CALENDAR

1st Quarter 2015 (September – November 14)

- Announcement of results for the financial period from 24 July 2013 (listing date) to 31 August 2014 and Media conference and Analysts' briefing with audio webcast
- Payment of 4Q FY2014 distribution
- Post-results investor meeting
- Release of Annual Report 2014
- Annual General Meeting
- UBS ASEAN Conference (Singapore)
- SIAS Corporate Profile and Investment Seminar (Singapore)

2nd Quarter 2015 (December 14 – February 15)

- RHB OSK DMG ASEAN & Hong Kong Conference (Singapore)
- Announcement of 1Q FY2015 results
- Payment of 1Q FY2015 distribution
- Post-results investor meeting

3rd Quarter 2015 (March – May 15)

- Nomura ASEAN IPO Corporate Day (Singapore)
- Shareinvestor's REITs Symposium 2015 (Singapore)
- Announcement of 2Q FY2015 results and Analysts' briefing with audio webcast
- Payment of 2Q FY2015 distribution
- Post-results investor meeting

4th Quarter 2015 (June – August 15)

- Announcement of 3Q FY2015 results
- Payment of 3Q FY2015 distribution
- Post-results investor meeting

FINANCIAL CALENDAR

2015

12 October

Announcement of FY2015 results

20 October

Books closure

16 November

Proposed payment of 4Q FY2015 distribution

27 November

Annual General Meeting

2016*

7 January

Announcement of 1Q FY2016 results

8 April

Announcement of 2Q FY2016 results

7 July

Announcement of 3Q FY2016 results

6 October

Announcement of FY2016 results

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

RISK MANAGEMENT

RISK MANAGEMENT APPROACH AND PHILOSOPHY

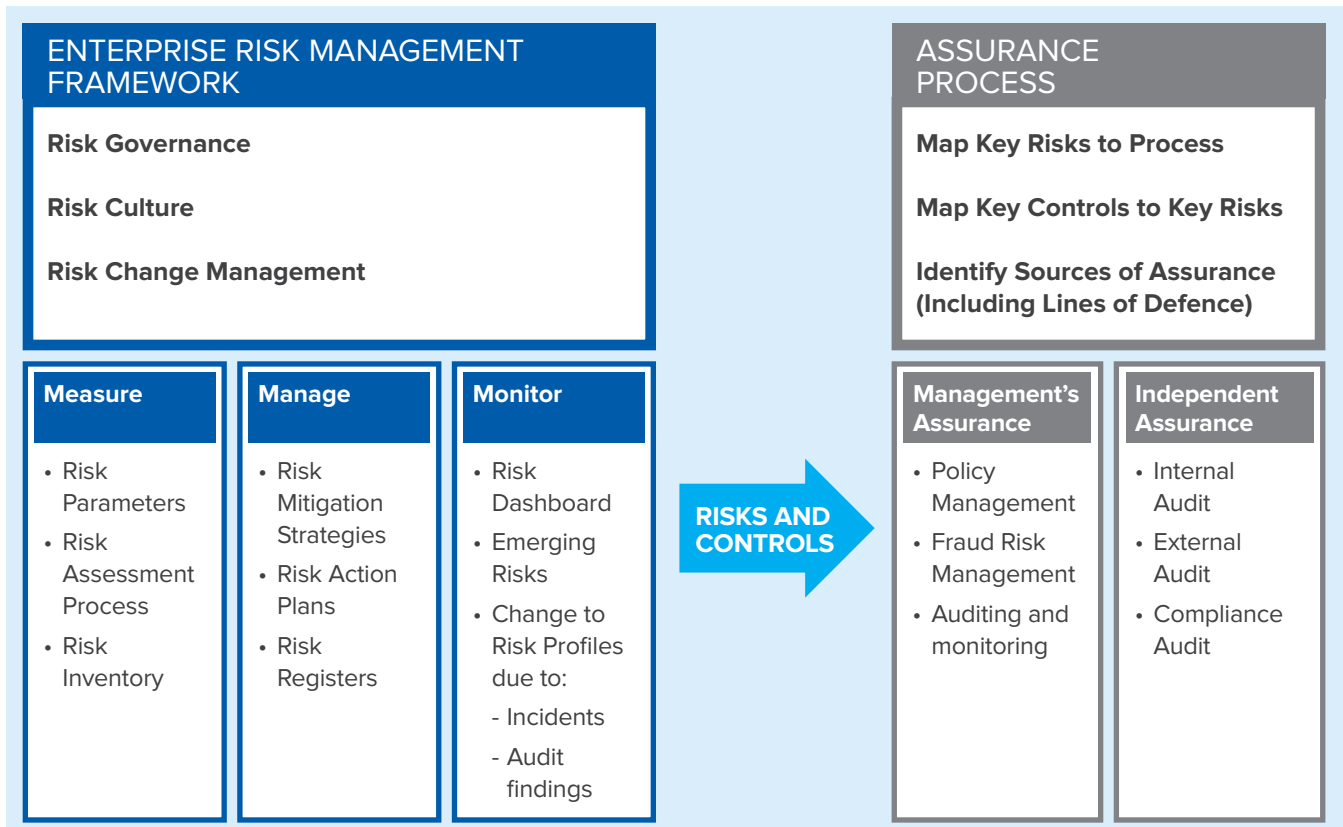
Risk Management is an integral part of the culture of SPH REIT (the “Manager”) and the Board of Directors (“Board”) is responsible for establishing the overall risk strategy and governance. The Manager advocates a continuous and iterative process for enhancing risk awareness and this has been implemented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

The risk management framework assists the Board and the Manager to assess, mitigate and monitor risk with the objective of capital preservation and ensure 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 ensuring the proper implementation and maintenance of the risk management programme, the Manager is accountable to the Board by identifying, assessing, monitoring, testing and recommending the tolerance levels 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 system and internal controls.



In pursuit of the Manager'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 internal control system is in place to address financial, operational, compliance and information 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 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 premised on Standard Operating Procedures ("SOPs") and benchmarked against industry best practices which include structured reporting and monitoring processes to mitigate operational risks. They are intertwined with all daily operations to ensure timeliness of business deliverables, operational growth and continuity to ensure quality operational performance, human capital output and overall business sustainability.

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

Credit Risks

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

Financing and Interest Rate Risks

The Manager proactively manages the financing risk of SPH REIT by ensuring its debt maturity profile is spread out without major concentration of debts maturing in a single year, as well as maintaining an appropriate gearing level and tenure for its borrowing. The Manager has put in place a well-staggered debt profile with weighted average term to maturity of 2.9 years and gearing level of 25.7% as at 31 August 2015. Refinancing will occur in three tranches of approximately equal size.

The Manager monitors the portfolio exposure to interest rate fluctuations arising from floating rate borrowing and hedges its exposure by way of interest rate swaps and fixed rate loan. As at 31 August 2015, 84.7% of the borrowing is hedged into fixed rate. The longer tenure tranches maturing in 2018 and 2020 have been fully fixed.

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").

