

ANNUAL
REPORT
2016

THE ART OF PARTNERSHIP



The best partnerships aren't dependent on a mere common goal but on a shared path of equality, desire, and no small amount of passion.

SARAH MACLEAN / AUTHOR & COLUMNIST

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DEVELOPMENT
BRONZE
SCULPTURE

by Sun Yu-Li



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 2016, SPH REIT comprises two high quality and well located commercial properties in Singapore

totalling 903,837 sq ft Net Lettable Area ("NLA") with an aggregate appraised value of S\$3.23 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 488,243 sq ft of retail NLA ("Paragon Mall") with a 14-storey tower and another three-storey tower sitting on top of the retail podium with a total 223,096 sq ft of medical suite/office NLA ("Paragon Medical"); and

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

	2016 S\$ million	2015 S\$ million	Change %
Gross Revenue	209.6	205.1	2.2
Net Property Income	160.9	155.6	3.4
Income Available for Distribution	141.1	138.5	1.8
Distribution per Unit (cents)	5.50	5.47	0.5
As at 31 August	2016 S\$ million	2015 S\$ million	Change %
Total Assets	3,311.3	3,309.6	0.1
Total Liabilities	922.7	911.8	1.2
Borrowings	845.9	844.9	0.1
Net Assets Attributable to Unitholders	2,388.5	2,397.8	(0.4)
Number of Units in Issue (million)	2,546.7	2,529.3	0.7
Net Asset Value per Unit (S\$)	0.94	0.95	(1.1)
Financial Ratios		2016	2015
Annualised Distribution Yield (%)			
• Based on closing price ⁽¹⁾		5.73	5.70
Gearing Ratio (%)		25.7	25.7
Interest Cover Ratio (times)		6.0	6.4
Average All-in Cost of Debt (% per annum)		2.82	2.55
Average Term to Maturity for Debt (years)		3.1	2.9

Note:

(1) Based on closing price of S\$0.96 per unit on 31 August 2016 (31 August 2015: S\$0.96).

5.50 cents

Distribution
per Unit

▲ 0.5% Compared to 2015

S\$160.9 m

Net Property
Income

▲ 3.4% Compared to 2015

5.73%

Distribution
Yield

Based on Closing Price of
S\$0.96 on 31 August 2016

S\$3.23 b

Valuation of
Investment Properties

▲ 0.5% Compared to
31 August 2015

25.7%

Gearing

Strong Balance Sheet

100.0%

Committed
Occupancy

Solid Track Record

COUNTERPARTS FOR SUCCESS

Guided by an experienced management team and supported by dedicated staff, we are propelled by a common passion to excel as one. By building on effective synergies with the support of a strong Sponsor, we are able to forge greater ties with our tenants, shoppers and Unitholders, thereby creating sustainable value for all our stakeholders.



ENDEARMENT
BRONZE
SCULPTURE

by Sun Yu-Li





STATEMENT BY CHAIRMAN AND CEO



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

Dear Unitholders,

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the "Manager"), we are pleased to present you with the SPH REIT's Annual Report for the period from 1 September 2015 to 31 August 2016 ("FY2016").

COUNTERPARTS FOR SUCCESS

Despite facing a challenging retail climate in the last financial year, SPH REIT continued to achieve steady operating and financial performance for FY2016. In the last three years since its IPO in July 2013, SPH REIT has delivered consistent distribution growth to Unitholders.

OUR SUCCESS IS FUELLED BY THE VISION TO DELIVER A TRUSTED AND WIDELY RECOGNISED BRAND OF PROPERTIES IN SINGAPORE. THE MANAGER CONTINUES TO SEEK ASSET ENHANCEMENT OPPORTUNITIES TO ADD VALUE TO ITS ASSETS.

Total income available for distribution to Unitholders was S\$141.1 million, an increase of S\$2.5 million (1.8%) compared to last financial year.

The aggregate distribution per unit ("DPU") for FY2016 of 5.50 cents translated to the distribution yield of 5.73% based on the closing price of S\$0.96 as at 31 August 2016.

Gross revenue grew by 2.2% to S\$209.6 million and with proactive management of expenditure, we turned in a net property income ("NPI") of S\$160.9 million for FY2016 which was S\$5.3 million (3.4%) higher than last financial year.

PARTNERS FOR GROWTH

The Manager's key strategy is to strive for sustainable financial returns. To achieve this, we treat the relationship with our tenants as a partnership. A multi prong approach is adopted to create opportunities to drive sales for our tenants. In addition to strengthening our properties' brand position through the traditional print media, we also invested in digital equipment and technologies to enhance the reach to potential shoppers. Through mall coordinated

5.50 cents

Distribution
Per Unit

100.0 %

Committed
Occupancy

25.7 %

Gearing



activities, we provided a platform for cross marketing opportunities for tenants and also created a unique retail experience for shoppers.

As one of Orchard Road's iconic shopping malls, Paragon helped to enhance the street's festive mood by taking part in the annual Christmas light up and its efforts bagged a Merit Award in the Orchard Road Business Association's (ORBA) Best Dressed Building Contest 2015.

To entrench Paragon's position as a premier upscale retail mall in a highly competitive market space, we welcomed Loewe, Marc Jacobs and Mulberry to our suite of international luxury brands. Existing luxury tenant, Givenchy, took up additional area to expand its flagship store presence at Paragon.

By adopting a proactive leasing strategy, both Paragon and The Clementi Mall maintained their track record of 100.0% committed occupancy. The mall's management efforts were recognised and Paragon was honoured with the Outstanding Efforts in Centre Management award at the Singapore Retailers Association (SRA) Shopping Centre Awards 2015.

The portfolio achieved positive rental uplift of 5.4% for new or renewed leases in FY2016. Paragon's rental reversion was 5.2% and The Clementi Mall achieved 7.8%. Paragon continued to attract steady visitorship of 18.3 million, compared to 18.8 million in the last financial year. Tenants sales



STATEMENT BY CHAIRMAN AND CEO

WE OWE OUR SUCCESS TO ALL OUR STAKEHOLDERS AND WOULD LIKE TO THANK THEM FOR WORKING ALONGSIDE WITH US TO RIDE THROUGH A CHALLENGING YEAR.

was maintained at S\$661 million. The Clementi Mall continued to attract residents in its catchment and achieved visitor traffic of 30.0 million. This was 2.4% lower than the year before and tenant sales were also down marginally by 1.4% to S\$239 million.

IMPARTING GREATER VALUE

Our success is fuelled by the vision to deliver a trusted and widely recognised brand of properties in Singapore. The Manager continues to seek asset enhancement opportunities to add value to its assets.

During the year, it embarked on a project to decant areas occupied by air handling units at Paragon, which were due for replacement. This multi-phased project is scheduled to be completed by 2018 and will yield approximately 7,000 sq ft of additional lettable area and generate S\$0.9 million incremental gross rental revenue per year.

Tenancies for all the newly created units for phase one of this project were secured ahead of their opening at the end of this year. These new equipment will also improve operational efficiencies.



Over the same period, The Clementi Mall has undergone enhancement works at its basement to create additional food kiosks, offering shoppers with more exciting F&B choices. The revamped eatery cluster introduces four new market concepts and is fully committed ahead of its opening in November 2016. This basement reconfiguration when completed is expected to yield S\$0.6 million incremental gross rental revenue per year.

As at 31 August 2016, the SPH REIT portfolio was valued at S\$3.23 billion, as against last year's valuation of S\$3.21 billion.

In line with SPH REIT's prudent capital management strategy, we achieved a strong balance sheet with gearing maintained at 25.7% as at 31 August 2016. The debt profile for the total borrowing of S\$850 million is well staggered with a weighted average term to maturity of 3.1 years at an average cost of 2.82% per annum. To mitigate interest rate fluctuation, 85.9% of the loan is on fixed rate basis.

LOOKING AHEAD

The retail environment remains challenging amid the economic slowdown in Singapore and the uncertainties of the global environment. Against this backdrop, consumer sentiments are muted. Retailers are also facing structural impediments such as labour constraints and competition from e-commerce. This has provided the impetus for landlords and retailers to partner each other to provide

new experiential and engaging retail experience for shoppers.

Similarly, the Singapore Tourism Board has partnered ORBA to re-energise Orchard Road, transforming it into a more vibrant shopping street to offer unique events for both locals and tourists. Such proactive plans are expected to benefit Paragon.

With the well-established positioning of our malls and firm partnerships with our tenants, SPH REIT is poised to meet the challenges ahead.

Moving forward, we will continue to seek opportunities to create value and strengthen long-term sustainability of the properties.

ACKNOWLEDGEMENTS

We owe our success to all our stakeholders and would like to thank them for working alongside with us to ride through a challenging year.

We wish to express our utmost appreciation to our Unitholders, business partners, tenants and shoppers for their strong and continuous support.

On the same note, we also want to acknowledge the dedication and hard work of the Board members, management team and staff in the past year. We would like to welcome Ms Rachel Eng on board too.

Together, we look forward to another promising year of sustained growth and steady performance.



DR LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND INDEPENDENT DIRECTOR

MS SUSAN LENG MEE YIN

CHIEF EXECUTIVE OFFICER

YEAR IN REVIEW

2015

OCTOBER 2015 ◀

- SPH REIT was the Runner-up for the 'Most Transparent Company' award, new issues category at the Securities Investors Association (Singapore) ("SIAS") Investors Choice Awards 2015.

▶ DECEMBER 2015

- ORBA Best Dressed Building Contest – Merit Award (2015).
- Singapore Retailers Association (SRA) Shopping Centre Awards 2015 – Outstanding Efforts in Centre Management.

2016

JANUARY 2016 ◀

- SPH REIT announced DPU of 1.33 cents for 1st Quarter ended 30 November 2015. Net property income increased 5.9% year-on-year.

JULY 2016 ◀

- SPH REIT announced DPU of 1.36 cents for 3rd Quarter ended 31 May 2016. Net property income increased 1.8% year-on-year.

▶ APRIL 2016

- SPH REIT announced DPU of 1.40 cents for 2nd Quarter ended 29 February 2016. Net property income increased 0.9% year-on-year.

▶ AUGUST 2016

- SPH REIT's aggregate DPU of 5.50 cents was 0.5% higher year-on-year. The DPU was 1.41 cents for the 4th quarter ended 31 August 2016.
- Net property income for FY2016 increased 3.4% year-on-year.
- Valuation of SPH REIT portfolio of properties was S\$3.23 billion as at 31 August 2016.



TRUST STRUCTURE



ORGANISATION STRUCTURE

Board of Directors

Dr Leong Horn Kee

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

Mr Soon Tit Koon

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

Mr David Chia Chay Poh

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

Ms Rachel Eng Yaag Ngee

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

Mr Chan Heng Loon Alan

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

Mr Anthony Mallek

Non-Executive and Non-Independent Director
Member, Audit & Risk Committee (Up to 6 October 2016)
Member, Nominating & Remuneration Committee

Ms Ginney Lim May Ling

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

Ms Susan Leng Mee Yin

Chief Executive Officer

Ms Soon Suet Har

Chief Financial Officer &
Head, Investor Relations

Ms Belinda Zheng Qinyin

Investment Manager

Mr Sze Hock Thong

Asset Manager

BOARD OF DIRECTORS



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

LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND
INDEPENDENT DIRECTOR /
MEMBER, NOMINATING &
REMUNERATION COMMITTEE

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

From 1994 to 2008, Dr Leong was an executive director of Far East Organization, 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 & RISK COMMITTEE /
MEMBER, NOMINATING &
REMUNERATION COMMITTEE

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 Wah Hin and Company Private Limited, Great Eastern Holdings Limited and OCBC Wing Hang Bank 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 /
CHAIRMAN, NOMINATING &
REMUNERATION COMMITTEE /
MEMBER, AUDIT & RISK COMMITTEE

Mr Chia is the Managing Director and sole proprietor of Associated Property Consultants Pte Ltd, a property consultancy company 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.

RACHEL ENG YAAG NGEE

NON-EXECUTIVE AND
INDEPENDENT DIRECTOR /
MEMBER, AUDIT & RISK COMMITTEE /
MEMBER, NOMINATING &
REMUNERATION COMMITTEE

Ms Eng is the Deputy Chairman of WongPartnership LLP and is involved in listings, corporate advisory, corporate governance and regulatory work.

She graduated from the National University of Singapore and was admitted to the Singapore Bar and to the Roll of Solicitors of England & Wales. She also holds a Certified Diploma in Accounting and Finance from the Chartered Association of Certified Accountants (UK).

She is an independent non-executive director of StarHub Ltd. and Olam International Limited, and a board member of Certis CISCO Security Pte. Ltd. She is also a board member of the Public Utilities Board and the Singapore Accountancy Commission. In addition, she sits on the Board of Trustees of Singapore Institute of Technology and the Council of the Singapore Business Federation.

Ms Eng was awarded Law Firm Managing Partner of the Year at the ALB South East Asia Law Awards 2013. She also bagged the award in 2011, making her the first person to win twice in the award's history. She was named "Her World Woman of the Year 2014" by SPH Magazines' Her World and was one of the 10 women honoured in November 2015 by The Peak in its Power List 2015.

CHAN HENG LOON ALAN

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR /
MEMBER, NOMINATING &
REMUNERATION COMMITTEE

Alan joined Singapore Press Holdings Limited (SPH) as its Group President on 1 July 2002, and was appointed Chief Executive Officer on 1 January 2003. He is responsible for managing the group's portfolio of businesses.

Alan is currently on the boards of SPH and its subsidiaries including SPH REIT Management Pte Ltd. He is also a Director of Singapore Press Holdings Foundation Limited, MediaCorp TV Holdings Pte Ltd, MediaCorp Press Ltd, Lan Ting Holdings Pte Ltd, Pavilion Energy Pte Ltd and Pavilion Gas Pte Ltd.

He is the Chairman of the Land Transport Authority of Singapore, External Review Panel for SAF Safety and the Singapore-China Foundation. He is also a member of the Public Service Commission (PSC) and the Singapore Symphony Orchestra Council, as well as a Director of Business China. He chaired the Council that revised the Code of Corporate Governance in 2012.

Before joining SPH, Alan 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 Senior Minister Lee Kuan Yew and Director of Manpower, Ministry of Defence.

Alan holds a Diplome d'Ingenieur from the Ecole Nationale de l'Aviation Civile,

France and MBA (with Distinction) from 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 & RISK COMMITTEE
(UP TO 6 OCTOBER 2016) /
MEMBER, NOMINATING &
REMUNERATION COMMITTEE

Mr Mallek is the Chief Financial Officer of 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 /
MEMBER, NOMINATING &
REMUNERATION COMMITTEE

Ms Lim is General Counsel, Executive Vice-President, Corporate Communications & CSR, and Group Company Secretary of 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 Ltd and 701Search Pte Ltd as well as a member of Temasek Junior College Advisory Committee.