Liquidity Risks

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

RISK MANAGEMENT

Investment Risks

All investment proposals are subject to a rigorous and disciplined assessment taking into consideration the asset valuation, yield and sustainability. Sensitivity analysis is included in each review to assess the impact of a change in assumptions used. Potential acquisitions will be reviewed and analysed 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 scrutinises the Manager's compliance with the MAS Property Fund Guidelines and the provisions of the Trust Deed including all relevant provisions stipulated by the Singapore Stock Exchange.

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 Guidelines and the provisions in the Trust Deed. Written corporate policies and procedures facilitate staff awareness and provide clear instructions for implementation of operational and business processes to minimise inadvertent contravention

of applicable legislations and regulations and counterparty obligations and all contractual agreements. Quarterly reports on significant legal, regulatory and compliance matters are submitted to ARC for guidance.

Formal processes for Workplace Safety and Health compliance have also been implemented for all buildings, shopping malls, offices including any business and public services. In addition, a compliance framework containing policies and practices to regulate the proper management of personal data 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 behavior, safeguarding of assets, proprietary information and intellectual property. Any breach of the Code of Conduct may result in disciplinary action including dismissal or termination of the employment contract. The Board has established a whistle blowing policy for employees

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

Technology & Cyber Risks

Information Technology (IT) plays 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. It has therefore implemented tight controls within the corporate systems to address the threats. In this respect, IT policies are prescribed to guide staff on appropriate and acceptable use of IT resources including computers, networks, hardware, software, email, applications and data in order to ensure the efficiency and integrity of these computing resources.

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

CORPORATE GOVERNANCE

The board and management of SPH REIT Management Pte. Ltd., and the manager of SPH REIT (the “Board”; the “Management”; the “Manager”), are committed to good corporate governance as they firmly believe that it is essential 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 adopts the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore (the “MAS”) on 2 May 2012 (the “2012 Code”) as its benchmark for corporate governance policies and practices and SPH REIT is pleased to confirm that it has adhered to the principles and guidelines of the 2012 Code. In so far as any guideline has not been complied with, the reason has been provided. The following describes the Manager’s main corporate governance policies and practices, with specific reference to the 2012 Code.

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

THE MANAGER OF SPH REIT

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

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

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

The Manager’s other functions and responsibilities include:

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

BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: Board’s Leadership and Control

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

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 Unitholders and SPH REIT’s assets.

To assist the Board in the discharge of its oversight function, the Audit & Risk Committee (“ARC”) has been constituted with written terms of reference.

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

Matters requiring the Board’s decision and approval include:

1. 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 of SPH REIT;
3. Annual and quarterly financial reports;
4. Internal controls and risk management strategies and execution; and
5. Appointment of directors and key management staff, including review of performance and remuneration packages.

The names of the members of the Board Committee are set out on page 17.

Board Attendance

The Board meets on a quarterly basis and as warranted by particular circumstances. Four Board meetings were held in the financial year ended 31 August 2015 (“FY2015”) to discuss and review the Manager’s and SPH REIT’s key activities, including its business strategies and policies for SPH REIT, proposed acquisitions and disposals, the annual budget, the performance of the business and the financial performance of SPH REIT and the Manager. The Board also reviews and approves the release of the quarterly, half and full-year results. A Director who is unable to attend any meeting in person may participate via telephone or video conference. The attendance of the Directors at meetings of the Board and ARC, and the frequency of such meetings, is disclosed on page 75. 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 discharged this duty consistently.

Training for Directors

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

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

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

For FY2015, Directors were provided with briefing and training in the areas of MAS regulations and proposed changes to the regime governing REITS as well as changes to the Companies Act. Directors were also provided with training in the areas of audit committee duties, in addition to updates on internal controls and regulatory requirements such as the Companies (Amendment) Act 2014 and the Personal Data Protection Act.

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

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

Board Composition and Guidance

Principle 2: Strong and Independent Board

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

The Board considers that its present size is appropriate which facilitates effective decision making and allows for a balanced exchange of views, robust deliberations and debates among members, and effective oversight over Management.

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

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

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

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

Chairman and Chief Executive Officer

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

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

The Chairman sets the agenda for Board meetings, ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of non-executive Directors, and facilitates effective communications with 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 a part of the management team and is an independent Director.

Board Membership

Principle 4: Formal and transparent process for appointment of directors

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

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

- (a) the Board 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.
- (b) at least one-third of the Board should comprise independent Directors. Where, among other things, the Chairman of the Board is not an independent Director, at least half of the Board should comprise independent Directors.

Guideline 4.4 of the 2012 Code recommends that the Board determine the maximum number of listed companies board representations which any director may hold and disclose this in the annual report. The Board is of the view that, the limit on the number of listed company directorships that an individual may hold should be six but this serves only as a guide. The Board has the discretion to decide whether to adhere to the guide on a case-by-case basis, as a person's available time and attention may be affected by many different factors such as whether they are in full-time employment and their other responsibilities.

A Director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of the Manager in managing the assets and liabilities of SPH REIT for the benefit of Unitholders. In considering the nomination of Directors for appointment, the Board will take into account, amongst other things, the competing time commitments faced by Directors with multiple Board memberships. All Directors have confirmed that notwithstanding the number of their individual listed company board representations and other principal commitments, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of SPH REIT for the benefit of Unitholders. The Board is of the view that current commitments of each of its Directors are reasonable and each of the Directors is able to and has been able to carry out his/her duties satisfactorily.

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

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

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

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

Review of Directors' independence

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

Board Performance

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

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

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

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 Board meeting.

For FY2015, the Questionnaire on the performance of the Board and Board Committees was reviewed in accordance with the best practices on board evaluation. The Questionnaire was completed by Directors, and reviewed by the Board. The performance of the Board was reviewed as a whole, taking into account the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with the Management.

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

Individual Director Evaluation

As from FY2015, the Board also conducted a peer and self evaluation to assess the performance of individual Directors. Performance criteria include 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 discuss with each individual Director if needed.

Succession Planning

The Board 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.

Access to Information

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

Management recognises that the flow of information on an accurate, complete, adequate and timely manner is critical for the Board to be effective in discharging its duties.

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

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

The Company Secretary works closely with the Chairman in setting the agenda for board meetings. He attends all Board meetings and 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 ARC 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.

CORPORATE GOVERNANCE

Remuneration Matters

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

Level and Mix of Remuneration

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

Disclosure on Remuneration

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

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

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

Directors' fees for FY2015 comprise a basic retainer fee as a Director, and an additional fee for serving on the ARC.

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

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

* Directors who are full-time SPH management staff.

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

No employee of the Manager was an immediate family member of a Director or the CEO and whose remuneration exceeded \$50,000 during FY2015. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

No employee share option schemes or share schemes have been implemented by SPH REIT.

Accountability and Audit

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

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

The Manager is informed by a set of guidelines to ensure prompt compliance with statutory and regulatory requirements as well as adopts best practices in SPH REIT's business processes. This is imperative to maintaining Unitholders' confidence and trust in SPH REIT.

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

Risk Management and Internal controls

Principle 11: Sound system of risk governance and internal controls

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

The Manager also determines the nature and extent of the risks which the Board is willing to accept in achieving its strategic objectives. Key risks, control measures and management actions are continually identified, reviewed and monitored by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before it is embarked upon.

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

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

The ARC reviews risk appetite framework and risk tolerances for the enterprise risks. Using qualitative and quantitative measures, risks are calibrated so that balanced control processes are matched against the strategic objectives of SPH REIT's business.