Prior to joining SPH, Ms Lim was heading the Legal & Secretariat department as well as the public relations unit 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

DR LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

Date of first appointment as a director:

10 June 2013

Board Committee served on:

Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- ▶ Tat Hong Holdings Ltd* Director
- ▶ IGG Ltd* Director
- ▶ Viva Industrial Trust Management Pte Ltd (as manager of a listed REIT) Director
- ▶ Singapore High Commissioner to Cyprus High Commissioner

Directorships over the past 3 years (1/9/13-31/8/16)

- ▶ Amtek Engineering Ltd* Director
- ▶ China Energy Ltd* Director
- ▶ Wilmar International Limited* Director

SOON TIT KOON

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as a director:

10 June 2013

Board Committees served on:

Audit & Risk Committee (Chairman)

Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

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

Directorships over the past 3 years (1/9/13-31/8/16)

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

* Public-listed company

DAVID CHIA CHAY POH

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as a director:

10 June 2013

Board Committees served on:

Nominating & Remuneration Committee (Chairman)

Audit & Risk Committee (Member)

Current Directorships/Principal Commitments

- ▶ Nil

Directorships over the past 3 years (1/9/13-31/8/16)

- ▶ Nil

RACHEL ENG YAAG NGEE

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as a director:

1 December 2015

Board Committee served on:

Audit & Risk Committee (Member)

Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- ▶ Olam International Limited* Director
- ▶ Ministry of Trade & Industry Steering Committee (Member of the Committee on the Future Economy (CFE))
- ▶ StarHub Ltd* Director
- ▶ Public Utilities Board Board Member
- ▶ Singapore Business Federation Council Member
- ▶ Certis Cisco Security Pte. Ltd. Board Member
- ▶ Singapore Institute of Technology Member of Board of Trustees
- ▶ Singapore Accountancy Commission Board Member

Directorships over the past 3 years (1/9/13-31/8/16)

- ▶ Nil

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

Board Committee served on:

Nominating & Remuneration Committee (Member)

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
- ▶ Land Transport Authority of Singapore Chairman
- ▶ 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
- ▶ Trailblazer-LHL Fund Sponsorship Committee Member
- ▶ 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 (1/9/13-31/8/16)

- ▶ Lee Kuan Yew Fund for Bilingualism Member
- ▶ Singapore Power Ltd. Director
- ▶ SP PowerAssets Ltd. Chairman

* Public-listed company

ANTHONY MALLEK

NON-EXECUTIVE AND
NON-INDEPENDENT DIRECTOR

Date of first appointment as a director:

1 March 2013

Board Committees served on:

Audit & Risk Committee (Member)

(up to 6 October 2016)

Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- ▶ The Seletar Mall Pte Ltd Chairman

Directorships over the past 3 years (1/9/13-31/8/16)

- ▶ 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:

Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- ▶ Waterbrooks Consultants Pte. Ltd. Director

Directorships over the past 3 years (1/9/13-31/8/16)

- ▶ 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 19 years of aggregate experience in shopping centre management and property development, and 8 years of accounting and finance experience. From 2008 to 2010, Ms Leng was Director (Retail Management) at Far East Management (Private) Limited, where her primary responsibility was to steer the leasing and marketing efforts, including public relations to prepare for the opening of West Coast Plaza and Orchard Central. During the period

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

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

SOON SUET HAR

CHIEF FINANCIAL OFFICER &
HEAD, INVESTOR RELATIONS

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

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 (seated): Madeline Yeo Ai Ling, Eugenie Yap Mei Leng, Carin Chye Hui Hong;
From left (standing): Jeff Khoo Teng Aun, Lim Chin Peng, Tan Poh Seng

EUGENIE
YAP MEI LENG

GENERAL
MANAGER

TAN
POH SENG

DEPUTY
GENERAL MANAGER

CARIN
CHYE HUI HONG

HEAD,
LEASING

LIM
CHIN PENG

HEAD,
FACILITIES & PROJECT MANAGEMENT

JEFF
KHOO TENG AUN

SENIOR MANAGER,
MARKETING COMMUNICATIONS

MADELINE
YEO AI LING

SENIOR MANAGER,
MARKETING COMMUNICATIONS



PARTNERS FOR GROWTH

As part of Paragon's continuous drive to maintain its position as a premier upscale retail mall, we rolled out tenancy changes and enhancement initiatives in the year. This provided shoppers with exciting retail offers and enabled us to stay relevant in a highly competitive market space.



CELEBRATION
BRONZE
SCULPTURE

by Sun Yu-Li



OPERATIONS REVIEW



PROACTIVE ASSET MANAGEMENT AND LEASING STRATEGY

With the Manager's proactive leasing strategy and active asset management, SPH REIT portfolio continued to deliver strong operational performance in FY2016 amidst a challenging retail environment and weak sentiment.

The Manager is focused on revitalising the tenant mix to stay relevant and attractive to the shoppers while continuing to build strong relationships with existing tenants to ensure sustainable financial returns.

SPH REIT's leases are typically structured with three-year lease terms 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, thus ensuring its stability. To provide for organic growth, 35% of the portfolio's leases are embedded with step-up clauses which provide for increases in the base rent during the lease term.

PARAGON

Several new-to-market concepts and established brands were brought into the mall during the year to refresh and strengthen the trade mix. Loewe, the Spanish fashion house specialising in luxury leather goods, opened their brand new Casa Loewe concept store, the first of its kind in Southeast Asia. Other brands which opened their first stores in Paragon were APM Monaco, a trendy jewellery brand, and Lumas, a gallery offering museum-quality art editions with more than 1,800 works by 200 established artists.



Paragon's Asset Enhancement Initiative (AEI) involving the decanting of space occupied by air handling units created the opportunity to introduce Greyhound Cafe, a new-to-market concept originating from Bangkok, Emporio Armani, Esprit and Rip Curl. Capitalising on the new elevated pedestrian linkbridge between Paragon and the Cairnhill redevelopment project at

level 3, two existing tenants namely Metro and Marks & Spencer created more inviting shopfronts. In this re-configuration exercise, three new shop units were also created.

Paragon continues to attract steady visitorship of 18.3 million in FY2016, compared to 18.8 million visitors in FY2015. It achieved S\$661 million in

CARING STAINLESS STEEL WIRE SCULPTURE

by Victor Tan



OPERATIONS REVIEW

THE MANAGER IS FOCUSED ON REVITALISING THE TENANT MIX TO STAY RELEVANT AND ATTRACTIVE TO THE SHOPPERS WHILE CONTINUING TO BUILD STRONG RELATIONSHIPS WITH EXISTING TENANTS TO ENSURE SUSTAINABLE FINANCIAL RETURNS.

tenants' sales with an occupancy cost of 19.6% compared to S\$657 million in FY2015 with an occupancy cost of 19.0%.

Despite the challenging retail environment and weak sentiment, Paragon continues to maintain 100.0% committed occupancy, with a positive rental reversion of 5.2% and a tenant retention rate of 71.0% of the portfolio leases, reflecting the Manager's proactive lease management to refresh the tenant mix and bringing new and attractive offers to the shoppers.

THE CLEMENTI MALL

The Clementi Mall is undergoing enhancement works at its basement to improve the variety of F&B offerings with additional food kiosks. The revamped eatery cluster, is fully committed ahead of its opening in November 2016, with 21 kiosks and will offer 4 new-to-market concepts.

The Clementi Mall maintained 100.0% committed occupancy and continued to attract residents in its catchment and achieved visitorship of 30.0 million. Tenant sales was down marginally by 1.4% to S\$239 million and occupancy cost inched up slightly to 14.8%.

The Clementi Mall recorded a positive rental reversion of 7.8% with renewal of 11.9% of net lettable area.

100.0%

Committed
Occupancy

5.4%

Rental
Reversion



RELAXATION
BRONZE
SCULPTURE

by Sun Yu-Li

SUMMARY OF RENEWALS/NEW LEASE FOR FY2016

Tenant ⁽¹⁾⁽²⁾	Number of renewals/new leases	Retention Rate ^(a)	NLA		Rental Reversion ^(c)
			Area (sq ft)	% of property	
Paragon	100	76.0%	243,609	34.2%	5.2%
The Clementi Mall	24	50.0%	22,979	11.9%	7.8%
SPH REIT Portfolio	124	71.0%	266,588	29.5% ^(b)	5.4%

Notes:

(a) Based on number of leases.

(b) As a % of SPH REIT's total NLA of 903,837 sq ft as at 31 August 2016.

(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.



Lease Expiry Profile

SPH REIT's portfolio lease expiry profile was well staggered with 28.3% of leases by Gross Rental Income expiring in FY2017. As leases are renewed or relet ahead of time, only 16.0% of the leases remain to be committed. The Weighted Average Lease Expiry (WALE) was 2.3 years by NLA as at 31 August 2016. The new leases entered into in FY2016 contributed 26.6% of gross rental revenue as at 31 August 2016 and had a WALE of 2.7 years.

PORTFOLIO COMMITTED OCCUPANCY

	As at 31 August 2014	As at 31 August 2015	As at 31 August 2016
Paragon	100.0%	100.0%	100.0%
The Clementi Mall	100.0%	100.0%	100.0%
SPH REIT Portfolio	100.0%	100.0%	100.0%

PORTFOLIO LEASE EXPIRY AS AT 31 AUGUST

	FY2017	FY2018	FY2019	FY2020	FY2021 and beyond
Number of leases expiring	93	124	105	119	13
Expiries as a % of total NLA	18.5%	30.9%	19.8%	20.9%	9.9%
Expiries as a % of Gross Rental Income	16.0%	33.6%	19.1%	25.0%	6.3%

OPERATIONS REVIEW

Tenant Profile

The SPH REIT portfolio has a large tenant base of 454 tenants as at 31 August 2016 covering a wide variety of trade sectors, providing SPH REIT with good diversification.

Top 10 Tenant By Income Profile

SPH REIT's top 10 tenants in terms of Gross Rental Income contributed 24.2% of Gross Rental Income for the month of August 2016. No single trade sector accounted for more than 28.1% of Gross Rental Income in the same period.

The top 10 tenants of the portfolio (by Gross Rental Income for the month

of August 2016) are, in alphabetical order: Burberry (Singapore) Distribution Company Pte Ltd, Club 21 Pte Ltd, Cold Storage Singapore (1983) Pte Ltd, Cortina Watch Pte Ltd, Ermenegildo Zegna Far-East Pte Ltd, Ferragamo (Singapore) Pte Ltd, FJ Benjamin (Singapore) Pte Ltd, Metro (Private) Limited, Prada Singapore Pte Ltd and Tod's Singapore Pte Limited.

The table below sets out selected information about the top 10 tenants⁽¹⁾ of the portfolio based on Gross Rental Income for the month of August 2016:

TOP 10 TENANTS

Tenant ⁽¹⁾⁽²⁾	Trade Sector	Lease Expiry (Year) ⁽³⁾	% of Rental Income
Tenant A	Luxury Brands, Jewellery, Watches	2nd Half 2019	6.4%
Tenant B	Departmental Stores & Supermarket, Medical Suite/Office	Between 2nd Half 2016 and 2nd Half 2017	4.1%
Tenant C	Luxury Brands, Jewellery, Watches, Lifestyle	Between 2nd Half 2016 and 2nd Half 2020	2.5%
Tenant D	Luxury Brands, Jewellery, Watches	2nd Half 2020	2.1%
Tenant E	Luxury Brands, Jewellery, Watches, Lifestyle	Between 1st Half 2017 and 2nd Half 2017	1.6%
Tenant F	Departmental Stores & Supermarket, Lifestyle	Between 1st Half 2019 and 1st Half 2021	1.8%
Tenant G	Luxury Brands, Jewellery, Watches	1st Half 2018	1.5%
Tenant H	Luxury Brands, Jewellery, Watches	1st Half 2018	1.4%
Tenant I	Luxury Brands, Jewellery, Watches	1st Half 2019	1.4%
Tenant J	Luxury Brands, Jewellery, Watches, Fashion, Handbags, Shoes & Accessories	Between 1st Half 2019 and 2nd Half 2019	1.4%
Total			24.2%

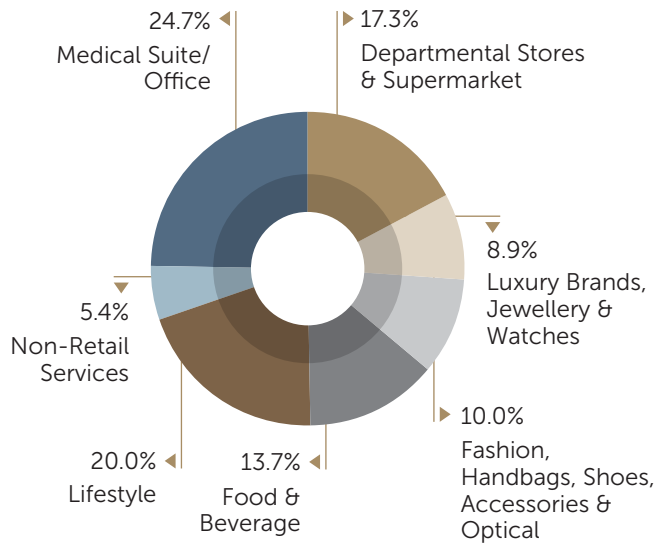
Notes:

- (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.



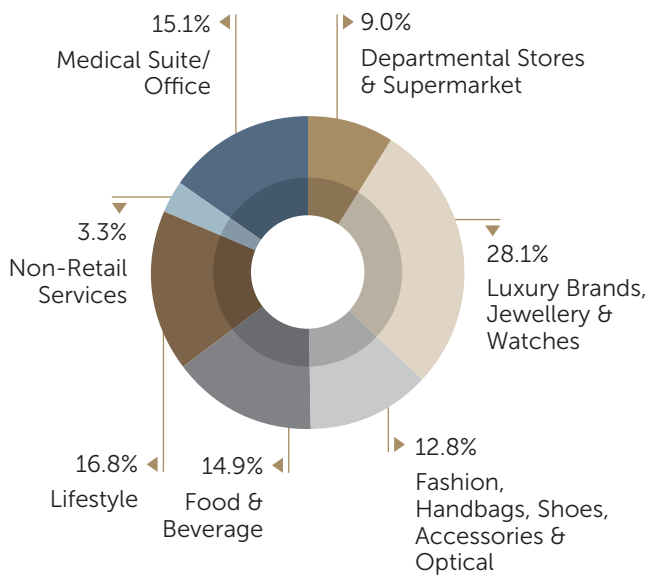
TRADE MIX

By NLA



TRADE MIX

By Gross Rental Income



IMPARTING GREATER VALUE

Our success is fuelled by proactive leasing strategy, proficient asset enhancement strategy and prudent capital management strategy. Building on these strategies has enabled us to grow from strength to strength, to achieve our vision as a premier retail real estate investment trust in Singapore and the Asia Pacific.



WORLD
BRONZE
SCULPTURE

by Rosa Serra





FINANCIAL REVIEW

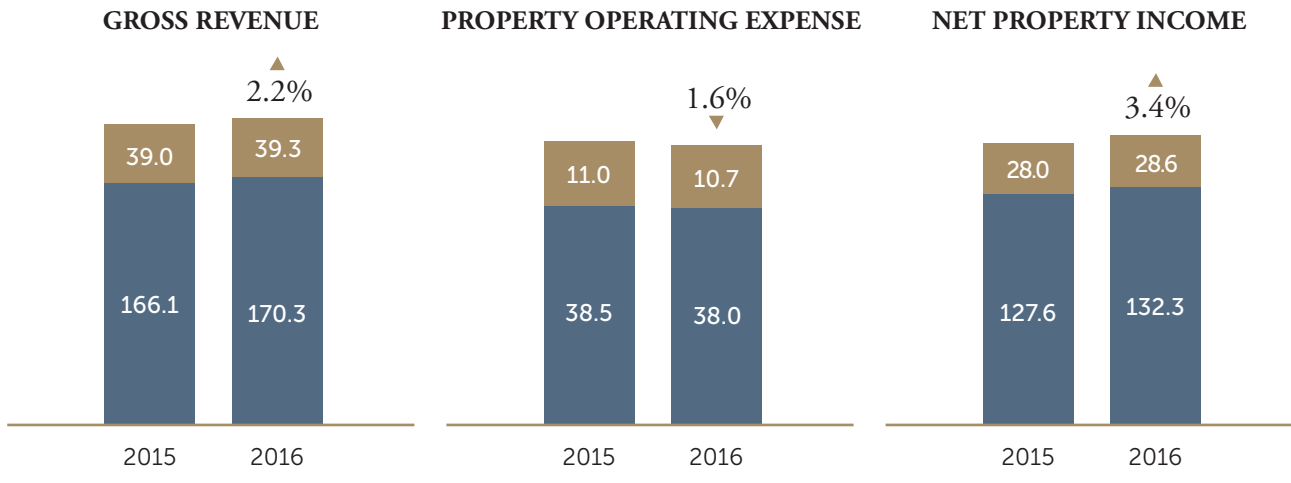


STATEMENT OF NET INCOME AND DISTRIBUTION For the Financial Year Ended 31 August

	2016 S\$'000	2015 S\$'000	Change %
Gross revenue	209,594	205,113	2.2
Property operating expenses	(48,683)	(49,493)	(1.6)
Net property income	160,911	155,620	3.4
Income support ⁽¹⁾	2,365	3,008	(21.4)
Amortisation of intangible asset	(2,365)	(3,008)	(21.4)
Manager's management fees	(16,312)	(15,976)	2.1
Trust expenses ⁽²⁾	(1,610)	(1,689)	(4.7)
Finance income	915	657	39.3
Finance costs	(24,015)	(21,669)	10.8
Net income	119,889	116,943	2.5
Add: Non-tax deductible items ⁽³⁾	21,189	21,595	(1.9)
Income available for distribution	141,078	138,538	1.8
Distribution per unit (cents) ("DPU")	5.50	5.47	0.5

Notes:

- (1) Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support. The amount of income support for FY2016 translated to distribution per unit of 0.09 cents (FY2015: 0.12 cents).
- (2) Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, cost associated with the preparation of annual reports, and investor communication costs.
- (3) Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, amortisation of income support, amortisation of debt issuance costs and adjustment for additional property tax provision that relates to prior year.



All Figures (S\$ million) ■ Paragon ■ The Clementi Mall

GROSS REVENUE

Gross revenue for FY2016 was up S\$4.5 million (2.2%) to S\$209.6 million.

The positive results were driven by good progress in leasing activities. The portfolio average rental reversion was 5.4% for new and renewed leases in FY2016.

Through proactive leasing strategy, both properties continued to maintain 100.0% committed occupancy.

PROPERTY OPERATING EXPENSES

Property operating expenses was S\$0.8 million (1.6%) lower against FY2015.

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

NET PROPERTY INCOME

Net Property Income ("NPI") of S\$160.9 million for FY2016, was S\$5.3 million (3.4%) higher than last year.

NPI margin of 76.8% was achieved, better than FY2015 of 75.9%.

Both Paragon and The Clementi Mall performed better than the previous year, by S\$4.7 million (3.6%) and S\$0.6 million (2.3%) respectively.

The required income support for The Clementi Mall was S\$2.4 million for FY2016. With higher NPI, the amount was lower by S\$0.6 million (21.4%) compared to last year.



NET INCOME

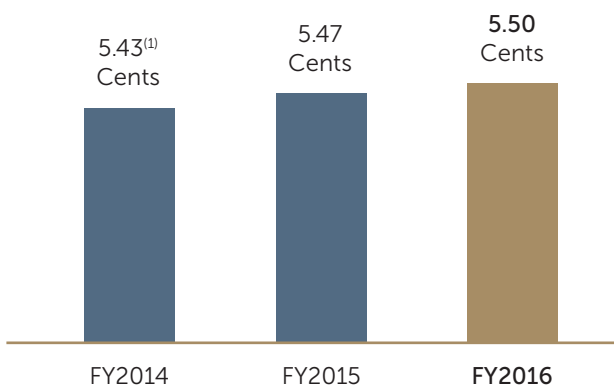
Net income increased by S\$2.9 million (2.5%) to S\$119.9 million for FY2016 against last year. This was mainly attributable to the higher NPI and finance income, partially offset by the increase in finance cost arising from higher interest rate. Finance cost was S\$2.3 million (10.8%) higher as the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

FINANCIAL REVIEW

DISTRIBUTION

Total income available for distribution to Unitholders was S\$141.1 million, an increase of S\$2.5 million (1.8%) compared to last year. This enabled SPH REIT to continue to deliver steady distribution growth to Unitholders over three years since listing in July 2013. The aggregate distribution per unit ("DPU") of 5.50 cents for FY2016 was 0.5% higher than last year. The distribution yield was 5.73%, based on the closing price of S\$0.96 as at 31 August 2016.

Quarter Ended	2016 cents	2015 cents	Change %
1Q	1.33	1.33	-
2Q	1.40	1.40	-
3Q	1.36	1.35	0.7%
4Q	1.41	1.39	1.4%
Total	5.50	5.47	0.5%



Note:

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





VALUATION OF PROPERTIES

As at 31 August 2016, SPH REIT's properties were valued at S\$3.23 billion by Jones Lang LaSalle Property Consultants Pte Ltd, as against last year's valuation of S\$3.21 billion. The net asset value per unit was S\$0.94 as at 31 August 2016.

Property	At Valuation (S\$m) As at 31 August			Capitalisation Rate (%) As at 31 August
	2016	2015 ⁽¹⁾	Change	2016 and 2015
Paragon	2,656.0	2,641.0	15.0	Retail: 4.85% Medical suite/office: 4.00% ⁽³⁾
The Clementi Mall ⁽²⁾	574.0	571.5	2.5	5.00%
SPH REIT Portfolio	3,230.0	3,212.5	17.5	—
Representing:				
Additions			9.8	
Fair value change			7.7	

Note:

- (1) The valuation as at 31 August 2015 was by DTZ Debenham Tie Leung (SEA) Pte Ltd.
- (2) The Clementi Mall's valuation was without income support.
- (3) The capitalisation rate was 4.25% for the valuation as at 31 August 2015.

CASH FLOWS AND LIQUIDITY

As at 31 August 2016, SPH REIT's cash and cash equivalents amounted to S\$67.4 million.

Net cash generated from operating activities for FY2016 was S\$160.0 million. Net cash used in investing activities was S\$7.8 million, mainly for the replacement and relocation of air handling units and decanting works at Paragon. Net cash used in financing activities was S\$162.2 million, mainly for distribution to Unitholders and interest settlement.



FINANCIAL REVIEW

CAPITAL MANAGEMENT

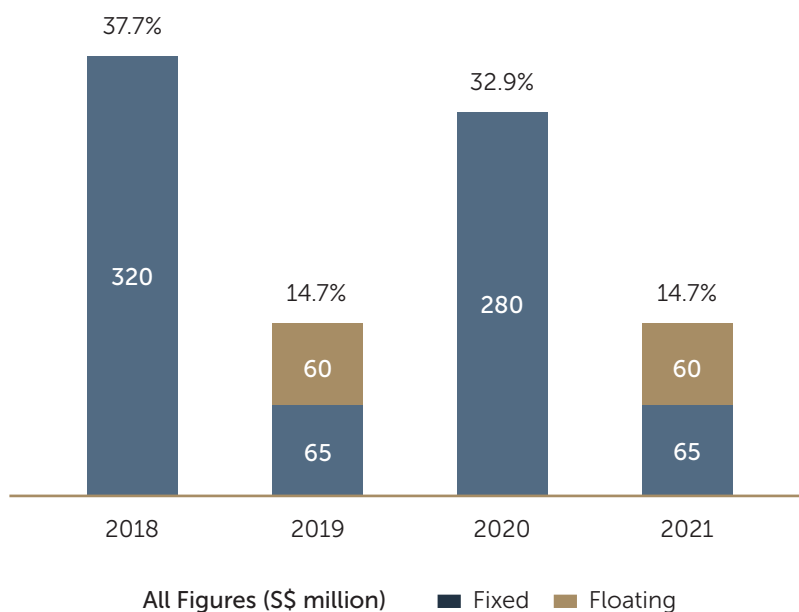
On 24 July 2013 (listing date), SPH REIT established a term loan facility of S\$975 million obtained from DBS Bank Ltd. and Overseas-Chinese Banking Corporation Limited, of which the amount drawn down was S\$850 million. The term loan is secured by way of a first legal mortgage on Paragon, first legal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

In line with SPH REIT's prudent capital management strategy, the debt maturity profile was well-staggered, with gearing level of 25.7% as at 31 August 2016. During the year, a S\$250 million tranche of the loan which matured in July 2016 was revised into two tranches of S\$125 million each, with extended tenures of three years and five years. After the revisions, the loan has various repayment dates, of which S\$135 million is repayable in March 2018, S\$185 million in July 2018, S\$125 million in July 2019, S\$280 million in July 2020 and S\$125 million in July 2021. There will be no refinancing requirement till 2018 and the weighted average debt maturity increased to 3.1 years as at 31 August 2016.

At the same time, to mitigate exposure to interest rate risk, about 50% of each revised loan tranche was on fixed rate loan. The total borrowing on fixed rate basis was kept at 85.9%. Average cost of debt was maintained at 2.82% p.a. for FY2016.



DEBT MATURITY PROFILE
% of Total Debt





Key Indicators as at 31 August	2016	2015
Gearing ratio	25.7%	25.7%
Interest coverage ratio	6.0 times	6.4 times
Weighted average term to maturity	3.1 years	2.9 years
Average all-in interest rate	2.82%	2.55%
Derivative financial instrument ⁽¹⁾ as % of NAV	0.41%	0.18%

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 REMAINED RESILIENT AND ACHIEVED STEADY DISTRIBUTION GROWTH. THE DISTRIBUTION OF 5.50 CENTS FOR FY2016 TRANSLATED TO THE DISTRIBUTION YIELD OF 5.7%.

SPH REIT closed at S\$0.96 on 31 August 2016, maintaining its price performance amid heightened market volatility, particularly after UK's vote in June to leave the European Union (i.e. "Brexit"). There were also deepening concerns over global economic health and ongoing speculation about the timing of the next interest rate hike by the US Federal Reserve.

SPH REIT remained resilient and achieved steady distribution growth with the distribution of 5.50 cents for FY2016. This represented a distribution yield of 5.7%, higher than that of other investments such as Singapore government bond (1.8%) and FTSE Straits Times Index (4.0%).

KEY STATISTICS

	FY2016	FY2015
Highest closing price (S\$)	0.985	1.080
Lowest closing price (S\$)	0.895	0.915
Year-end closing price (S\$)	0.960	0.960
Total trading volume (million units)	263.3	264.5
Average daily trading volume (million units)	1.0	1.1

Source: Bloomberg.

RETURN ON INVESTMENT IN SPH REIT

	FY2016 ⁽¹⁾	FY2015 ⁽²⁾
	Based on last year's closing price of S\$0.96 as at 31 August 2015	Based on last year's closing price of S\$1.065 as at 29 August 2014
(a) Total return	5.7%	-4.7%
(b) Capital appreciation	0.0%	-9.9%
(c) Annual distribution yield	5.7%	5.2%

Source: Bloomberg.

Notes:

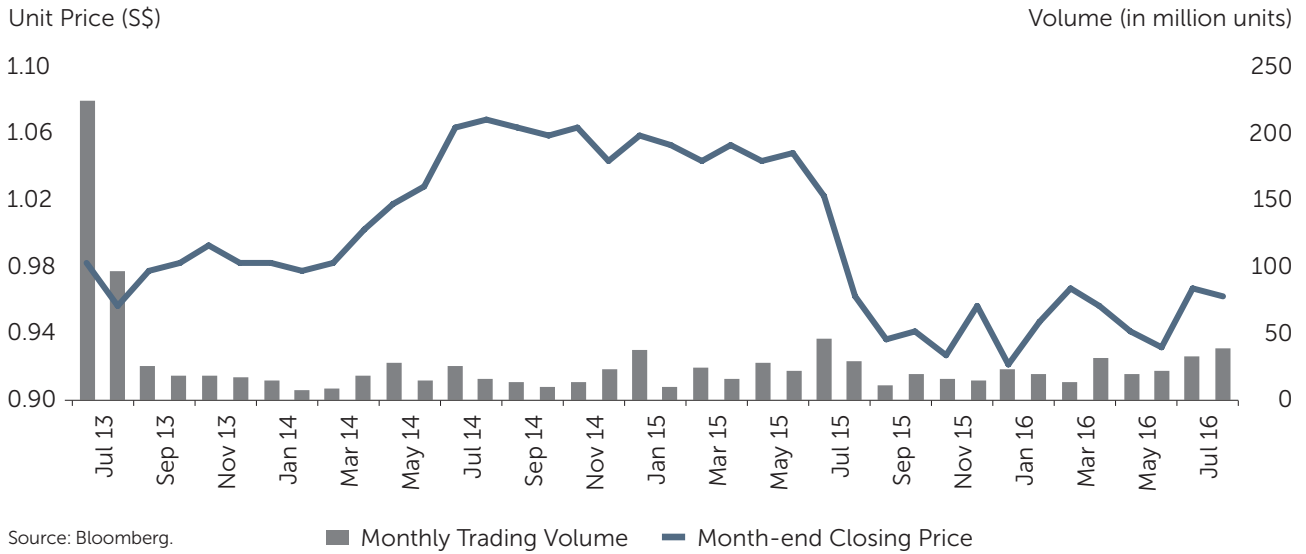
(1) For FY2016:

- (a) Sum of price appreciation and distribution for FY2016, over last year's closing price of S\$0.96 as at 31 August 2015.
- (b) Based on closing price of S\$0.96 on 31 August 2016 and 31 August 2015.
- (c) Based on distribution of 5.50 cents for the year ended 31 August 2016, over last year's closing price of S\$0.96 as at 31 August 2015.

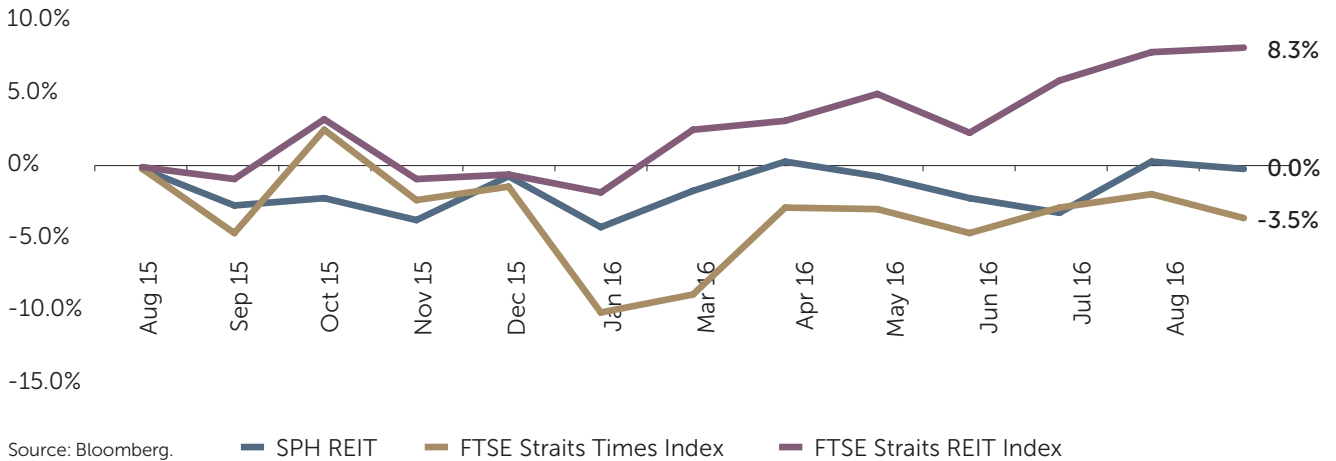
(2) For FY2015:

- (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 as at 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.

MONTHLY UNIT PRICE AND VOLUME (LISTING DATE TO 31 AUGUST 2016)



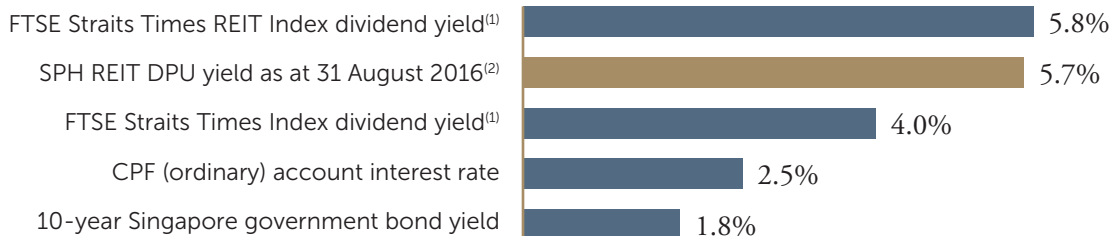
MONTHLY COMPARATIVE PRICE TRENDS FOR FY2016



Note:

The price change was compared to the month-end closing price in August 2015.

COMPARATIVE YIELDS



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

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 2016.

(2) Based on DPU of 5.50 cents for FY2016 and closing price of S\$0.96 as at 31 August 2016.

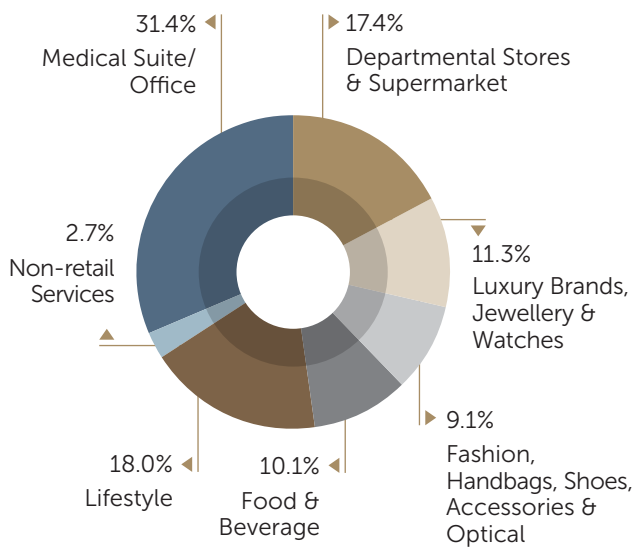
PORTFOLIO OVERVIEW



PARAGON

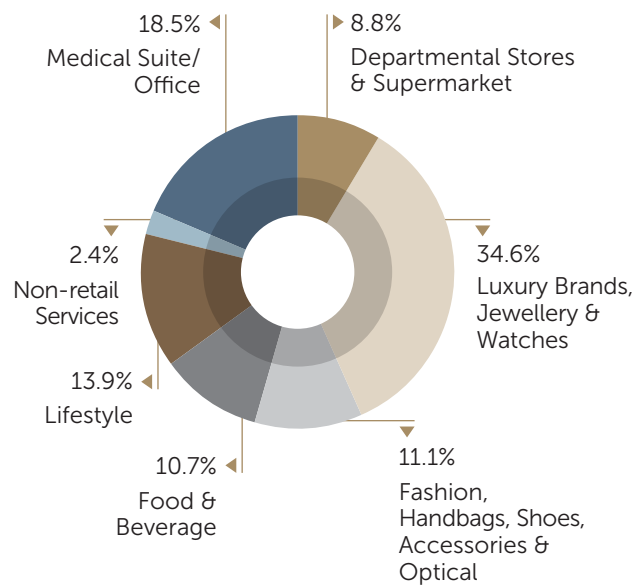
TRADE MIX

By NLA



TRADE MIX

By Gross Rental Income



PROPERTY INFORMATION

Description	A 6-storey retail podium with 1 basement level, together with a 14-storey medical suite/office tower and another 3-storey medical suite/office tower both sitting on top the retail podium. It also includes a basement carpark.
Net Lettable Area	Retail: 488,243 sq ft Medical suite/office: 223,096 sq ft Total: 711,339 sq ft
Number of tenants	304
Car Park Lots	416
Title	99 years commencing 24 July 2013
Gross Revenue ⁽¹⁾	S\$170.3m
Net Property Income ⁽¹⁾	S\$132.3m
Market Valuation	S\$2,656m as at 31 August 2016
Purchase Price	S\$2,500.0m
Committed Occupancy	100.0% as at 31 August 2016
Key Tenants	Balenciaga, Burberry, Ermenegildo Zegna, Etro, Givenchy, Gucci, Loewe, 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"> ORBA Best Dressed Building Contest – Merit Award (2015). Singapore Retailers Association (SRA) Shopping Centre Awards 2015 – Outstanding Efforts in Centre Management.