The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. 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 from page 62 to 64 of this Annual Report.

The Manager has in place a risk management assessment framework which was established to facilitate the Board's assessment on the adequacy and effectiveness of the Manager's and SPH REIT's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of the Manager and SPH REIT. Assessments are made on the adequacy and effectiveness of the Manager's and SPH REIT's risk management system in managing each of these key risk areas.

The framework strengthens the Manager's capability to recognise risks and measures, and new challenges and opportunities from risk perspectives so as to add value to Management's decision-making, business planning, resource allocation and operational management.

The ARC and the Board will review the adequacy and effectiveness of the risk management system and internal controls on an annual basis.

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

CORPORATE GOVERNANCE

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

The CEO and CFO at the financial year-end have provided a letter of assurance to the Board on the integrity of the financial records/statements, as well as the effectiveness of 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 and SPH REIT is disclosed on a timely basis for the purposes of preparing financial statements; and
- SPH REIT's internal controls were adequate and effective as at the end of the financial year.

Based on the internal controls established and maintained by SPH REIT, work performed by the auditors, and regular reviews performed by Management, the Board and ARC are of the opinion that SPH REIT's risk internal and external management systems and internal controls were adequate and effective as at 31 August 2015 to address financial, operational, compliance and information technology risks, which SPH REIT considers relevant and material to its operations.

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

CODE OF DEALINGS IN SECURITIES

The Manager has in place a Code of Dealings in SPH REIT units, which prohibits dealings in SPH REIT units by all Directors of the Manager, SPH and certain employees, within certain trading "black-out" periods. The "black-out" periods are two weeks prior to the announcement of SPH REIT's financial statements for each of the first three quarters of its financial year and one month prior to the announcement of SPH REIT's full year financial statements. Directors and employees are also reminded to observe insider trading laws at all times, and not to deal in SPH REIT units when in possession of any unpublished price-sensitive information regarding SPH REIT, or on short-term considerations. In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Manager issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealings in SPH REIT units as set out above.

Audit & Risk Committee

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

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

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

- a) reviewing the annual audit plans and audit reports of external and internal auditors;
- b) reviewing the financial statements of SPH REIT before they are submitted to the Board for approval;
- c) reviewing the significant financial reporting issues so as to ensure the integrity of the financial statements of SPH REIT and any announcements relating to SPH REIT's financial performance;
- d) reviewing the auditors' evaluation of the system of internal accounting controls;
- e) reviewing and reporting to the Board the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls;
- f) reviewing the scope, results and effectiveness of the internal audit function;

- g) reviewing the scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;
- h) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- i) reviewing the Manager's whistle-blowing policy, and to ensure that channels are open for possible improprieties to be raised and independently investigated, and for appropriate follow-up action to be taken;
- j) overseeing any internal investigation into cases of fraud and irregularities;
- k) reviewing interested person transactions;
- l) approving (or participating in) the hiring, removal, evaluation and compensation of the head of the internal audit function; and
- m) ensuring that the internal audit function is adequately resourced and has adequate support within the Company.

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

The ARC has conducted an annual review of the performance of the external auditor and the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, before confirming their re-nomination. The aggregate amount of fees paid to the external auditors for FY2015 was S\$165,000, and the fee was solely for audit services.

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

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

During the financial year, the ARC reviewed the quarterly financial statements prior to approving or recommending their release to the Board, as applicable; the significant financial reporting issues and judgments; the auditors' evaluation of the system of internal accounting controls; the adequacy and effectiveness of SPH REIT's internal controls, including financial, operational, compliance and information technology controls; the annual audit plan of the external and internal auditors and the results of the audits performed by them; and the list of interested person transactions. It also reviewed the scope, results and effectiveness of the internal audit and external audit functions; the independence and objectivity of the external auditors and the non-audit services rendered by them; and the re-appointment of the external auditors and its remuneration. Management's assessment of fraud risks, adequacy of the whistle-blower arrangements and whistle-blower complaints are reviewed by the ARC.

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

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

None of the ARC members is a former partner of the Manager's and SPH REIT'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.

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 SPH REIT or damage to SPH REIT's reputation.

CORPORATE GOVERNANCE

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

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

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

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

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

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

Unitholder Rights & Responsibilities

Principle 14: Fair and equitable treatment of Unitholders

Communication with Unitholders

Principle 15: Regular, effective and fair communication with Unitholders

Conduct of Unitholder Meetings

Principle 16: Greater Unitholder participation at AGMs

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

The Manager provides accurate and timely disclosure of material information on SGXNET. Unitholders are notified in advance of the date of release of SPH REIT's financial results through an announcement via SGXNET. The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of SPH REIT's quarterly, half year 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 to Unitholders upon their request.

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

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

The Trust Deed also 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.

DIRECTORS' ATTENDANCE AT BOARD AND AUDIT & RISK COMMITTEE (for FY2015)

Directors' attendance at Board and Audit & Risk Committee meetings
for the period from 01 September 2014 to 31 August 2015

Additional Information

Interested Person Transactions

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

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;

CORPORATE GOVERNANCE

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 FY2015 which are subject to disclosure requirements under the SGX-ST Listing Manual can be found on page 119 of this Annual Report.

CONFLICTS OF INTEREST

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

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

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

FINANCIAL STATEMENTS

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REPORT OF THE TRUSTEE

DBS Trustee Limited (the “Trustee”) is under a duty to take into custody and hold the assets of SPH REIT (the “Trust”) held by it in trust for the holders (“Unitholders”) of units in the Trust (the “Units”). In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of SPH REIT Management Pte. Ltd. (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 9 July 2013 between the Manager and the Trustee in each annual accounting 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 year covered by these financial statements, set out on pages 81 to 116 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
12 October 2015

STATEMENT BY THE MANAGER

In the opinion of the directors of SPH REIT Management Pte. Ltd., the accompanying financial statements of SPH REIT (the "Trust") set out on pages 81 to 116, comprising the Balance Sheet, Statement of Total Return, Distribution Statement, Statement of Changes in Unitholders' Funds, the Statement of Cash Flows, Portfolio Statement of the Trust, and Notes to the Financial Statements have been drawn up so as to present fairly, in all material respects, the financial position of the Trust as at 31 August 2015, and the total return, distributable income and changes in Unitholders' funds and cash flows of the Trust for the year ended on that date in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Trust will be able to meet their financial obligations as and when they materialise.

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



Leong Horn Kee
Chairman



Anthony Mallek
Director

Singapore
12 October 2015

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of SPH REIT

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

We have audited the accompanying financial statements of SPH REIT (the "Trust"), which comprise the Balance Sheet and Portfolio Statement of the Trust as at 31 August 2015, and the Statement of Total Return, Distribution Statement and Statement of Changes in Unitholders' Funds and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 81 to 116.

Manager's responsibility for the financial statements

The Manager of the Trust ("the Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of the Trust present fairly, in all material respects, the financial position of the Trust as at 31 August 2015 and the total return, distributable income, changes in unitholders' funds and cash flows of the Trust for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants.



KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore
12 October 2015

BALANCE SHEET

As at 31 August 2015

	Note	As at 31 August 2015 S\$'000	As at 31 August 2014 S\$'000
Non-current assets			
Plant and equipment	4	1,044	1,055
Investment properties	5	3,212,500	3,159,000
Intangible asset	6	9,400	12,408
Derivative financial instruments	10	3,949	–
		3,226,893	3,172,463
Current assets			
Trade and other receivables	7	5,008	5,912
Derivative financial instruments	10	365	–
Cash and cash equivalents	8	77,355	90,658
		82,728	96,570
Total assets		3,309,621	3,269,033
Non-current liabilities			
Borrowing	9	595,565	843,125
Derivative financial instruments	10	–	8,758
Trade and other payables	11	36,685	28,953
		632,250	880,836
Current liabilities			
Borrowing	9	249,330	–
Trade and other payables	11	30,231	35,131
		279,561	35,131
Total liabilities		911,811	915,967
Net assets attributable to Unitholders		2,397,810	2,353,066
Represented by:			
Unitholders' funds		2,397,810	2,353,066
Units in issue ('000)	13	2,529,309	2,514,276
Net asset value per unit (\$)		0.95	0.93

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

STATEMENT OF TOTAL RETURN

For the financial year ended 31 August 2015

	Note	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Gross revenue	15	205,113	222,921
Property operating expenses	16	(49,493)	(57,011)
Net property income		155,620	165,910
Income support		3,008	5,092
Amortisation of intangible asset	6	(3,008)	(5,092)
Manager's management fees	17	(15,976)	(17,125)
Trustee's fees		(478)	(518)
Other trust expenses	18	(1,211)	(1,230)
Finance income		657	219
Finance costs	19	(21,669)	(21,898)
Net income		116,943	125,358
Fair value change on investment properties	5	36,588	102,603
Total return for the year/period before taxes and distribution		153,531	227,961
Less: income tax	20	–	–
Total return for the year/period after taxes and before distribution		153,531	227,961
Earnings per unit (cents)			
Basic and diluted	21	6.08	9.09

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

DISTRIBUTION STATEMENT

For the financial year ended 31 August 2015

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Income available for distribution to Unitholders at beginning of the year/period	35,095	–
Net income	116,943	125,358
Add: Net tax adjustments (Note A)	21,595	24,987
Total income available for distribution to Unitholders for the year/period	173,633	150,345
Distribution to Unitholders		
- Distribution of 1.86 cents per unit for the period from 24 July 2013 to 30 November 2013	–	(46,519)
- Distribution of 1.39 cents per unit for the period from 1 December 2013 to 28 February 2014	–	(34,840)
- Distribution of 1.35 cents per unit for the period from 1 March 2014 to 31 May 2014	–	(33,891)
- Distribution of 1.39 cents per unit for the period from 1 June 2014 to 31 August 2014	(34,949)	–
- Distribution of 1.33 cents per unit for the period from 1 September 2014 to 30 November 2014	(33,489)	–
- Distribution of 1.40 cents per unit for the period from 1 December 2015 to 28 February 2015	(35,303)	–
- Distribution of 1.35 cents per unit for the period from 1 March 2015 to 31 May 2015	(34,094)	–
	(137,835)	(115,250)
Income available for distribution to Unitholders at end of the year/period	35,798	35,095
Note A - Net tax adjustments		
Non-tax deductible items:		
- Manager's management fees	15,976	17,125
- Trustee's fees	478	518
- Amortisation of intangible asset	3,008	5,092
- Amortisation of upfront fee for loan facility	1,973	2,125
- Depreciation of plant and equipment	160	127
Net tax adjustments	21,595	24,987

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

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 August 2015

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Balance as at beginning of year/period	2,353,066	–
Operations		
Total return for the year/period	153,531	227,961
Hedging reserve		
Effective portion of changes in fair value of cash flow hedges [Note 12]	13,072	(8,758)
Unitholders' transactions		
Issue of new units on listing	–	2,250,896
Issue expenses	–	(18,908)
Distribution to unitholders	(137,835)	(115,250)
Manager's fee paid/payable in units	15,976	17,125
	(121,859)	2,133,863
Balance as at end of year/period	2,397,810	2,353,066

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2015

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Cash flows from operating activities		
Total return for the year/period	153,531	227,961
Adjustments for:		
Fair value change on investment properties	(36,588)	(102,603)
Manager's fee paid/payable in units	15,976	17,125
Depreciation of plant and equipment	160	127
Finance income	(657)	(219)
Finance costs	21,669	21,898
Amortisation of intangible asset	3,008	5,092
Operating cash flow before working capital changes	157,099	169,381
Changes in operating assets and liabilities		
Trade and other receivables	955	(5,893)
Trade and other payables	321	61,497
Net cash from operating activities	158,375	224,985
Cash flows from investing activities		
Acquisition of investment properties	–	(1,306,000)
Additions to investment properties	(15,318)	(2,729)
Purchase of intangible asset	–	(17,500)
Purchase of plant and equipment	(125)	(1,178)
Interest received	606	214
Net cash used in investing activities	(14,837)	(1,327,193)
Cash flows from financing activities		
Proceeds from issue of units	–	503,896
Issue expenses paid	–	(18,908)
Proceeds from bank loan	–	841,000
Payment of transaction costs related to borrowing	(220)	(35)
Distribution to unitholders	(137,835)	(115,250)
Interest paid	(18,786)	(17,837)
Net cash (used in)/from financing activities	(156,841)	1,192,866
Net (decrease)/increase in cash and cash equivalents	(13,303)	90,658
Cash and cash equivalents at beginning of the year/period	90,658	–
Cash and cash equivalents at end of the year/period	77,355	90,658

Significant non-cash transactions

For the period ended 31 August 2014, SPH REIT acquired Paragon and The Clementi Mall from Orchard 290 Ltd and CM Domain Pte Ltd respectively on 24 July 2013 (listing date). The acquisition was partially settled by way of issuance of units in the Trust amounting to S\$1,747,000,000.

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

PORTFOLIO STATEMENT

For the financial year ended 31 August 2015

Description of Property	Location	Tenure of Land	Term of Lease
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
Portfolio of investment properties			
Other assets and liabilities (net)			
Unitholders' funds			

The carrying amount of the investment properties were based on independent valuations as at 31 August 2015 and 31 August 2014 conducted by DTZ Debenham Tie Leung (SEA) Pte Ltd ("DTZ"). DTZ has appropriate professional qualifications and experience in the locations and category of the properties being valued. The valuations of the investment properties were based on the discounted cash flow and capitalisation methods. The net change in fair value has been recognised in the Statement of Total Return.