Note:
(1) FY2016.

PORTFOLIO OVERVIEW

Strategically located along Orchard Road, the iconic shopping street in Singapore, Paragon has earned its reputation as a premier upscale shopping mall and medical suite/office property.

Comprising six storeys of retail space and a basement level totaling 488,243 sq ft of retail Net Lettable Area (NLA), Paragon is the choice destination for discerning and up-market shoppers.

Apart from its impressive all-glass façade, Paragon is also well known for being a home to many international brands, such as Burberry, Ermenegildo Zegna, Givenchy, Gucci, Jimmy Choo, Loewe, Marc Jacobs, Mulberry, Prada and Salvatore Ferragamo. Its upscale positioning has also attracted premium and contemporary brands such as A/X Armani Exchange, Bread & Butter, Calvin Klein, Diesel, Liu Jo and Ted Baker.

International sports brands such as Adidas, Asics and Nike have also set up stores in Paragon. Retail therapy is not exclusively for the adults as the mall also offers a wide range of brands for children, including Mothercare, Toys "R" Us and Petit Bateau.

**PARAGON IS
THE CHOICE DESTINATION
FOR DISCERNING AND
UP-MARKET SHOPPERS.**



Complementing the shopping experience is a variety of F & B offerings in the mall, including an extensive range of local foods and international cuisines. Casual diners can chill at established cafes such as French bakery and patisserie, Paul and P.S Café while food lovers can choose to indulge from a wide selection of restaurants including Crystal Jade Golden Palace, which was awarded Michelin One-Star in July 2016.

The Air Handling Unit decanting project at Paragon has also created more NLA, which will be occupied by Emporio Armani and Greyhound Café, their first café in Singapore.

A new elevated pedestrian linkway between Paragon and the Cairnhill redevelopment project, which will be completed by end 2016, is expected to bring in additional traffic footfall and enhance business opportunities

for tenants. The introduction of this linkway created opportunities for the expansion of Marks & Spencer and also for Metro to have a more open shopfront to showcase their merchandise.

Paragon is also known for its high quality service standards. Its professional concierge service would go the extra mile for shoppers, offering them free umbrellas on rainy days and providing mobile phone charging service too.

Apart from retail spaces, Paragon also houses Paragon Medical, a 14-storey tower, in addition to a three-storey tower which sit on top of the retail podium, with a total of 223,096 sq ft of medical suite/office. It is positioned as a multi-disciplinary one-stop destination offering a wide range of specialist services. Paragon Medical together with Mount Elizabeth Hospital and Mount Elizabeth Medical Centre, a renowned

private hospital and specialist medical centre located in its proximity, create a medical cluster which is well-recognised in the region.

THE ORCHARD ROAD PRECINCT

Orchard Road has a rich history of being Singapore's main shopping precinct, much like Fifth Avenue in New York, United States and Myeongdong in Seoul, Korea.

With malls and hotels aligning next to each other along this busy shopping

street, Orchard Road is an attraction to both locals and tourists. The unique characteristics of each shopping mall along Orchard Road make shopping an exciting experience for those who seek retail therapy and entertainment.

Paragon, which is located in the heart of Orchard Road, is a member of the Orchard Road Business Association (ORBA). The objective of ORBA is to look into the interests and welfare of businesses along Orchard Road. Notably, ORBA has embarked on a strategic partnership with the Singapore Tourism Board to continue to re-

energise Orchard Road, and transform it into a more vibrant shopping street offering unique events for both locals and tourists.



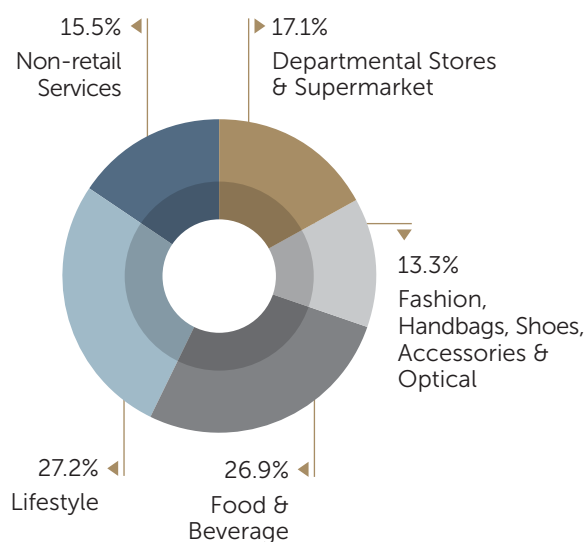
PORTFOLIO
OVERVIEW



THE CLEMENTI MALL

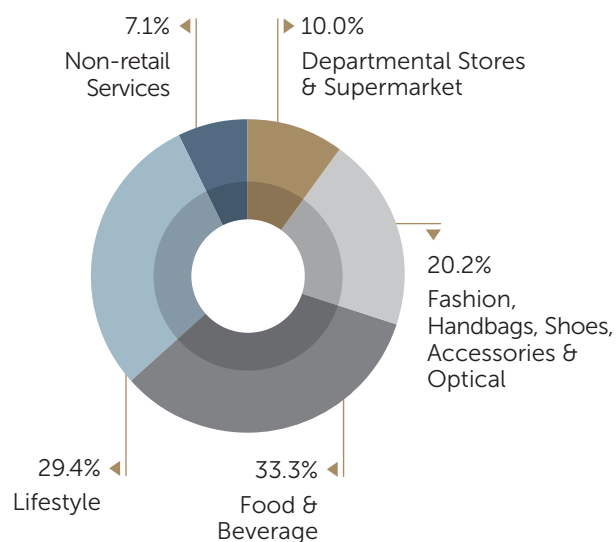
TRADE MIX

By NLA



TRADE MIX

By Gross Rental Income



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	150
Car Park Lots	166
Title	99 years commencing 31 August 2010
Gross Revenue ⁽¹⁾	S\$39.3m
Net Property Income ⁽¹⁾	S\$28.6m
Market Valuation ⁽²⁾	S\$574.0m as at 31 August 2016
Purchase Price ⁽³⁾	S\$553.0m
Committed Occupancy	100.0% as at 31 August 2016
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) FY2016.

(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.

PORTFOLIO OVERVIEW

**BEING THE ONLY
MAJOR SHOPPING MALL IN
THE CLEMENTI PRECINCT,
THE CLEMENTI MALL ENJOYS
A GOOD CATCHMENT
OF SHOPPERS AND VISITORS
FROM HOLLAND VILLAGE,
BUKIT TIMAH AND
WEST COAST.**



With its strategic location in the centre of Clementi town, a well-established residential area in the west of Singapore, The Clementi Mall is a mid-market family-oriented suburban mall.

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.

The mall comprises a five-storey retail podium and a basement level, totaling 192,498 sq ft of retail NLA. It is directly connected to the Clementi MRT station (East-West Line) via a link bridge on level three, as well as the Clementi bus interchange.

Being the only major shopping mall in the Clementi precinct, The Clementi Mall enjoys a good catchment of shoppers and visitors from Holland Village, Bukit Timah and West Coast. It is also a popular gathering venue for students from tertiary institutions located in the vicinity, including Singapore Polytechnic and the National University of Singapore. It has a strong and regular visitorship of 30.0 million.

An asset enhancement initiative is currently ongoing at the basement level to improve dining experience for shoppers. Apart from introducing new market concepts, 13 out of the 21 food kiosks at the basement will be new to the mall. Shoppers who

need a quick bite can choose from a variety of food selection such as local snacks, cupcakes, bento sets and Thai-inspired skewers.

The mall's A & P efforts not only reached out to tenants by organising promotions to constantly drive business opportunities to the shops, they also focused on community engagement activities. Events which promote family-bonding are organised throughout the year, including Mother's Day contest and National Day family photo competition.



MARKET OVERVIEW

1.0 ECONOMIC OVERVIEW

1.1 GDP Growth and Retail Sales

Singapore's economy on a modest growth path

Singapore's economy expanded by 2.0%⁽¹⁾ y-o-y in 2015. This was a moderation from the 3.3% in 2014. All sectors grew in 2015, except manufacturing and transportation & storage. Wholesale & retail trade was one of the key contributors to growth in 2015.

On a y-o-y basis, Real Gross Domestic Product (GDP) growth was 2.1% in both Q1 and Q2 2016, up from 1.8% in Q4 2015.

Amid more cautious spending, retail sales moderated in 2015 and H1 2016

Lukewarm global demand and concerns over the mixed performances of various industries in Singapore have weighed down on overall consumer sentiment. Consumers were more cautious in discretionary spending e.g., telecommunications & computers, watches & jewellery, and optical goods & books. As such, non-motor vehicle retail sales⁽²⁾ declined by 1.0% in 2015, following the 0.7% decline in 2014. Non-motor vehicle sales volume remained sluggish in H1 2016, declining by 4.0% and 3.9% y-o-y in Q1 and Q2 2016 respectively.

Despite more Singapore residents spending overseas on the back of the stronger Singapore Dollar, majority still spend in-store

The moderation in non-motor vehicle retail sales was partly attributed to the rise in residents' expenditure abroad, which grew by 2.0% in 2015, up from 0.5% in 2014⁽³⁾. This came alongside an increase in outbound departures of Singapore residents from 8.9 million in 2014 to 9.1 million in 2015.

With the stronger Singapore Dollar, more Singapore residents are spending overseas.

Google's Consumer Barometer Survey 2014/15 showed Singapore as having the highest frequency⁽⁴⁾ of online international purchases, driven by more appealing offers, a broader range of products and better payment and service conditions from overseas e-retailers. Meanwhile, VisaNet⁽⁵⁾ highlighted that 20% of its e-commerce transactions in Singapore are cross-border transactions, with top corridors being US and UK.

Notwithstanding, with the availability of well-located malls and both landlords and retailers constantly innovating their concepts, majority still spend in-store, as Singapore residents regard shopping as a leisure activity.

1.2 Tourism

More opportunities in retail and medical services backed by resurgence of Mainland Chinese visitors

International visitor arrivals increased by 0.9% to 15.2 million⁽⁶⁾ in 2015, reversing the 3.0% decline in 2014, partly backed by Singapore Tourism Board (STB)'s initiatives aimed at boosting tourism. Some of the cornerstone initiatives included a S\$20 million⁽⁷⁾ global marketing campaign that leveraged on Singapore's Golden Jubilee year (SG50), as well as a S\$35 million joint marketing campaign between STB and Changi Airport Group to grow visitor arrivals by 3% to 4% per annum from 2015 to 2025.

The increase in international visitors to Singapore was largely supported by a resurgence in the number of Mainland Chinese visitors, which reached 2.1 million in 2015, a 22.3% increase from 1.7 million in 2014. Notably, visitor arrivals from 12 secondary cities in Mainland China increased by 32% to 433,000 in 2015 due to increased flight connectivity and STB's marketing campaign.

From June 2015, the multiple-journey visa for Mainland Chinese visitors was extended to a maximum of 10 years, making return visits to Singapore convenient. Orchard Road is the most popular free-access destination for Mainland Chinese visitors. More importantly, they spend about twice as much on shopping compared to other visitors⁽⁸⁾. Riding on the trend, the Singapore Retailers Association also included Mainland China's financial services firm UnionPay

Notes:

- (1) Ministry of Trade and Industry.
- (2) Based on the retail sales index (excluding motor vehicles) from the Department of Statistics Singapore (DOS).
- (3) Yearbook of Statistic 2016, DOS.
- (4) 67% of surveyed Internet users purchased products online from abroad at least once a year.
- (5) VisaNet data as of November and December 2015.
- (6) Based on STB's International Visitor Arrivals statistics.
- (7) All currencies in this report are in SGD, unless stated otherwise.
- (8) Based on Channel News Asia's interview with STB and Barclays. Chinese tourist arrivals in Singapore set to get boost, 22nd August 2015.

International as transaction partner during the Great Singapore Sale 2016. According to UnionPay International, the spending pattern of Mainland Chinese visitors has evolved with spending on tourism experience including hospitality, dining, airlines and non-luxury retail growing faster than luxury goods.

With the relaxation of visa requirements, other segments (including medical services) will benefit from affluent patients from Mainland China. Compared to competing medical destinations, lower language barrier and shorter flight distance make Singapore attractive.

The increase in Mainland Chinese visitorship was also supported by STB's partnership with digital media platforms e.g., travel services (Alitrip and Tuniu) and social review websites (Dianping and Mafengwo). In April 2016, the Orchard Road Business Association (ORBA) also set up a social media WeChat account to promote Orchard Road to consumers in Mainland China directly.

With 40% of overall international arrivals, ASEAN is regarded as a key source market

Visitor arrivals from ASEAN and Australia moderated by 6.0% and 2.9% respectively in 2015, owing partly to the stronger Singapore Dollar. Nonetheless, the government continues to regard ASEAN as a key source market, as it accounted for almost 40% (5.75 million visitors) of overall international arrivals over the past decade. In addition to launching marketing campaigns in seven key markets – Australia, China,

India, Malaysia, Philippines, Indonesia and Vietnam, the official Singapore tourism website – YourSingapore.com was also revamped to feature more user-generated content and recommendations.

Business Travellers segment moderated, while the Leisure segment remained resilient

Although there was an uplift in international visitor arrivals, tourism receipts declined by 7.6% from S\$23.6 billion in 2014 to S\$21.8 billion⁽⁹⁾ in 2015. The decline was primarily attributed to the impacted Business Travellers segment, given the cutback on corporate travel and trip budgets.

On a positive note, the number of leisure visitors to Singapore grew by 2.0% in 2015, while tourism receipts from leisure travellers fell by only 2%, performing more resiliently than other visitor segments. This came alongside increased investment in the cruise sector and more aggressive marketing efforts by the government and industry stakeholders to grow the cruise industry. For example, the Cruise Development Fund by STB is made available for cruise industry players to support the home-porting of new cruise ships or deployment out of Singapore.

Signs of improvement in the tourism sector in H1 2016

Visitor arrivals for H1 2016 amounted to 8.2 million, up by 12.5% (7.3 million) from the same period in 2015. This was led mainly by the increased influx of visitors from Mainland China and ASEAN, as STB's strategic partnerships and marketing campaigns launched in 2015 continued to lend support.

In Q1 2016, tourism receipts grew by 2% y-o-y (S\$5.4 billion). Tourism receipts in shopping increased significantly by 25% y-o-y to S\$1.2 billion, while that in Food & Beverages (F&B) rose by 14% y-o-y to S\$606 million. STB forecasts overall visitor arrivals in Singapore to grow by up to 3% in 2016, while tourism receipts are expected to grow by up to 2%.

1.3 Outlook

Singapore's real GDP growth in 2016 projected at 1.0% to 2.0%

With increased uncertainty in the UK due mainly to its vote to leave the European Union, as well as growing risks in Mainland China's economy, global economic growth in 2016 is expected to slow. Nonetheless, the slowdown in growth is expected to be contained, with some major economies, e.g. US, showing signs of strengthening.

The Ministry of Trade and Industry expects Singapore's economy to grow by 1.0% to 2.0% in 2016, barring any external shocks (Table 1.1). Meanwhile, the growth of externally-oriented sectors such as finance & insurance and wholesale trade is expected to slow. The government expects tourism-related sectors to perform more positively, supported by the launch of new flights between Singapore and key inbound markets e.g., US and Germany. Notwithstanding, the weak Sterling following Brexit could potentially divert some visitors away from Singapore to the UK, as well as cause leakage of shopping dollars through e-commerce from Singapore residents.

Note:

(9) Based on STB Quarterly Tourism Receipts statistics.

MARKET OVERVIEW

TABLE 1.1: KEY ECONOMIC INDICATORS

Indicator	2015	2016F	2017F
Inflation	-0.5%	-1.0% to 0.0% (MAS)	0.1% to 2.0% ⁽⁹⁾
Real GDP Growth	2.0%	1.0% to 2.0% (MTI)	1.4% to 3.0% ⁽¹⁰⁾
International Visitor Arrivals	15.2 million	15.2 to 15.7 million (8.2 million in H1 2016)	NA
Tourism Receipts	S\$21.8 billion	S\$21.8 to S\$22.2 billion	NA
Population Growth	1.2% (Mid-year estimate)	1.3% to 1.6% (Population White Paper)	

Source: MTI, DOS, MAS, STB, August 2016.

Continued commitment by the government to drive tourism growth, which will benefit the retail industry

To ensure Singapore's competitiveness as a vibrant tourism destination, the government allocated S\$700 million as a third tranche of the Tourism Development Fund⁽¹¹⁾ for 2016 to 2020. Key areas of investment include the cruise industry, amid Asia's emergence as a new growth frontier for cruise tourism and business development initiatives for business and leisure events.

In addition, plans are underway for the development of a new 126-ha wildlife and nature attraction at Mandai. Positioned as an eco-tourism hub, the area will house the Singapore Zoo, River Safari, Night Safari, Bird

Park (which will be relocated from Jurong) and a new Rainforest Park by 2020. The expected increase in visitor arrivals from these developments is likely to help bolster Singapore's retail industry.

In-store sales to grow alongside e-commerce with emergence of bricks and clicks

In the short-term, retail spending is expected to remain weak amid softer consumer confidence. According to the MasterCard Index of Consumer Confidence, Singapore's score declined from 44.3 points in H2 2015 to 33.6 points in H1 2016.

Notwithstanding, burgeoning e-commerce is expected to mitigate the overall slowing retail sales. According to a joint study⁽¹²⁾ by

Google and Temasek Holdings, Singapore's e-commerce market is expected to grow more than five times from US\$1.0 (S\$1.4) billion in 2015 to US\$5.4 (S\$7.5) billion in 2025. In line with this expansion, e-commerce is expected to account for 6.7% of Singapore's retail trade by 2025, up from 2.1% in 2015. The growth of omni-channel marketing is expected to boost in-store retailing, as companies integrating between online and offline presence, leading to more bricks and clicks. For example, shoppers can browse and experience products in store, while purchases can be made online through mobile devices at shoppers' convenience.

Notes:

(9) Based on STB Quarterly Tourism Receipts statistics.

(10) Based on the Monetary Authority of Singapore's Survey of Professional Forecasters as at June 2016. It reflects the views received from 22 economists and analysts.

(11) The Tourism Development Fund was introduced in 2005, with an initial S\$2 billion. It was topped up with a second tranche of funding of S\$905 million in 2015.

(12) Google and Temasek Holdings, e-economy SEA: Unlocking the S\$200 billion digital opportunity in Southeast Asia, May 2016.

In the mid-to long-term, retail sales in Singapore is primed for moderate growth. Based on forecasts by the Economist Intelligence Unit⁽¹³⁾, overall retail sales volume growth for Singapore is expected to range from 2.4% to 2.9% per annum from 2016 to 2018.

2.0 RETAIL PROPERTY MARKET⁽¹⁴⁾

2.1 Retail Trends

Rise of omnichannel shoppers

With the rise of Millennials and the exponential growth of the e-commerce/ online retailing market, shopper dynamics are evolving. Traditional brick and mortar retailers are generally facing more competition from online shopping marketplaces, given Singapore's high internet and smartphone penetration rates⁽¹⁵⁾. While some consumers are taking a hybrid (online and offline) approach to shopping, many consumers continue to value the experience of shopping at the physical store.

According to a survey by Nielsen⁽¹⁶⁾, 41% of the respondents (mainly Millennials and Generation-X Singaporeans) were omnichannel shoppers who purchase through both online and offline retail channels, while 12% were shoppers who gather information from online and offline sources, but shop at brick and mortar stores. Only 17% of the respondents were fully dependent on online platforms for browsing and purchasing, and their top categories of purchases were fashion, travel and IT mobile gadgets.

A focus on digital marketing and experiential retail concepts

With the emergence of more omnichannel shoppers, mall landlords and retailers are incorporating digital touch points into their Business

to Consumer (B2C) processes to provide consumers with seamless and unique shopping experiences. Mobile commerce is also emerging as a key channel for retailers, with half of online shoppers surveyed by Visa⁽¹⁷⁾ in 2015 preferring to make their purchases via mobile devices.

New schemes implemented by retailers include the "Click and Collect" services, which allows customers to make online purchases and collect them at nearby malls (e.g. Marina Bay Sands and Courts Singapore) and "iBeacon", which allows retailers to engage in location-based marketing and promotion (e.g. EpiCentre).

Despite the focus on digital marketing and e-commerce, many landlords and retailers continued to enhance their mall/ in-store experiences to remain competitive. For example, Funan DigitaLife Mall is redeveloping into an integrated development that will be an aspirational lifestyle destination and an experiential creative hub which will enable shoppers to enjoy retail in

a technology-enabled environment. This exemplifies the paradigm shift towards experiential retail.

F&B establishments are also adapting, amid the drive towards productivity and evolving consumer preferences. For instance, Rong Heng Seafood restaurant and Chilli Padi Nonya Café are using robots to serve and entertain their diners.

Luxury/high-end brands strengthened their presence at Orchard Road

With one of the highest GDP (at purchasing power parity) per capita globally, a high concentration of high-net worth individuals, a safe and secure environment as well as its strong global connectivity and status as a gateway to Asia, Singapore has established itself as a regional hub for luxury and designer retail brands. Despite the challenging market conditions, some luxury/high-end brands strengthened their presence, particularly at retail hotspots such as Orchard Road and Marina Bay (Table 2.1).

TABLE 2.1: SELECTED NEW TENANTS AND RETAIL EXPANSION

Malls	New tenants	Existing tenants expanding space
Paragon	Loewe, Marc Jacobs, Mulberry, Emporio Armani, Liu Jo	Givenchy, Cortina Watch, Café&Meal MUJI
ION Orchard	Moncler, Tiffany & Co., Van Cleef & Arpels	Dior, Dolce & Gabbana, Louis Vuitton, Patek Philippe and Saint Laurent
Liat Towers	Audemars Piguet, Hermes	–
Marina Bay Sands	Braun Buffel, Valentino	–

Source: REITs, Mall Owners, August 2016.

Notes:

(13) Frost & Sullivan, Whitepaper: Overview of the Retail Sector in ASEAN – Focus on companies listed on SGX, June 2016.

(14) Figures in this section take into account both private and public retail spaces, unless otherwise stated.

(15) Resident household access to internet in Singapore is at 88% as at end 2015 (Source: Infocomm Development Authority), while smartphone penetration rate is at 88% as at end 2015 and 91% as at end July 2016 (Source: Google's Consumer Barometer and The Connected Consumer Survey).

(16) Nielsen, Bricks and Clicks Shopper Trends, August 2015. The survey polled 1,639 responses from Singaporeans in April and May 2015.

(17) Visa's 2015 Consumer Payment Attitudes Survey.

MARKET OVERVIEW

In Q3 2016, Uniqlo opened in Orchard Central, its first Global Flagship Store in Southeast Asia and Singapore. Going forward, Apple will open its first store at Knightsbridge by end 2016, the first Apple Store in Southeast Asia and Singapore as well. These new openings are expected to inject more vibrancy in Orchard Road.

2.2 Existing Supply⁽¹⁸⁾

Limited completions in Orchard/Scotts Road

As at end Q2 2016, islandwide public and private retail stock was 64.8 million sq ft.

Only some 12% (7.6 million sq ft) was in Orchard/Scotts Road where Paragon is located. There is limited new supply in Orchard/Scotts Road e.g. the asset enhancement initiatives in Claymore Connect (10,000 sq ft) in Q4 2015. Park Mall at Penang Road (which is next to Orchard Road) closed in September 2016, as it is being redeveloped into an office development (345,000 sq ft) with ancillary retail (20,000 sq ft).

Some 7.7% (5.0 million sq ft) of retail stock was in Clementi (where The Clementi Mall is located), and neighbouring Jurong East and Queenstown Planning Areas. Between Q3 2015 and Q2 2016, completions were mainly outside the abovementioned planning areas and they include asset enhancement initiatives in Viva Business Park (150,000 sq ft) and Compass One (282,000 sq ft).

2.3 Potential Supply

Some 4.0 million sq ft of retail NLA in the pipeline from Q3 2016 to 2020, mainly in the Suburban Areas

Approximately 7.6 million sq ft of retail GFA is expected to complete between Q3 2016 and 2020, of which 81% (6.2 million sq ft) is private retail space. We estimate that this translates to about 4.0 million sq ft of retail Net Lettable Area (NLA).

Majority of the pipeline supply between Q3 2016 and 2020 (71%; 2.8 million

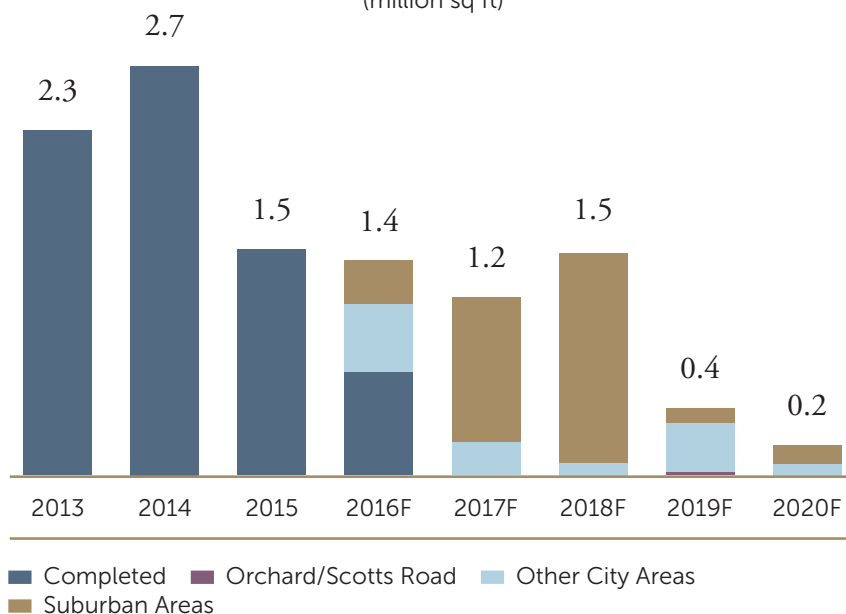
sq ft) will be in the Suburban Areas, followed by 28%, or some 1.1 million sq ft in the Other City Areas. In particular, the expected annual completions from 2016 to 2018 is likely to be similar to that in 2015 (1.5 million sq ft) (Figure 2.1).

Majority of suburban retail developments completing in H2 2016 are below 50,000 sq ft

Upcoming retail supply in H2 2016 is mostly in the Other City Areas, given the completion of several large-scale mixed-use projects in the city centre. While there are some expected completions in the Suburban Areas, they are mostly small (below 50,000 sq ft) and are either Additions & Alterations (A&A) or ancillary retail amenities.

Pipeline supply in the Suburban Areas from 2017 onwards is mainly in the North and East Planning Regions, with many

FIGURE 2.1: PIPELINE SUPPLY
(million sq ft)



Source: URA, Edmund Tie & Co Consulting, August 2016.

Note:

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

TABLE 2.2: MAJOR RETAIL PROJECTS IN THE PIPELINE

Estimated Year of Completion	Development	Location	Estimated NLA (sq ft)
H2 2016	Tanjong Pagar Centre	Wallich Street	100,000
H2 2016	DUO Galleria	Fraser Street	56,000
H2 2016	Our Tampines Hub	Tampines Avenue/ Tampines Street 82	77,000
H2 2016	NEWest	West Coast Drive	64,000
2017	Singapore Post Centre (A&A)	Eunos Road	188,000
2017	Hillion Mall	Jelebu Road	168,000
2017	Changi Airport Terminal 4	Airport Boulevard	183,000
2018	Project Jewel	Airport Boulevard	576,000
2018	Paya Lebar Quarter	Paya Lebar Road/ Sims Avenue	340,000
2018	Northpoint City	Yishun Central 1	290,000

Source: URA, Edmund Tie & Co Consulting, August 2016.

near growth areas such as Woodlands Regional Centre, Paya Lebar Central and Changi Airport (Table 2.2).

Project Jewel is a joint development by Changi Airport Group and CapitalLand Mall Asia. As it is mainly targeted at transit shoppers and residents in the East, impact on overall retail scene is expected to be limited when it opens in 2018.

No major upcoming malls in the vicinity of Paragon and The Clementi Mall

Potential supply in the vicinity of Paragon and The Clementi Mall are not significant malls (Table 2.2). From H2 2016 to 2020, there will be less than 20,000 sq ft of NLA scheduled

for completion in the Orchard Road Planning Area, where Paragon is located. Over the same period, three retail developments of less than 65,000 sq ft each are scheduled to complete in the Clementi, Jurong East and Queenstown Planning Areas, which is in the vicinity of The Clementi Mall.

2.4 Demand and Occupancy

Demand for retail space remained soft
Amid structural challenges in retailing such as labour constraints and competition from e-commerce, as well as moderating growth in retail sales, there were several store closures and retailers consolidating.

The opening of several flagship stores in Orchard Road and Other City Areas also

bolstered demand. Notwithstanding, islandwide occupancy moderated by 0.5%-points to 92.2% as at end Q2 2016.

While Orchard/Scotts Road was more affected by the fall in discretionary spending, with occupancy in the area (90.8%) falling below islandwide levels, performance among shopping malls was relatively mixed. While older and strata-titled retail malls experienced a rise in vacancies, well positioned malls with good accessibility continued to maintain high occupancies of above 95%. Notably, Paragon and Ngee Ann City were fully occupied as at end Q2 2016, attracting both local shoppers and visitors alike.

Meanwhile, suburban malls enjoyed the highest occupancy rate at 93.2% as at end Q2 2016. In particular, many suburban malls under REITs remained fully occupied (e.g., The Clementi Mall) or experienced an uptick in occupancy in recent quarters.

2.5 Rents

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

Islandwide average fixed monthly gross retail rents for prime⁽¹⁹⁾ first-storey retail units fell by 5.7% in 2015, resulting from the challenging conditions faced by retailers and the rise in vacancies. Among the retail areas, prime rents in the Other City Areas declined the most in 2015, by 6.9%, while those in Orchard/Scotts Road and the Suburban Areas were more resilient and fell by 5.0% and 5.7% respectively.

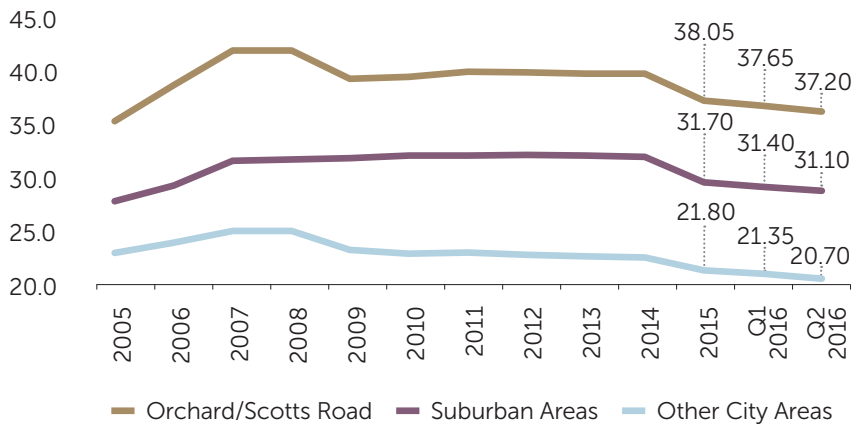
This trend prevailed in H1 2016, with prime rents in Orchard/Scotts Road and Suburban Areas falling by 2.2% and 2.0% respectively, while those in the Other City Areas fell by 5.0% (Figure 2.2).

Note:

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

MARKET OVERVIEW

FIGURE 2.2: AVERAGE PRIME FIRST-STOREY FIXED GROSS RENTS
(S\$ per sq ft per month)



Source: Edmund Tie & Co Consulting, August 2016.

2.6 Outlook

Rents anticipated to face downward pressure

The ongoing economic uncertainty in major global economies is expected to further dampen growth and employment prospects. This has affected consumer confidence, which is also expected to remain muted in the short-term. Meanwhile, more retailers are re-strategising and evaluating their physical space needs amid the adoption of e-commerce and digital marketing. Alongside landlords being more open to negotiation and focused on tenant retention, retail rents are expected to remain under pressure in the short term.