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

Remaining Term of Lease 31 August 2015	Occupancy Rate as at 31 August		At Valuation 31 August		Percentage of Unitholders' funds 31 August	
	2015 (%)	2014 (%)	2015 S\$'000	2014 S\$'000	2015 (%)	2014 (%)
97 years	100.0	100.0	2,641,000	2,588,000	110	110
94 years	100.0	100.0	571,500	571,000	24	24
			3,212,500	3,159,000	134	134
			(814,690)	(805,934)	(34)	(34)
			2,397,810	2,353,066	100	100

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

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

1. GENERAL INFORMATION

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

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

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

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

(a) Trustee's fees

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

(b) Manager's management fees

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

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

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

For the period from 24 July 2013 (listing date) to 31 August 2015, the Manager has elected to receive 100% of Management fees in units.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

1. GENERAL INFORMATION (CONT'D)

(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 2015, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

(b) Functional and presentation currency

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

(c) Currency translation

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investment properties

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

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

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

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

(e) Plant and equipment

(i) Measurement

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

(ii) Depreciation

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

Plant and equipment 3 - 10 years

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

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

(iii) Subsequent expenditure

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

(iv) Disposal

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets

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

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

(g) Cash and cash 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

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

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

(ii) Recognition and derecognition

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

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

(iii) Initial measurement

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

(iv) Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (Cont'd)

(v) Impairment

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

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

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

(i) Derivative financial instruments and hedging activities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Cash flow hedge

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

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

(ii) Derivatives that do not qualify for hedge accounting

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

(j) Fair value estimation of financial assets and liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of non-financial assets

- Intangible asset
- Plant and equipment

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

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

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

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the statement of total return.

(l) Units and unit issuance expenses

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

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

(m) Revenue recognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes

Current income 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 balance sheet date.

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

Deferred income tax is measured:

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes (Cont'd)

A "Qualifying Unitholder" is a Unitholder who is:

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

A "Qualifying Non-resident Non-individual Unitholder" is a person who is neither an individual nor a resident of Singapore for income tax purposes and:

- who does not have a permanent establishment in Singapore; or
- who carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the Units are not obtained from that operation.

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

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

(o) Distribution policy

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Expenses

(i) Trustee's fees

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

(ii) Manager's management fees

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

(iii) Property operating expenses

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

(iv) Borrowing costs

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

(q) Borrowing

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

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

(r) Trade and other payables

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

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

(s) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Operating leases – as a lessor

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

(u) Segment reporting

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

Information about assumptions and estimation uncertainties 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 (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

4. PLANT AND EQUIPMENT

	2015 S\$'000	2014 S\$'000
Cost		
Beginning of financial year/period	1,182	–
Additions	149	1,182
End of financial year/period	1,331	1,182
Accumulated Depreciation		
Beginning of financial year/period	127	–
Depreciation charge	160	127
End of financial year/period	287	127
Net book value		
Beginning of financial year/period	1,055	–
End of financial year/period	1,044	1,055

5. INVESTMENT PROPERTIES

	2015 S\$'000	2014 S\$'000
Beginning of financial year/period	3,159,000	–
Acquisition	–	3,053,000
Additions	16,912	3,397
Fair value change	36,588	102,603
End of financial year/period	3,212,500	3,159,000

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

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

The Paragon on Orchard Road, with a carrying value of S\$2,641 million (2014: S\$2,588 million), is mortgaged to banks as security for the loan facility of S\$850 million (2014: S\$850 million) [Note 9].

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

6. INTANGIBLE ASSET

	2015 S\$'000	2014 S\$'000
Cost		
Beginning of financial year/period	17,500	–
Additions	–	17,500
End of financial year/period	17,500	17,500
Accumulated amortisation		
Beginning of financial year/period	5,092	–
Amortisation	3,008	5,092
End of financial year/period	8,100	5,092
Carrying amounts		
Beginning of financial year/period	12,408	–
End of financial year/period	9,400	12,408

Intangible asset represents the unamortised income support receivable by the Trust under the Deed of Income Support entered into with CM Domain Pte Ltd, the vendor of The Clementi Mall. The income support has a remaining period of approximately 3 years (2014: 4 years).

7. TRADE AND OTHER RECEIVABLES

	2015 S\$'000	2014 S\$'000
Trade receivables from non-related parties	2,758	1,935
Amount owing by related parties	748	2,861
Other receivables	1,232	886
Deposits	95	114
Accrued interest	51	5
Prepayments	124	111
	5,008	5,912

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

8. CASH AND CASH EQUIVALENTS

	2015 S\$'000	2014 S\$'000
Cash held as fixed bank deposit	64,000	20,000
Cash and bank balances	13,355	70,658
	77,355	90,658

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 0.75% (2014: 0% to 0.42%) per annum. During the financial year, fixed bank deposits were placed for varying periods of generally up to 3 months, with interest rate ranging from 0.48% to 1.43% (2014: 0.12% to 0.46%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

9. BORROWING

	2015 S\$'000	2014 S\$'000
Secured term loan	850,000	850,000
Less: Unamortised transaction costs	(5,105)	(6,875)
	844,895	843,125
Borrowing repayable:		
Within 1 year	249,330	–
Between 1 – 5 years	595,565	843,125
	844,895	843,125

On 24 July 2013, the Trust established a term loan facility available for drawdown up to the amount of S\$975 million (2014: S\$975 million). As at the balance sheet date, the amount drawn down was S\$850 million (2014: S\$850 million). The amount of S\$844.9 million (2014: S\$843.1 million) represented the loan stated at amortised cost. After revising the tenures of certain loan tranches totalling S\$135 million during the year, the loan has repayment terms ranging from three to seven years, of which S\$250 million is repayable on 25 July 2016, S\$135 million on 26 March 2018, S\$185 million on 24 July 2018 and S\$280 million on 24 July 2020.

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

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

As at 31 August 2015, fixed rate loan and loans hedged with interest rate swaps amounted to S\$720 million (2014: S\$465 million). The fixed interest rates were from 1.10% to 2.31% (2014: 1.44% to 2.31%) per annum. The floating rates are referenced to Singapore dollar swap offer rate and repriced every three months. The effective interest rate as at the balance sheet date on the outstanding term loan of S\$850 million (2014: S\$850 million) was 2.55% (2014: 2.33%) per annum.

The notional principal amounts of the outstanding interest rate swap contracts and their corresponding fair values as at 31 August 2015 are:

	2015 S\$'000	2014 S\$'000
Notional due [Note 10]:		
Within 1 year	120,000	–
Between 1 – 5 years	450,000	35,000
After 5 years	–	280,000
Total	570,000	315,000
Fair values* [Note 10]	4,314	(8,758)

* The fair values of interest rate swap contracts had been calculated (using rates quoted by the Trust's bankers) assuming the contracts are terminated at the balance sheet date. 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 2015

10. DERIVATIVE FINANCIAL INSTRUMENTS

Analysed as:

	Contract notional amount S\$'000	Fair value amount S\$'000
2015		
Non-current assets		
Cash flow hedge		
- Interest-rate swaps [Note 9]	450,000	3,949
Current assets		
Cash flow hedge		
- Interest-rate swaps [Note 9]	120,000	365
2014		
Non-current liabilities		
Cash flow hedge		
- Interest-rate swaps [Note 9]	315,000	(8,758)

11. TRADE AND OTHER PAYABLES

	2015 S\$'000	2014 S\$'000
Non-current		
Deposits received	36,685	28,953
Current		
Trade payable to non-related parties	213	197
Amount owing to related parties	1,690	2,628
Other payables	8,399	7,916
Accrued expense	5,519	5,162
Interest payable	2,809	1,917
Deposits received	10,227	16,546
Collections in advance	1,374	765
	30,231	35,131

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

12. HEDGING RESERVE

	2015 S\$'000	2014 S\$'000
Beginning of financial year/period	8,758	–
Fair value change	(7,342)	15,518
Transferred to finance costs	(5,730)	(6,760)
End of financial year/period	(4,314)	8,758

13. UNITS IN ISSUE

	2015 '000	2014 '000
<u>Units in issue</u>		
Beginning of financial year/period	2,514,276	–
Issue of new units:		
- Placement at listing	–	2,500,995
- Manager's fee paid in units	15,033	13,281
End of financial year/period	2,529,309	2,514,276

During the financial year, the Trust issued 15,032,814 (2014: 13,281,488) new units at the issue price range of S\$1.0474 to S\$1.0765 (2014: S\$0.9525 to S\$1.0205 per unit), in respect of the payment of management fees to the Manager in units. The issue prices were determined based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for the last 10 business days of the relevant quarter on which the fees accrued.

Each unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the units held;
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;
- Attend all Unitholders meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and

The restrictions of a Unitholder include the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

14. CAPITAL AND OTHER COMMITMENTS

(a) Commitments for capital expenditure

	2015 S\$'000	2014 S\$'000
Authorised and contracted for		
- Investment properties	4,992	14,694

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

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

	2015 S\$'000	2014 S\$'000
Within 1 year	191,112	183,657
Between 1 – 5 years	280,058	283,776
After 5 years	2,845	2,833
	474,015	470,266

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

15. GROSS REVENUE

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Gross rental income	195,349	212,826
Car park income	7,048	7,941
Other income	2,716	2,154
	205,113	222,921

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

16. PROPERTY OPERATING EXPENSES

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Property tax	17,855	19,097
Property management fees	8,198	8,827
Maintenance	9,420	11,417
Utilities	6,254	8,954
Marketing	5,105	5,860
Staff cost	2,268	2,555
Others	393	301
	49,493	57,011

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

17. MANAGER'S MANAGEMENT FEES

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Base fee	8,195	8,829
Performance fee	7,781	8,296
	15,976	17,125

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

18. OTHER TRUST EXPENSES

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Audit fees	165	179
Valuation expense	63	63
Consultancy and other professional fees	379	307
Other expenses	604	681
	1,211	1,230

19. FINANCE COSTS

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Interest on borrowing	19,678	19,754
Amortisation of upfront fee for loan facility	1,973	2,125
Other financial expenses	18	19
	21,669	21,898

20. INCOME TAX

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/period due to the following factors:

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Total return for the year/period	153,531	227,961
Tax calculated at tax rate of 17%	26,100	38,753
Expenses not deductible for tax purposes	3,671	4,248
Income not subject to tax due to tax transparency	(23,551)	(25,558)
Fair value change on investment properties	(6,220)	(17,443)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

21. EARNINGS PER UNIT

Basic and diluted Earnings per Unit are based on:

	2015	2014
Total return for the year/period after tax (\$'000)	153,531	227,961
Weighted average number of Units ('000)	2,523,660	2,507,825
Basic and diluted Earnings per Unit (cents)	6.08	9.09

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

22. ISSUE EXPENSES

Issue expenses incurred in the previous financial period, comprises professional, advisory and underwriting fees and other costs related to the issuance of Units.

23. FINANCIAL RISK MANAGEMENT

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

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

The policies for managing these risks are summarised below.

(a) Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Interest rate risk (Cont'd)

Movements in interest rates will therefore have an impact on the Trust. If the interest rate change by 0.50% (2014: 0.25%) with all other variables being held constant, the annual total return and hedging reserve will change by the amounts shown below, as a result of the change in interest expense and fair value of interest rate swaps respectively:

	Statement of Total Return S\$'000	Hedging Reserve S\$'000
2015		
Increase/(Decrease)		
Borrowing		
- increased by	(650)	-
- decreased by	650	-
Interest rate swap		
- increased by	-	9,171
- decreased by	-	(9,236)
2014		
Increase/(Decrease)		
Borrowing		
- increased by	(963)	-
- decreased by	963	-
Interest rate swap		
- increased by	-	4,323
- decreased by	-	(4,341)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, thereby resulting in financial loss to the Trust. For trade receivables, the Trust manages its credit risk through prior assessment of business proposition and credit standing of tenants, and monitoring procedures. Where appropriate, the Trust obtains collateral in the form of deposits, and bankers'/insurance guarantees from its tenants. For other financial assets, the Trust adopts the policy of dealing only with high credit quality counterparties. As such, management has determined the credit quality of the customers 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 balance sheet which comprise mainly trade receivables, and cash balances placed with banks. As at the balance sheet date, the Trust has no significant concentration of credit risks. Amount owing by related parties mainly relates to income support receivable by the Trust under the Deed of Income Support (Note 6), and is backed in the form of banker's guarantees and cash deposit in an escrow account. As at 31 August 2015 and 31 August 2014, all trade receivables were backed by bankers'/insurance guarantees and/or deposits from customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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

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

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

	2015 S\$'000	2014 S\$'000
Past due 1 to 30 days	2,322	1,578
Past due 31 to 60 days	2	10
Past due 61 to 90 days	349	118
Past due over 90 days	85	229
	2,758	1,935

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

(c) Liquidity risk

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

The table below analyses the maturity profile of the Trust's financial liabilities (including derivative financial 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
2015				
Net-settled interest rate swap	(2,581)	278	6,601	-
Trade and other payables	(28,857)	(13,311)	(21,541)	(1,833)
Borrowing	(265,786)	(12,019)	(621,268)	-
	(297,224)	(25,052)	(636,208)	(1,833)
2014				
Net-settled interest rate swap	(6,060)	(4,211)	(28)	1,487
Trade and other payables	(35,131)	(12,154)	(16,301)	(498)
Borrowing	(11,739)	(261,507)	(322,708)	(303,724)
	(52,930)	(277,872)	(339,037)	(302,735)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) 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 balance sheets.

	Gross amount of recognised financial instruments S\$'000	Gross amount of recognised financial instruments offset in the balance sheet S\$'000	Net amount of financial instruments presented in the balance sheet S\$'000	Related amount not offset in the balance sheet S\$'000	Net amount S\$'000
2015					
Financial assets					
Interest rate swaps	(4,314)	–	(4,314)	–	4,314
2014					
Financial liabilities					
Interest rate swaps	8,758	–	8,758	–	(8,758)

(e) Capital Management

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

The Trust is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 35% of the fund's deposited property. The Aggregate Leverage of a property fund may exceed 35% of the fund's deposited property (up to a maximum of 60%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public.

As at balance sheet date, the Trust has a gearing of 25.7% (2014: 26.0%), and is in compliance with the Aggregate Leverage limit of 35% (2014: 35%).

(f) Fair value measurements

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) 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
2015				
Assets				
Investment properties	–	–	3,212,500	3,212,500
Derivative financial instruments	–	4,314	–	4,314
2014				
Assets				
Investment properties	–	–	3,159,000	3,159,000
Liabilities				
Derivative financial instruments	–	(8,758)	–	(8,758)

Level 2

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

Level 3

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

Description	Valuation Technique(s)	Significant Unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment properties	Discounted cash flow	Discount rate (7.00% to 7.50%) (2014: 7.00% to 7.50%)	Significant reduction in the capitalisation rate and/or discount rate in isolation would result in a significantly higher fair value of the investment properties.
	Income capitalisation	Capitalisation rate (4.25% to 5.00%) (2014: 4.25% to 5.00%)	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

23. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Fair value measurements (Cont'd)

Fair value hierarchy (Cont'd)

Key unobservable inputs correspond to:

- Discount rate, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Capitalisation rate correspond to a rate of return on investment properties based on the expected income that the property will generate.