The Shoppes at Marina Bay Sands in the Marina Bay area is emerging as an alternative destination for luxury shopping, with an attractive

mix of international luxury labels. Notwithstanding, Paragon – together with other established malls in Orchard Road – remain attractive to shoppers with its diverse shopping, dining, entertainment and hospitality options. Orchard Road is expected to remain as the premier shopping street due to its strong clustering and variety of shopping, dining, entertainment and hospitality options available.

As for The Clementi Mall, the upcoming retail spaces in Clementi, as well as the neighbouring Jurong East and Queenstown Planning Areas are not direct competitors. Located in an integrated transit-oriented development, The Clementi Mall will continue to perform well.

In the next twelve months, while rents in Orchard/Scotts Road and the

Suburban Areas including Clementi Planning Area are expected to soften, the decline is likely to be contained.

2.7 Implications on Paragon Orchard/Scotts Road to remain a leading shopping and leisure destination

Signs of improvement in the tourism sector in H1 2016 and the government's continued focus on revitalising Orchard/Scotts Road (through STB's Envisioning Orchard Road exercise), are expected to help allay the moderation in rents in the area. In particular, well-positioned malls with proven track record and strong centre management are expected to be more resilient.

Orchard/Scotts Road is expected to remain as the premier shopping, leisure and entertainment destination. With a total of 7.6 million sq ft of retail space in close to 70 retail developments (of which over 40 are shopping malls), supported by over 12,500 hotel rooms and serviced apartments in the vicinity, Orchard/Scotts Road is the most popular shopping and free-access attraction in Singapore. Some 1,392 new hotel rooms and 318 serviced apartments are expected to complete in Orchard/Scotts Road from Q2 2016 to 2020. Over the same period, some 499 private residential units (e.g. Cairnhill Nine, The Biltmore) are scheduled to complete in the Orchard Planning Area. The completion of these new developments will enhance the primary catchment of Orchard/Scotts Road.

While occupancy rate in Orchard/Scotts Road has been moderating since 2013, Paragon has maintained full occupancy, reflecting its position as one of the top shopping malls in Singapore. Rents in established premier shopping malls, which also enjoy strong centre management, are likely to hold up relatively well, as retailers adopt a flight-to-quality strategy.

2.8 Implications on The Clementi Mall Rental resilience in the suburban areas, including Clementi

Suburban malls have traditionally been more resilient during challenging market conditions compared with other areas, given their strong primary catchments. They are expected to continue to exhibit resilience, especially for those that are well-connected to transport nodes. In particular, rents in Clementi Planning Area, where potential supply is limited, are expected to remain relatively stable.

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⁽²⁰⁾ and enjoys a strong catchment. Apart from serving about 92,000 residents⁽²¹⁾ 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 working population at Buona Vista.

In the next three years, some 2,348 private residential units (e.g. The Triling, Parc Riviera) will be completed in the Clementi Planning Area. The Clementi Mall is well-positioned to cater to this growing catchment, given its variety of offerings and strategic location.

3.0 MEDICAL SUITE PROPERTY MARKET

3.1 Healthcare Services Industry Trends

Aging population increases local demand for healthcare

The number of Singapore residents aged 65 years and older is expected

to double from 430,000 in 2016 to more than 900,000 in 2030⁽²²⁾.

In November 2015, MediShield Life, a basic national health insurance plan, was reviewed to provide Singapore residents with more comprehensive hospital insurance coverage, in line with improving accessibility, quality and affordability of healthcare services under the Healthcare 2020 Masterplan. The Pioneer Generation Package introduced in 2014 for Singapore citizens aged 65 and above further provides subsidies for treatment at specialist outpatient clinics. Meanwhile, Medisave, a national medical savings scheme, helps individuals meet medical expenses and pay for medical insurance premiums. Such schemes introduced have made treatment by private doctors more affordable and this is expected to bode well for Paragon Medical.

Singapore is well-established to tap on growth in medical tourism

The global medical tourism industry has expanded significantly in recent years, and is estimated to be worth US\$439 (S\$615) billion in 2015, according to VISA⁽²³⁾. The industry is projected to grow by an average 25% per annum till 2025, with an estimated 3% to 4% of global population travelling abroad to receive medical services.

While VISA⁽²⁴⁾ found that the US had the largest market share in terms of medical tourism spend in 2015, it noted that Singapore, Thailand and Korea are quickly catching up, amid the growth momentum in Asia's healthcare landscape.

Singapore was ranked 4th globally⁽²⁵⁾ and 1st in Asia by the International Healthcare Research Center in the Medical Tourism Index^{TM(26)}, excelling in

country environment (e.g., safety, image and culture) and facility and services (e.g., quality of care, reputation and patient experience). According to Frost & Sullivan in 2015, the private hospital market in Singapore is forecast to grow at 13% per annum from 2015 to 2020, driven by factors such as urbanisation, increasing private healthcare insurance coverage and growing awareness on health management.

Already renowned for providing medical services to both local and foreign clients, Paragon Medical is at the forefront of growing medical tourism.

Stronger competition from medical destinations in Malaysia and Thailand

Latest statistics from STB showed that medical tourism receipts grew by 19% to about S\$1.0 billion in 2014, following a 25% decline in 2013. While there are no official statistics on medical tourism in 2015, some 76% (S\$756 million) of medical tourism receipts in 2014 was from South East Asia, mainly Indonesia (64%) and Malaysia (7%).

According to Global Blue⁽²⁷⁾, tourist's spending on health and social work was about 4% of total spending in H1 2016. Singapore continues to face strong competition from other medical tourism destinations, in terms of affordable medical offerings. For example, the 2016 Medical Tourism Index by the International Health Research Centre ranked India, Malaysia and Thailand more attractively than Singapore, in terms of destination attractiveness and medical tourism costs. These destinations also are gaining ground in terms of their quality of healthcare and medical services.

Notes:

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

(21) Source: DOS Singapore's Population Statistics for 2015 (mid-year estimates).

(22) Speech by Mr Gan Kim Yong, Minister for Health, at the SG50 Scientific Conference on Ageing, 19 March 2015.

(23) VISA and Oxford Economics, Mapping the Future of Global Travel and Tourism, January 2016.

(24) Based on cross-border spending for medical services in more than 176 countries.

(25) Canada, U.K. and Israel were the top three medical tourism destinations.

(26) Assesses the attractiveness of a country as a medical tourist destination.

(27) Singapore Tourist Spending H1 2016 by Global Blue.

MARKET OVERVIEW

Singapore's medical industry riding the technology wave

Notwithstanding increased competition, Singapore remains a world-class healthcare hub that offers a complete spectrum of medical services. Given its strong links with industry partners and medical research organisations, Singapore has embraced technologies in the medical sector e.g., telemedicine, image-guided and robotic-assisted surgery, as well as healthcare through Internet of Things (IoT). This has helped the city-state to cement its positioning for high-quality and sophisticated medical surgical procedures and services, that are sought after by more affluent target markets.

One of the key growth areas in the medical industry is telemedicine. While there are no industry-dominant plays in the telehealth market in Singapore, the government's Infocomm Media 2025 Masterplan envisages the wider adoption of telemedicine in the future. Telemedicine is expected to complement existing face-to-face medical consultation, especially for non-critical follow up appointments.

Initial industry findings show that the greater adoption of telemedicine is likely to increase the demand for healthcare services, as patients' access to medical practitioners improves.

3.2 Existing Supply

No new medical suite completions in the Orchard Road/Tanglin area

Two medical suite developments with total space close to 60,000 sq ft were completed from Q3 2015 to Q2 2016. Both are located outside the Orchard

Road/Tanglin area. This brought total islandwide stock to an estimated 1.7 million sq ft, as at end Q2 2016.

Raffles Medical Group (RMG) opened its new mall at Holland Village, Raffles Holland V, in Q1 2016, which also houses RMG's integrated medical centre (9,000 sq ft) that offers health screening, family medicine, dental care, traditional Chinese medicine and specialist services.

Q2 2016 saw the completion of SBF Center, an office building at Robinson Road. The development has 48 medical suites, ranging from 678 to 1,302 sq ft, which are strata-titled for sale. As at end August 2016, majority (47 units) of the medical suites have been sold.

Close to 1,700 medical suites islandwide

We estimate that there were 1,659 medical suites in Singapore, as at August 2016. Majority were hospital-

supported medical suites, while the remaining were medical suites in standalone developments (Table 3.1).

Of the medical suites in standalone developments, approximately 70% (436 units) are for lease only. Medical suites such as Paragon Medical, Camden Medical Centre and Scotts Medical Center, which are professionally managed by REITs or dedicated property management teams, remain limited, especially in Orchard/Scotts Road (Table 3.2). Such developments are generally more popular among medical practitioners and command premium rents.

The Orchard Road/Tanglin area is the most established with the largest medical suite cluster

Despite the government earmarking Novena (Health City Novena) as a major medical precinct and the emergence of new medical clusters e.g., Farrer Park, the Orchard Road/Tanglin area continues to be the most established. It is the largest medical suite cluster in Singapore and the preferred choice for many affluent local and foreign medical clients alike (Table 3.3).

Around half of the stock in the Orchard Road/Tanglin area (396 units) are hospital-supported.

TABLE 3.1: MEDICAL SUITES STOCK (ISLANDWIDE)

Type	Units	Remarks
Hospital-supported medical suites	1,012 (61%)	For lease 132 (13%)
		Strata-titled for sale 880 (87%)
Medical suites in standalone developments	647 (39%)	For lease 436 (70%)
		Strata-titled for sale 211 (30%)
Total	1,659 (100%)	-

Source: URA, Edmund Tie & Co Consulting, August 2016.

3.3 Potential Supply

New supply expected only from 2017 onwards

No new medical suites are expected for the rest of 2016. About 370 medical suites (estimated at 0.2 million sq ft) are expected to complete from 2017 onwards, of which all are strata-titled for sale. Potential supply of medical suites is also limited by the URA allowable quantum (lower of 3,000 sq m or 20% of total commercial GFA) within commercial buildings.

According to URA, majority of the medical suites in the pipeline are expected to complete in 2017, which are largely from strata-titled developments – Royal Square at Novena (171 units; for sale) and Vision Exchange at Jurong Gateway (53 units; for sale and lease) (Figure 3.1). Compared to the past two years, the new supply in 2017 is relatively large.

Recently, there is growing interest among commercial building owners who are redeveloping their properties to incorporate medical suites into their new developments. Examples include TripleOne Somerset by Perennial Real Estate, which will have an additional 31 medical suites (32,000 sq ft GFA) in its expanded retail podium, as well as AXA Tower which is undergoing enhancement works to add an annex block to house 22 new medical suites (32,000 sq ft GFA). Both developments are expected to complete in 2018/19.

No new supply expected in the Orchard Road/Tanglin area for 2016/17

The supply of medical suites in the Orchard Road/Tanglin area remains limited, with no new medical suites expected in the area over the next two years with the exception of the enhancement of TripleOne Somerset, which is expected to complete in 2018. In addition, the units in TripleOne Somerset are strata-titled for sale, a contrast to other medical suite developments in the Orchard Road/Tanglin area which are generally for lease only.

TABLE 3.2: MEDICAL SUITES STOCK (BY AREAS)

Type	Units
Orchard Road/Tanglin area	741 (45%)
Novena/Thomson area	493 (30%)
Farrer Park area	189 (11%)
Other areas	236 (14%)
Total	1,659 (100%)

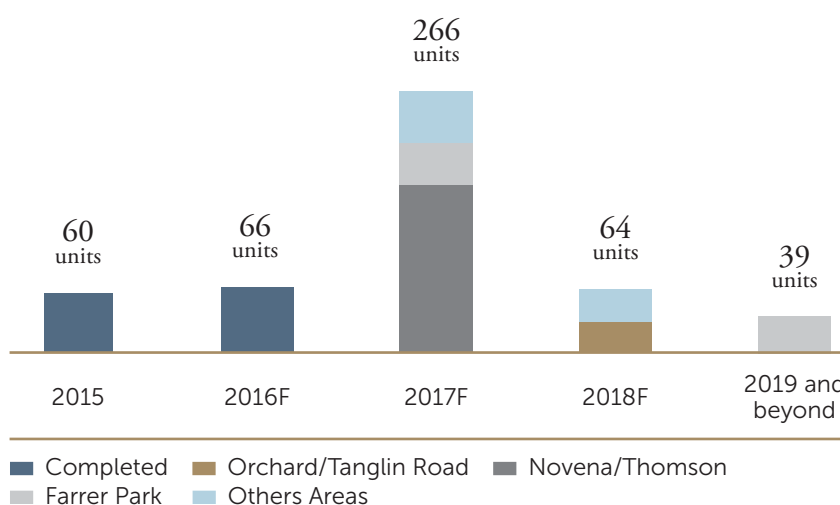
Source: URA, Edmund Tie & Co Consulting, August 2016.

TABLE 3.3: MEDICAL SUITES STOCK (ORCHARD ROAD/TANGLIN AREA)

Type	Units	Remarks
For lease only	259 (35%)	–
Strata-titled for sale	482 (65%)	–
Total	741 (100%)	45% of medical suite stock in Singapore

Source: URA, Edmund Tie & Co Consulting, August 2016.

FIGURE 3.1: PIPELINE SUPPLY
(Number of Medical Suites)



Source: URA, Edmund Tie & Co Consulting, August 2016.

MARKET OVERVIEW

The pipeline supply outside the Orchard Road/Tanglin area is not expected to have an impact on the area. All the medical suites in the pipeline are strata-titled for sale, which are generally smaller. They also lack the strong branding and positioning seen in medical suites in the Orchard Road/Tanglin area, which are mostly professionally managed.

3.4 Demand and Occupancy

Despite subdued healthcare demand in the short-term, established medical suite clusters are well-positioned and relatively resilient

Medical tourists are increasingly discerning and well-informed, with greater access to the different quality and costs of various medical tourism destinations. Growing competition for medical tourism, coupled with the more measured economic growth in Singapore may have a dampening effect on overall healthcare demand. Notwithstanding, the number of private doctors and dentists⁽²⁸⁾ in Singapore continued to grow at a relatively healthy rate, at 4.4% in 2015, higher than the 2.7% increase in 2014 and in line with the past five-year average (4.7%). This is expected to lend some support to the demand for medical suites.

Based on our primary survey, medical suite developments along Orchard/Scotts Road continued to remain well-occupied as at end Q2 2016, especially for well-located (e.g., close to established hospitals) and well-positioned medical suites such as Paragon Medical.

3.5 Rents

Rents in the Orchard Road/Tanglin area held up relatively well

While office and retail rents in Orchard Road moderated in 2015 and H1 2016, medical suite rents in the area were resilient. In particular, the asking gross rents of some standalone medical suite developments in 2015 were higher than that in 2014.

The range of asking monthly rents in standalone developments in the Orchard Road/Tanglin area was about S\$10 - S\$15 per sq ft as at August 2016, slightly higher than the S\$9 - S\$14 per sq ft in August 2015. This is reflection of the continued attractiveness of the Orchard Road/Tanglin area as a premier healthcare and medical tourism destination. The location appeals to medical clients as the Orchard Road/Tanglin area is convenient with its wide range of amenities.

On the other hand, there was a marked decline (from 6% to almost 30%) in the asking gross rents for areas outside the Orchard Road/Tanglin area e.g., Farrer Park and Novena, which are expected to see more new supply in 2017.

3.6 Outlook

Rents may moderate slightly, given the larger supply in 2017

The subdued demand for healthcare and medical tourism in Singapore is expected to continue in the short-term, given the weak economic prospects and growing regional competition. Coupled with the significant supply

in 2017, medical suite rents are likely to be under pressure.

Nonetheless, medical suite rents in the Orchard Road/Tanglin area are expected to be more resilient. Apart from being a well-sought after location by private medical practitioners, there is no new supply expected in the area over the next two years. As such, we expect rents for medical suites in the Orchard Road/Tanglin area to remain relatively stable over the next four quarters.

3.7 Implications on Paragon Medical

Paragon Medical a leading medical venue in the Orchard Road/Tanglin area

Higher arrival of medical tourists is expected with STB cultivating new collaborations with overseas market intermediaries⁽²⁹⁾ to promote Singapore as an advanced medical care destination.

Already popular among the local affluent medical clients, Paragon Medical (75 units), being the largest standalone medical centre in the Orchard Road/Tanglin area, is well-poised to capitalise on medical tourists, who also form the catchment for Paragon. Paragon Medical has maintained a strong competitive advantage over other medical suites in the area, given its proximity to renowned Mount Elizabeth Orchard Hospital and Medical Centre (Orchard) and easy access to the wide range of amenities in the vicinity. With supply in the Orchard Road/Tanglin area expected to remain relatively tight, well-managed developments like Paragon Medical are well-positioned for future rental growth opportunities.

Notes:

(28) DOS Yearbook of Statistics 2016. Excludes other health personnel types e.g., oral health therapists, traditional Chinese medicine physicians due to data unavailability.

(29) Market intermediaries include ANZ Bank, Hong Leong Bank, Standard Chartered Bank, Myanmar Women Entrepreneurs Association, Cebu Pacific, Jetstar Airways, Tiger Airways, Nikon (Korea) and Thomas Cook (UK).

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.

Edmund Tie & Company (SEA) Pte Ltd gives no assurance that the forecasts

and forward statements in this report will be achieved and undue reliance should not be placed on them.

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**By Edmund Tie & Company (SEA)
Pte Ltd
September 2016**

CORPORATE SOCIAL RESPONSIBILITY

**BUILDING STRONG
RELATIONSHIPS WITH
TENANTS IS KEY TO LONG
TERM PARTNERSHIP.**

ENVIRONMENTAL SUSTAINABILITY

Green Initiatives

The Manager consciously carries out energy and water saving programmes as part of the initiatives to meet the prevailing Green Mark Building's requirements. Paragon has embarked on efforts to promote environmental sustainability. The chiller decanting effort and replacement of more efficient Air Handling Units (AHU) and Fan Coil Units (FCU) have reduce energy consumption. The decommissioning of existing chiller plant and AHU have also

free up some GFA. Another initiative that had completed was installing of water fittings in toilets to meet PUB's water efficient guideline in order to be certified as a Water Efficient Building (Basic). At The Clementi Mall, lighting in the mall has been changed to the energy saving LED lighting to reduce the consumption of electricity.

TENANT ENGAGEMENT

Partnering Initiatives

Building strong relationships with tenants is key to long term partnership. The Manager continuously invested time and effort to cultivate the relationships by understanding the needs of tenants in various aspects from operations to business performance. Close collaboration and engagement with front line staff take place through regular meetings and bulletins. Tenants are updated on tenancy changes, advertising opportunities, promotional initiatives and other important matters through regular communication channels.

SHOPPER AND COMMUNITY ENGAGEMENT

Art, Cultural and Music Initiatives

The Manager believes in supporting arts, music and cultural diversity by staging performances at the malls. Performances by the schools and non-profit organisations in the malls allow them to showcase local talents. As a premier shopping mall, Paragon's signature music programme "Music EnVogue" has garnered much attention from shoppers. The "Music EnVogue" series showcase various talents in different genre of music to create pleasurable shopping experience in the mall. Beyond music entertainment, Paragon blends the lifestyle thematic visual display in every seasons to showcase the fashion, jewellery and watches by tenants. The Clementi



Mall engages shoppers with cultural performances during festive seasons and the community through interactive activities. The following sections highlight significant performances and community events that took place at Paragon and The Clementi Mall in the past year.

PARAGON

Raffles Design Institute

In support of the local fashion industry, Paragon collaborated with Raffles Design Institute to jointly present "Raffles Privato" – a home brand of apparel designed by the institute's finest fashion design graduates. Paragon provided the venue as an incubator to showcase the students' works, such as Interior Design students who designed and conceptualised the entire retail store layout, the Graphic Design students designed the logo and the Fashion Marketing and Management students managed the retail business, "Raffles Privato" strives to unite the various elements of the industry.

Her World Bare For Hope October 2015

Paragon was a venue partner in supporting the Breast Cancer Awareness Month together with Her World. The launch of inaugural Bare for Hope event took place at Paragon atrium to unveil a 2.4m by 2.4m art piece jointly created by Adeline Yeo, Singapore's first female finger-painting artist, and 55 women who have gamely volunteered to have their breasts scanned and printed into 3-D models that formed the art work. The 55 volunteers included the Her World team, breast cancer survivors as well as celebrities Jade Seah and Oon Shu An.

Home & Art Fair February 2016

Promoting healthy social well-being in today's hectic work life amongst Singapore white-collar workers, Paragon collaborated with a local art organisation "Tell Your Children" Studios for an exclusive painting "Monkey Business". By drawing playful and creative art pieces, the objective was to convey a message of youthfulness and fun that is often neglected in the daily hustle of a metropolitan city.



CORPORATE SOCIAL RESPONSIBILITY



Fashion Steps Out @ Orchard
March 2016

Paragon partners STB to create an event to promote Singapore and Orchard Road as a shopping street. To support Singapore fashion industry and Orchard Road being the key shopping belt for tourists and locals, Samsung Fashion Steps Out @ Orchard – the biggest fashion show took place on the streets of Orchard Road on 26 March 2016. Jointly organised with Orchard Road Business Association (ORBA), the event promoted the retail businesses at Orchard Road and for economic growth especially tourists' spend in Singapore. The style parade featured a wide range of fashion styles from a collection of well-known labels, which added vibrancy and transformed Orchard Road into Singapore's longest fashion runway.

Ikebana
May 2016

Singapore places strong emphasis in establishing strong cultural exchange with Japan. Paragon was the venue sponsor for the sixth year of the Ikebana International Singapore Chapter 135's Annual Exhibition from 13 - 22 May 2016. Ikebana International is a non-profit cultural organization headquartered in Tokyo and is dedicated to the promotion and appreciation of Ikebana, the Japanese art of flower arrangement. The exhibition has bridged the locals and Japanese community in Singapore for harmonious bonding through the charming florals displays.



**National Day 'Garden City'
Landscape Display**
July 2016

Singapore's Garden City journey began in 1963 when late Mr Lee Kuan Yew planted a Mempat tree, signifying the start of the greening campaign. In July 2016, Paragon showcased the lush beauty in our exquisite garden celebrating Singapore's verdant spirit. The fashion display which was incorporated in the greenery landscape engaged and inspired the visitors as Paragon optimised the urban spaces for greenery to enliven the streetscape in the shopping mall.



THE CLEMENTI MALL

**Chinese New Year
Cultural Performances**
February 2016

During the Chinese New Year campaign period, residents in Clementi were treated to cultural performances such as traditional drums demonstration and acrobat. These oriental arts inspired the young ones about Chinese culture through the beauty of movements, rhythm and spirit of team work. In the Wu-shu performance by S.E.A Game Champion, residents in Clementi had the chance to witness and support our national sportsmen in upclose and personal manner.



Mother's Day Specials
April 2016

During Mother's Day period, shoppers were encouraged to make donations for St Luke's Eldercare in exchange of an exclusive gift. Over S\$2,000 in donations were received from shoppers for the eldercare home over the 17-day campaign. With the donation drive, the mall aims to promote kindness, filial piety, respect and love for the elderly.

National Day Celebrations
July 2016

To celebrate the nation's birthday, interactive picture booth was installed to allow shoppers to take pictures and send their National Day Greetings. To encourage inter-generational bonding among Singaporeans, a photo contest was organised for families to take part at The Clementi Mall.



SPH Gift of Music
May 2016

Sponsored by Singapore Press Holdings (SPH), the SPH Gift of Music series has been entertaining Singapore audiences since 2005. The free concert series has brought music to the community in various locations such as the heartlands, parks and shopping malls. Made up of approximately 30 team members, the Singapore Wind Symphony Youth Winds performed some Retro tunes at The Clementi Mall's atrium and brought the joy of music to the residents.



INVESTOR RELATIONS

SPH REIT's Investor Relations (IR) practices are built upon firm adherence to a high standard of corporate governance and transparency. The Manager is committed to deliver clear, consistent and timely updates 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.

In recognition of its IR effort, SPH REIT was the Runner-up for the 'Most Transparent Company' award, new issues category at the Securities Investors Association (Singapore) ("SIAS") Investors Choice Awards 2015.

Proactive engagement with investors

The Manager interacts actively with the investment community through multiple platforms to provide them

with an in-depth understanding of the business performance, challenges and growth strategies as well as to address their concerns. These include one-on-one meetings, quarterly post-results briefing, property-related conferences and roadshows. 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 REITs symposium jointly organised by Shareinvestor and the REIT Association of Singapore (REITAS) and the SGX-REITAS Education Series. 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 second Annual General Meeting on 27 November

2015, 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 posted instantaneously.

SPH REIT's Investor Relations website is a key source of relevant and comprehensive information to the investment community. It is updated in a timely manner with quarterly financial performance and other announcements. 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 and presentations and provides email alerts on the latest announcements.

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

Investor Relations Calendar

1st Quarter 2016 (September - November 15)

- Announcement of FY2015 Results and Media Conference and Analysts' Briefing with audio webcast
- Post-Results Investor Meeting
- Payment of 4Q FY2015 Distribution
- Release of Annual Report 2015
- Annual General Meeting

2nd Quarter 2016 (December 15 - February 16)

- Announcement of 1Q FY2016 Results
- Post-Results Investor Meeting
- Payment of 1Q FY2016 Distribution

3rd Quarter 2016 (March - May 16)

- SGX-REITAS Education Series
- Announcement of 2Q FY2016 Results and Analysts' Briefing with audio webcast
- Post-Results Investor Meeting
- Payment of 2Q FY2016 Distribution

4th Quarter 2016 (June - August 16)

- Nomura Investment Forum 2016
- REITs Symposium 2016
- Announcement of 3Q FY2016 Results
- Post-Results Investor Meeting
- Payment of 3Q FY2016 Distribution

Financial Calendar

2016

6 October

Announcement of FY2016 Results

14 October

Books Closure

16 November

Proposed Payment of 4Q FY2016 Distribution

2 December

Annual General Meeting

2017*

11 January

Announcement of 1Q FY2017 Results

10 April

Announcement of 2Q FY2017 Results

12 July

Announcement of 3Q FY2017 Results

9 October

Announcement of FY2017 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.

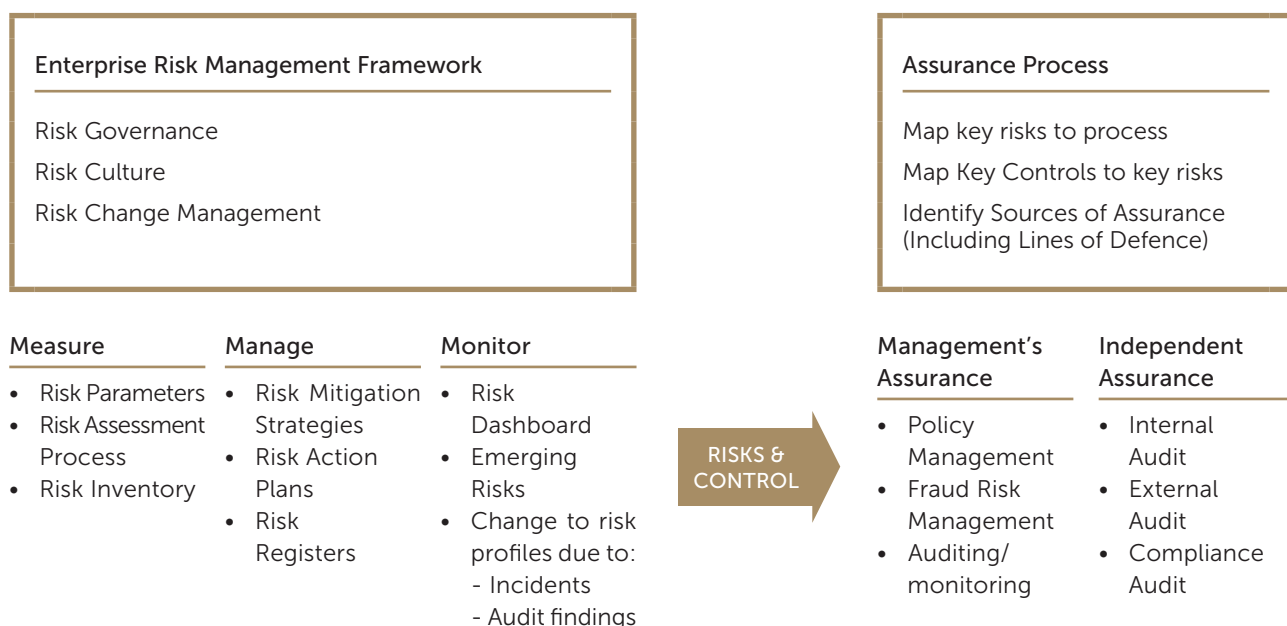
The risk management framework assists the Board and the Manager to assess, mitigate and monitor risk with the objective of capital preservation and ensure resilience in cyclical changes in business conditions. The framework also facilitates effective decision-making processes with due consideration to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

BOARD ASSURANCE FRAMEWORK



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

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

The key outputs of the Manager's Risk Management are:

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

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

Real Estate Market Risks

Real estate market risks, such as volatility in 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 quality operational performance, timeliness of deliverables and thereby continued operational growth, human capital output and overall business sustainability.

A comprehensive Business Continuity Plan ("BCP") is in place to minimize the potential impact from disruptions to critical businesses, in the event of catastrophes such as terrorism, pandemics and natural disasters. Operating and supporting service providers, as well as tenants are involved to ensure operational preparedness. The Manager 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 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. A major portion of the S\$850 million debt facility is on a fixed rate basis.

In addition, the gearing limit is monitored to ensure compliance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS").

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,

RISK MANAGEMENT

the Manager places its cash balances as well as establishes its debt facility with more than one reputable bank of high credit rating.

Investment Risks

All investment proposals are subject to a rigorous and disciplined assessment taking into consideration the asset valuation, yield 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 monitors the Manager's compliance with the Property Fund Appendix of the Code on Collective Investment Schemes, restrictions and requirements of the listing manual of the Singapore Exchange Securities Trading Limited, and the provisions of the Trust Deed.

Legal, Regulatory and Compliance Risks

The Manager takes a resolute stance in compliance, observing all laws and regulations including, restrictions and requirements of the listing manual of the Singapore Exchange Securities Trading Limited, MAS' Property Funds Appendix and the provisions

in the Trust Deed. Written corporate policies and procedures facilitate staff awareness and provide clear instructions for implementation of operational and business processes to minimize 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 in the group is in place to respond to the requirements of the Personal Data Protection Act (PDPA).

Fraud Risks

The Manager has in place a Code of Business Ethics and Employee Conduct (Code of Conduct) which states that the organisation does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work. The Code of Conduct covers areas such as fraud, business and workplace 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. The Manager 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”) and as amended from time to time. The Manager sets the strategic direction of SPH REIT and gives recommendations to DBS Trustee Limited, as trustee of SPH REIT (the “Trustee”) on the acquisition, divestment, development and/or enhancement of its assets in accordance with its stated investment strategy. As a REIT manager, the Manager is granted a Capital Market Services Licence (“CMS Licence”) by the MAS.

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

The Manager’s other functions and responsibilities include:

1. preparing business plans on a regular basis, which may contain proposals and forecasts on gross revenue, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions;
2. ensuring compliance with the applicable provisions of the Securities and Futures Act and all other relevant legislation such as the SGX-ST Listing Manual 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.

CORPORATE GOVERNANCE

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 as well as considers sustainability issues relevant to its business environment and stakeholders.

The key roles of the Board are to:

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

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") have been constituted with written terms of reference.

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

Matters requiring the Board's decision and approval include:

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

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

Board and Board Committee 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 2016 ("FY2016") to discuss and review the Manager's and SPH REIT's key activities, including its business strategies and policies for SPH REIT, proposed acquisitions and disposals, the annual budget, the performance of the business and the financial performance of SPH REIT and the Manager. The Board also reviews and approves the release of the quarterly, half and full-year results. A Director who is unable to attend any meeting in person may participate via telephone or video conference. The attendance of the Directors at meetings of the Board, ARC and NRC, and the frequency of such meetings, is disclosed on page 83. 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 well.

CORPORATE GOVERNANCE

Training for Directors

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

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

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

For FY2016, 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 and cyber security, 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.

Board Composition and Guidance

Principle 2: Strong and Independent Board

Currently, the Board comprises seven Directors, of whom four are 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 15 to 18 which provide 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 may challenge Management's assumptions and also extend guidance to Management, in the best interest of SPH REIT.

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

CORPORATE GOVERNANCE

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 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

During and up to 31 December 2015, the Board undertook the functions of a nominating committee administering nominations to the Board, reviewing the structure, size and composition of the Board, and reviewing the independence of Board members. In addition, as part of regulatory requirements, MAS also gives approval for any change of the CEO or of any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

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

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

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

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

CORPORATE GOVERNANCE

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

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

The Board does not appoint alternate directors 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

With effect from 1 January 2016, the NRC took over from the Board the duty to review 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 not to be independent. The NRC has ascertained that for the period under review, the non-executive Directors, namely Dr Leong Horn Kee, Mr Soon Tit Koon, Mr David Chia and Ms Rachel Eng, are independent and that all Directors have devoted sufficient time and attention to the Manager's affairs.