Movement in Level 3 financial instruments for the financial 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.

(g) Financial instruments by category

	Loans and receivables S\$'000	Derivatives used for hedging S\$'000	Other financial liabilities at amortised costs S\$'000	Total S\$'000
2015				
Assets				
Trade and other receivables				
excluding non-financial instruments	4,884	–	–	4,884
Cash and cash equivalents	77,355	–	–	77,355
Derivative financial instruments	–	4,314	–	4,314
	82,239	4,314	–	86,553
Liabilities				
Trade and other payables				
excluding non-financial instruments	–	–	(65,542)	(65,542)
Borrowing	–	–	(844,895)	(844,895)
	–	–	(910,437)	(910,437)
2014				
Assets				
Trade and other receivables				
excluding non-financial instruments	5,801	–	–	5,801
Cash and cash equivalents	90,658	–	–	90,658
	96,459	–	–	96,459
Liabilities				
Trade and other payables				
excluding non-financial instruments	–	–	(63,319)	(63,319)
Borrowing	–	–	(843,125)	(843,125)
Derivative financial instruments	–	(8,758)	–	(8,758)
	–	(8,758)	(906,444)	(915,202)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

24. RELATED PARTIES TRANSACTIONS

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

During the financial 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 on arm's length commercial terms:

	Year ended 31 August 2015 S\$'000	Period from 9 July 2013 (date of constitution) to 31 August 2014 S\$'000
Manager's management fees paid to a related company	15,976	17,125
Property management fees paid/payable to a related company	8,198	8,827
Income support received/receivable from related company	3,008	5,092
Trustee's fees paid/payable to the Trustee	478	518
Staff reimbursements paid/payable to a related company	2,186	2,246
Reimbursement of issue expenses paid by related company	-	4,696
Rental and other income received/receivable from related companies	1,193	1,086
Other expenses paid/payable to related companies	1,168	784

25. OPERATING SEGMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

25. OPERATING SEGMENTS (CONT'D)

	Paragon S\$'000	The Clementi Mall S\$'000	Total S\$'000
2015			
Result			
Gross revenue	166,070	39,043	205,113
Property operating expenses	(38,443)	(11,050)	(49,493)
Segment net property income	127,627	27,993	155,620
Income support	–	3,008	3,008
Amortisation of intangible asset	–	(3,008)	(3,008)
	127,627	27,993	155,620
Unallocated amounts:			
Manager's management fees			(15,976)
Trustee's fee			(478)
Other trust expenses			(1,211)
Finance income			657
Finance costs			(21,669)
Net income			116,943
Fair value change on investment properties	36,576	12	36,588
Total return for the year before taxes and distribution			153,531
Less: income tax			–
Total return for the year after taxes and before distribution			153,531
Segment assets	2,642,023	580,921	3,222,944
Segment assets includes:			
- Plant and equipment	1,023	21	1,044
- Investment properties	2,641,000	571,500	3,212,500
- Intangible asset	–	9,400	9,400
Unallocated assets			86,677
Total assets			3,309,621
Segment liabilities	38,242	8,670	46,912
Unallocated liabilities:			
- Borrowing			844,895
- Others			20,004
Total liabilities			911,811
Other information			
Additions to:			
- Plant and equipment	139	10	149
- Investment properties	16,424	488	16,912
Depreciation of plant and equipment	(147)	(13)	(160)
Amortisation of intangible asset	–	(3,008)	(3,008)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

25. OPERATING SEGMENTS (CONT'D)

	Paragon S\$'000	The Clementi Mall S\$'000	Total S\$'000
2014			
Result			
Gross revenue	180,628	42,293	222,921
Property operating expenses	(43,911)	(13,100)	(57,011)
Segment net property income	136,717	29,193	165,910
Income support	–	5,092	5,092
Amortisation of intangible asset	–	(5,092)	(5,092)
	136,717	29,193	165,910
Unallocated amounts:			
Manager's management fees			(17,125)
Trustee's fee			(518)
Other trust expenses			(1,230)
Finance income			219
Finance costs			(21,898)
Net Income			125,358
Fair value change on investment properties	84,966	17,637	102,603
Total return for the period before taxes and distribution			227,961
Less: income tax			–
Total return for the period after taxes and before distribution			227,961
Segment assets	2,589,032	583,431	3,172,463
Segment assets includes:			
- Plant and equipment	1,032	23	1,055
- Investment properties	2,588,000	571,000	3,159,000
- Intangible asset	–	12,408	12,408
Unallocated assets			96,570
Total assets			3,269,033
Segment liabilities	36,705	8,794	45,499
Unallocated liabilities:			
- Borrowing			843,125
- Derivative financial instruments			8,758
- Others			18,585
Total liabilities			915,967
Other information			
Additions to:			
- Plant and equipment	1,150	32	1,182
- Investment properties	3,034	363	3,397
Depreciation of plant and equipment	(118)	(9)	(127)
Amortisation of intangible asset	–	(5,092)	(5,092)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2015

26. FINANCIAL RATIOS

	2015 %	2014 %
Ratio of expenses to weighted average net assets value ¹		
- including performance component of Manager's management fees	0.74	0.74
- excluding performance component of Manager's management fees	0.42	0.42
Portfolio turnover rate ²	—	—

Notes:

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

² The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Trust expressed as a percentage of weighted average net asset value. The portfolio turnover rate was nil for the year ended 31 August 2015 and 31 August 2014, as there were no sales of investment properties.

27. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new standards and amendments and interpretations to existing standards have been published and are mandatory for the Trust's accounting periods beginning on or after 1 September 2015 or later periods for which the Trust has not early adopted. The management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Trust.

28. SUBSEQUENT EVENT

Subsequent to the reporting date, the Manager announced a distribution of 1.39 cents per unit, for the quarter from 1 June 2015 to 31 August 2015.

29. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements were authorised for issue by the Manager and the Trustee on 12 October 2015.

STATISTICS OF UNITHOLDINGS

As at 12 October 2015

ISSUED AND FULLY PAID-UP UNITS

As at 12 October 2015

There are 2,529,309,302 units (voting rights: vote per unit) outstanding as at 12 October 2015. There is only one class of units in SPH REIT.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	2	0.01	30	0.00
100 - 1,000	9,273	29.83	9,250,449	0.36
1,001 - 10,000	19,034	61.24	71,795,007	2.84
10,001 - 1,000,000	2,745	8.83	130,948,991	5.18
1,000,001 and above	29	0.09	2,317,314,825	91.62
Total	31,083	100.00	2,529,309,302	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1.	TIMES PROPERTIES PRIVATE LIMITED	1,264,679,500	50.00
2.	TPR HOLDINGS PTE LTD	486,017,500	19.22
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	171,154,819	6.77
4.	RAFFLES NOMINEES (PTE) LIMITED	105,259,333	4.16
5.	NTUC FAIRPRICE CO-OPERATIVE LTD	67,213,000	2.66
6.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	67,031,800	2.65
7.	DBS NOMINEES (PRIVATE) LIMITED	46,580,510	1.84
8.	SPH REIT MANAGEMENT PTE LTD	24,485,502	0.97
9.	LEE FOUNDATION STATES OF MALAYA	17,500,000	0.69
10.	HSBC (SINGAPORE) NOMINEES PTE LTD	13,787,345	0.55
11.	DBSN SERVICES PTE. LTD.	6,282,150	0.25
12.	BANK OF SINGAPORE NOMINEES PTE. LTD.	5,115,820	0.20
13.	MEDIACORP PRESS LIMITED	5,000,000	0.20
14.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	4,878,967	0.19
15.	HL BANK NOMINEES (SINGAPORE) PTE LTD	4,385,000	0.17
16.	UOB KAY HIAN PRIVATE LIMITED	3,214,100	0.13
17.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,205,500	0.13
18.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	3,118,697	0.12
19.	CHEONG SAE PENG	2,650,000	0.10
20.	OCBC SECURITIES PRIVATE LIMITED	2,264,400	0.09
Total		2,303,823,943	91.09

STATISTICS OF UNITHOLDINGS

As at 12 October 2015

SUBSTANTIAL UNITHOLDERS

No.	Name of Company	Direct Interest	Deemed Interest	% of Total Issued Units
1	Singapore Press Holdings Ltd ¹	–	1,775,182,502	70.18
2	Times Properties Private Limited ²	1,264,679,500	510,503,002	70.18
3	TPR Holdings Pte Ltd	486,017,500	–	19.22
4	NTUC Enterprise Co-operative Limited ³	–	134,426,000	5.31
5	National Trades Unions Congress ⁴	–	134,426,000	5.31
6	Singapore Labour Foundation ⁴	–	134,426,000	5.31

(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 24,485,502 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 24,485,502 units held by SPH REIT Management Pte Ltd. TPR Holdings Pte Ltd and SPH REIT Management Pte Ltd are both wholly-owned subsidiaries of Times Properties Private Limited.

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

(4) 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 Unions 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.

MANAGER'S DIRECTORS' UNITHOLDINGS

As at 21 September 2015

No.	Name of Director	Number of Units	
		Direct Interest	Deemed Interest
1	LEONG HORN KEE	-	200,000
2	SOON TIT KOON	100,000	-
3	CHIA CHAY POH DAVID	150,000	-
4	CHAN HENG LOON ALAN	-	200,000
5	ANTHONY MALLEK	390,000	20,000
6	LIM MAY LING GINNEY	200,000	-

FREE FLOAT

Approximately 24.5% 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

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year ended 31 August 2015, 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 S\$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 S\$100,000 each) S\$'000	
	Year ended 31 August 2015	Period from 9 July 2013 (date of constitution) to 31 August 2014
Singapore Press Holdings Ltd and its subsidiaries or associates		
- Manager’s management fees	15,976	17,125
- Property management/project management fees and reimbursable	10,574	11,160
- Income support	3,008	5,092
- Rental income ¹	933	2,534
DBS Trustee Limited		
- Trustee’s fees	478	518

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

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

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

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

SUBSCRIPTION OF SPH REIT UNITS

During the financial year ended 31 August 2015, SPH REIT issued 15,032,814 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.)

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the holders of units of SPH REIT (the “**SPH REIT**”, and the holders of units of SPH REIT, “**Unitholders**”) will be held at The Auditorium, 1000 Toa Payoh North, News Centre, 1st Storey, Annexe Block, Singapore 318994 on Friday, November 27, 2015 at 10.30 a.m. for the following business:

ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of SPH REIT (the “**Trustee**”), the statement by SPH REIT Management Pte Ltd, as manager of SPH REIT (the “**Manager**”), and the Audited Financial Statements of SPH REIT for the financial year ended August 31, 2015 together with the Auditors’ Report thereon.
2. To re-appoint KPMG LLP as the Auditors of SPH REIT to hold office until the conclusion of the next Annual General Meeting of SPH REIT, and to authorise the Manager to fix their remuneration.

SPECIAL BUSINESS

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

3. That pursuant to Clause 5 of the trust deed constituting SPH REIT (the “**Trust Deed**”) and the listing rules of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the Manager to:
 - (a) (i) issue units in SPH REIT (“**Units**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

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

NOTICE OF ANNUAL GENERAL MEETING

- (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 and the Trustee, be and are hereby severally authorised to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of SPH REIT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Notes)

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

Lim Wai Pun
Khor Siew Kim
Company Secretaries

Singapore,
11 November 2015

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

Ordinary Resolution 3

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

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

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

Notes:

1. A Unitholder entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The proxy form must be lodged at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Towers, Singapore 048623, not later than 25 November 2015 at 10.30 a.m. being 48 hours before the time fixed for the AGM.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by SPH REIT (or its agents 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.

SPH REIT

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

PROXY FORM ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT

- For investors who have used their CPF money to buy Units in SPH REIT, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- 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.
- CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees in accordance with their instructions within the timeframe specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

4. PLEASE READ THE NOTES TO THE PROXY FORM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 November 2015.

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

(Address)

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of unitholders of SPH REIT to be held at The Auditorium, 1000 Toa Payoh North, News Centre, 1st Storey, Annexe Block, Singapore 318994 on Friday, 27 November 2015 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1.	To receive and adopt the Report of DBS Trustee Limited, as trustee of SPH REIT (the "Trustee"), the statement by SPH REIT Management Pte. Ltd., as manager of SPH REIT (the "Manager"), and the Audited Financial Statements of SPH REIT for the financial year ended 31 August 2015 together with the Auditors' Report thereon. (Ordinary Resolution)		
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)		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments (Ordinary Resolution)		

* Delete where applicable.

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

Dated this _____ day of _____ 2015

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

* Delete where inapplicable

Total number of Units held

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

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

2nd fold here

Notes:

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

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CORPORATE DIRECTORY

MANAGER

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Chairman, Non-Executive and Independent Director

Mr Soon Tit Koon

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

Mr David Chia Chay Poh

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

Mr Chan Heng Loon Alan

Non-Executive and Non-Independent Director

Mr Anthony Mallek

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

Ms Ginney Lim May Ling

Non-Executive and Non-Independent Director

AUDIT & RISK COMMITTEE

Mr Soon Tit Koon (Chairman)

Mr David Chia Chay Poh

Mr Anthony Mallek

MANAGEMENT

Ms Susan Leng Mee Yin

Chief Executive Officer

Ms Soon Suet Har

Chief Financial Officer & Head, Investor Relations

Ms Belinda Zheng Qinyin

Investment Manager

Mr Sze Hock Thong

Asset Manager

This annual report was produced by the
Corporate Communications & CSR Division

SPH REIT thanks all staff talents who modelled for this annual report.

design & production by **Q-Plus Design**

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Ms Khor Siew Kim

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TRUSTEE

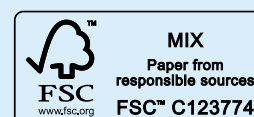
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This annual report is printed on environmentally-friendly paper.



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(As Manager of SPH REIT)

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