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

With effect from 1 January 2016, the NRC took over the duty in place of the Board to review the Board's performance on an annual basis, based on the performance criteria as agreed by the Board from time to time, and decides how this may be evaluated.

Board Evaluation Process

This process involves having Directors complete a Questionnaire seeking their views on various aspects of Board performance, such as Board composition, access to information, process and accountability.

The Company Secretary compiles Directors' responses to the Questionnaire into a consolidated report. The report is discussed at the NRC meeting.

For FY2016, the Questionnaire on the performance of the Board and Board Committees was reviewed in accordance with the best practices on board evaluation. The performance of the Board was reviewed as a whole, taking into account the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with the Management.

CORPORATE GOVERNANCE

Individual Director Evaluation

As from FY2016, the NRC also conducted a peer and self evaluation to assess the performance of individual Directors, The Board Chairman, together with the Chairman of NRC, assessed the performance of individual directors based on factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings, industry and business knowledge, functional expertise, and commitment and dedication. The results of the peer and self evaluation are compiled by the Company Secretary and given to the Board Chairman, who assesses the performance of the individual Directors, and will discuss with each individual Director if needed.

The NRC is satisfied that all performance objectives have been achieved for FY2016 for the Board as a whole and for individual Directors.

Succession Planning

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

Access to Information

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

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

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

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

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

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

After MAS had issued directions and guidelines for REIT managers to establish an NRC according to the 2012 Code, an NRC was established on 1 January 2016. From 1 January 2016 onwards, the NRC, in performing the functions of a remuneration committee, will support the Board in the remuneration matters of the Manager in accordance with the NRC's written terms of reference.

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

1. review and recommend to the Board a framework of remuneration for the Board, CEO and key executives;
2. review and recommend to the Board the specific remuneration packages for each director, the CEO and key executives;
3. review and administer the share and other incentive scheme(s) adopted by the Manager and to decide on the allocations to eligible participants under the said share scheme(s); and
4. review the Manager's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

As the NRC was only established recently in January 2016, the Board has carefully considered the remuneration policies and practices of the Manager's holding company, Singapore Press Holdings Limited ("SPH"), and believes that these are transparent and suitable for adoption by the Manager taking into account the circumstances of the Manager and SPH and its subsidiaries as well as the benefits of tapping into SPH's compensation framework. In its decision to adopt the remuneration policies and practices of SPH, the Manager took into account that the framework of remuneration for the Board and key executives should not be taken in isolation; it should be linked to the building of management bench strength and the development of key executives. SPH has a remuneration committee ("SPHRC") 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 of the Manager. SPHRC sets the remuneration guidelines of the SPH Group for each annual period, including the structuring of long-term incentive plans, annual salary increases and variable and other bonuses for distribution to its Group employees. Following the new directions and guidelines from the MAS on the remuneration of directors and key executive officers of REIT managers, the Board with the assistance of the NRC has reviewed the remuneration objectives, policies and procedures applicable to the Manager, with a view to aligning them with the substance and spirit of such directions and guidelines from the MAS.

CORPORATE GOVERNANCE

Directors' fees for FY2016 comprise a basic retainer fee as a Director, and additional fees for serving on the Board committees.

Non-executive Directors, who are full-time management staff of SPH, received Directors' fees which are paid directly to SPH.

Name	Board Member S\$	Audit & Risk Committee S\$	Nominating & Remuneration Committee S\$	Total Fees S\$
Leong Horn Kee (Chairman)	70,000	–	7,000	77,000
Soon Tit Koon	40,000	20,000 (Chairman)	7,000	67,000
David Chia Chay Poh	40,000	13,000	12,000 (Chairman)	65,000
Rachel Eng Yaag Ngee	40,000	13,000	7,000	60,000
Chan Heng Loon Alan*	40,000	–	7,000	47,000
Anthony Mallek*	40,000	13,000**	7,000	60,000
Ginney Lim May Ling*	40,000	–	7,000	47,000
Total Fees	310,000	59,000	54,000	423,000

* Directors who are full-time SPH management staff.

** Up to 6 October 2016.

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 FY2016. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

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

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

CORPORATE GOVERNANCE

The 2012 Code and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) require (a) the disclosure of the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives; (ii) the disclosure of the remuneration of at least the top five key executive officers (who are neither Directors nor the CEO) in bands of \$250,000, with a breakdown (in percentage or dollar terms) of each key executive officer's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives; and (iii) the aggregate total remuneration paid to the top five key executive officers (who are neither Directors nor the CEO). In the event of non-disclosure, the Manager is required to give reasons for such non-disclosure

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

1. the remuneration of the Directors and employees of the Manager are not paid out of the deposited property of SPH REIT (listed issuer). Instead, they are remunerated directly by the Manager, which is a private company. The fees that the Manager gets from SPH REIT has been disclosed under the "Interested person/interested party transactions" section of the Annual Report;
2. remuneration matters for the CEO and each of the executive officers are highly confidential and sensitive matters;
3. there is no misalignment between the remuneration of the Directors and the key management personnel of the Manager and the interests of the Unitholders given that their remuneration is not linked to the gross revenue of SPH REIT and is paid out of the assets of the Manager and not out of SPH REIT; and
4. the negative impact which such disclosure may have on the Manager in attracting and retaining talent for the Manager on a long-term basis, taking into consideration factors such as the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management industry, the competitive business environment in which the Manager operates in, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place.

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

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 conforms to 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.

CORPORATE GOVERNANCE

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's objectives in relation to risk management 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 on pages 66 to 68 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 efficiency 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 the company's risk management and internal control systems.

Such assurance includes the following:

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

Based on the internal controls established and maintained by the Manager, work performed by the auditors, and regular reviews performed by Management, the Board and ARC are of the opinion that the Manager's risk management systems and internal controls were adequate and effective as at 31 August 2016 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to its operations.

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

CODE OF DEALINGS IN SECURITIES

The Manager has in place a Code of Dealings in SPH REIT units, which prohibits dealings in SPH REIT units by all Directors of the Manager, certain employees of the Manager, SPH and its subsidiaries, within certain trading "black-out" periods. The "black-out" periods are two weeks prior to the announcement of the Manager's financial statements for each of the first three quarters of its financial year and one month prior to the announcement of the Manager's full year financial statements. These persons are also reminded to observe insider trading laws at all times, and not to deal in SPH REIT units when in possession of any unpublished price-sensitive information regarding the Manager or SPH REIT, or on short-term considerations. 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 dealing in SPH REIT units as set out above.

Audit and Risk Committee

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

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

CORPORATE GOVERNANCE

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 FY2016 was S\$187,000, and the fees paid in total for audit and non-audit services were S\$165,000 and S\$22,000 respectively.

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

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

CORPORATE GOVERNANCE

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.

External Auditors

The ARC has conducted an annual review of the performance of the external auditors 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. Details of the aggregate amount of fees paid to the external auditors for FY 2016, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 80.

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

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

CODE OF BUSINESS ETHICS AND EMPLOYEE CONDUCT POLICY

The Manager has an existing Code of Business Ethics and Employee Conduct Policy ("Ethics Code"), to regulate the ethical conduct of its employees.

Whistleblowing Policy

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

Internal Audit

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

CORPORATE GOVERNANCE

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 Singapore Chartered Accountants and/or Institute of Internal Auditors ("IIA"). Some are Certified Information Systems Auditor (CISA). All IAD staff have to adhere to a set of code of ethics adopted from the IIA. IAD is guided by the International Professional Practices Framework issued by the IIA and ensures staff competency through the recruitment of suitably qualified and experienced staff, provision of formal and on-the-job training, and appropriate resource allocation in engagement planning.

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

The Manager conducts 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. 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.

CORPORATE GOVERNANCE

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, AUDIT AND RISK COMMITTEE AND NOMINATING AND REMUNERATION COMMITTEE (for FY2016)

Directors' attendance at Board, Audit & Risk Committee and Nominating and Remuneration Committee meetings for the period from 01 September 2015 to 31 August 2016. The Directors who did not attend any of the meetings below had valid exigency reasons.

Name of Director	Board	Audit & Risk Committee	Nominating & Remuneration Committee
Leong Horn Kee (Board Chairman) (Appointed on 10 June 2013)	3 out of 4	–	1 out of 1
Soon Tit Koon (Audit & Risk Committee Chairman) (Appointed on 10 June 2013)	4 out of 4	3 out of 3	1 out of 1
David Chia Chay Poh (Nominating & Remuneration Committee Chairman) (Appointed on 10 June 2013)	4 out of 4	3 out of 3	1 out of 1
Rachel Eng Yaag Ngee (Appointed on 1 December 2015)	3 out of 3	2 out of 2	1 out of 1
Chan Heng Loon Alan (Appointed on 1 March 2013)	4 out of 4	–	1 out of 1
Anthony Mallek (Appointed on 1 March 2013)	4 out of 4	3 out of 3	1 out of 1
Ginney Lim May Ling (Appointed on 10 June 2013)	3 out of 4	–	0 out of 1

Additional Information

Interested Person Transactions

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

CORPORATE GOVERNANCE

In particular, the following procedures are in place:

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

The interested person transactions undertaken by the Manager in FY2016 which are subject to disclosure requirements under the SGX-ST Listing Manual can be found on page 131 of this Annual Report.

CONFLICTS OF INTEREST

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

- a. The Manager will not manage any other real estate investment trust ("REIT") which invests in the same types of properties as SPH REIT.
- b. All key executive officers work exclusively for the Manager and do not hold executive positions in other entities.
- c. At least one-third of the Board comprises independent directors. The Chairman of the Board is an independent director.
- d. All resolutions in writing of the Directors in relation to matters concerning SPH REIT must be approved by at least a majority of the Directors, including at least one independent Director.
- e. In respect of matters in which the Sponsor (SPH) and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. For such matters, the quorum must comprise a majority of the independent directors of the Manager and must exclude nominee directors of the Sponsor and/or its subsidiaries. The Manager and the Property Manager (SPH Retail Property Management Services Pte Ltd) are indirect wholly-owned subsidiaries of the Sponsor.
- f. There is a separation of the roles of CEO and Chairman to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.
- g. Directors disclose promptly all interests in a transaction or proposed transaction to fellow Board members.
- h. The independence of each Director is reviewed upon appointment, and thereafter annually. A Director who has no relationship with the Manager, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment is considered independent.
- i. The ARC comprises three independent directors. Its Chairman is independent.
- j. All matters relating to interested person transactions are conducted in accordance with the procedures set out in the section on 'Interested Person Transactions'.

CORPORATE GOVERNANCE

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

FEES PAYABLE TO THE MANAGER

Pursuant to the revised CIS Code issued by MAS which came into effect on 1 January 2016, the Manager is to disclose the methodology and justifications of fees which are payable out of the deposited property of a property fund. The Manager is entitled to the following fees:

Base Fee

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

Performance Fee

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

Acquisition Fee

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

CORPORATE GOVERNANCE

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

Divestment Fee

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

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

FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

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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 91 to 128 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



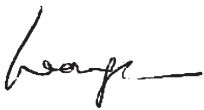
Jane Lim
Director

Singapore
6 October 2016

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 91 to 128, comprising the Statement of Financial Position, 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 2016, 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
6 October 2016

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of SPH REIT

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

We have audited the accompanying financial statements of SPH REIT (the "Trust"), which comprise the Statement of Financial Position and Portfolio Statement of the Trust as at 31 August 2016, and the Statement of Total Return, Distribution Statement and Statement of Changes in Unitholders' Funds and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 91 to 128.

Manager's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Trust present fairly, in all material respects, the financial position of the Trust as at 31 August 2016 and the total return, distributable income, changes in Unitholders' funds and cash flows of the Trust for the year then ended 31 August 2016 in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

6 October 2016

STATEMENT OF FINANCIAL POSITION

As at 31 August 2016

	Note	2016 S\$'000	2015 S\$'000
Non-current assets			
Plant and equipment	4	950	1,044
Investment properties	5	3,230,000	3,212,500
Intangible asset	6	7,035	9,400
Derivative financial instruments	10	–	3,949
		3,237,985	3,226,893
Current assets			
Trade and other receivables	7	5,888	5,008
Derivative financial instruments	10	–	365
Cash and cash equivalents	8	67,382	77,355
		73,270	82,728
Total assets		3,311,255	3,309,621
Non-current liabilities			
Borrowing	9	845,887	595,565
Derivative financial instruments	10	9,890	–
Trade and other payables	11	32,763	36,685
		888,540	632,250
Current liabilities			
Borrowing	9	–	249,330
Trade and other payables	11	34,183	30,231
		34,183	279,561
Total liabilities		922,723	911,811
Net assets attributable to Unitholders		2,388,532	2,397,810
Represented by:			
Unitholders' funds		2,388,532	2,397,810
Units in issue ('000)	13	2,546,703	2,529,309
Net asset value per unit (\$)		0.94	0.95

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

STATEMENT OF TOTAL RETURN

For the financial year ended 31 August 2016

	Note	2016 S\$'000	2015 S\$'000
Gross revenue	15	209,594	205,113
Property operating expenses	16	(48,683)	(49,493)
Net property income		160,911	155,620
Income support		2,365	3,008
Amortisation of intangible asset	6	(2,365)	(3,008)
Manager's management fees	17	(16,312)	(15,976)
Trustee's fees		(482)	(478)
Other trust expenses	18	(1,128)	(1,211)
Finance income		915	657
Finance costs	19	(24,015)	(21,669)
Net income		119,889	116,943
Fair value change on investment properties	5	7,685	36,588
Total return for the year before taxes and distribution		127,574	153,531
Less: income tax	20	–	–
Total return for the year after taxes and before distribution		127,574	153,531
Earnings per unit (cents)			
Basic and diluted	21	5.02	6.08

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

DISTRIBUTION STATEMENT

For the financial year ended 31 August 2016

	2016 S\$'000	2015 S\$'000
Income available for distribution to Unitholders at beginning of the year	35,798	35,095
Net income	119,889	116,943
Add: Net tax adjustments (Note A)	21,189	21,595
Total income available for distribution to Unitholders for the year	176,876	173,633
Distribution to Unitholders		
– 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 2014 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)
– Distribution of 1.39 cents per unit for the period from 1 June 2015 to 31 August 2015	(35,158)	–
– Distribution of 1.33 cents per unit for the period from 1 September 2015 to 30 November 2015	(33,696)	–
– Distribution of 1.40 cents per unit for the period from 1 December 2015 to 29 February 2016	(35,531)	–
– Distribution of 1.36 cents per unit for the period from 1 March 2016 to 31 May 2016	(34,575)	–
	(138,960)	(137,835)
Income available for distribution to Unitholders at end of the year	37,916	35,798
Note A – Net tax adjustments		
Non-tax deductible items:		
– Manager's management fees	16,312	15,976
– Trustee's fees	482	478
– Amortisation of intangible asset	2,365	3,008
– Amortisation of upfront fee for loan facility	1,992	1,973
– Other items	38	160
Net tax adjustments	21,189	21,595

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

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 August 2016

	2016 S\$'000	2015 S\$'000
Balance as at beginning of year	2,397,810	2,353,066
Operations		
Total return for the year	127,574	153,531
Hedging reserve		
Effective portion of changes in fair value of cash flow hedges [Note 12]	(14,204)	13,072
Unitholders' transactions		
Distribution to unitholders	(138,960)	(137,835)
Manager's fee paid/payable in units	16,312	15,976
	(122,648)	(121,859)
Balance as at end of year	2,388,532	2,397,810

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2016

	2016 S\$'000	2015 S\$'000
Cash flows from operating activities		
Total return for the year	127,574	153,531
Adjustments for:		
Fair value change on investment properties	(7,685)	(36,588)
Manager's fee paid/payable in units	16,312	15,976
Depreciation of plant and equipment	210	160
Finance income	(915)	(657)
Finance costs	24,015	21,669
Amortisation of intangible asset	2,365	3,008
Operating cash flow before working capital changes	161,876	157,099
Changes in operating assets and liabilities		
Trade and other receivables	(819)	955
Trade and other payables	(1,038)	321
Net cash from operating activities	160,019	158,375
Cash flows from investing activities		
Additions to investment properties	(8,501)	(15,318)
Purchase of plant and equipment	(116)	(125)
Interest received	854	606
Net cash used in investing activities	(7,763)	(14,837)
Cash flows from financing activities		
Distribution to unitholders	(138,960)	(137,835)
Payment of transaction costs related to borrowing	(1,018)	(220)
Interest paid	(22,251)	(18,786)
Net cash used in financing activities	(162,229)	(156,841)
Net decrease in cash and cash equivalents	(9,973)	(13,303)
Cash and cash equivalents at beginning of the year	77,355	90,658
Cash and cash equivalents at end of the year	67,382	77,355

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

PORTFOLIO STATEMENT

For the financial year ended 31 August 2016

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 2016 and 31 August 2015 conducted by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL") and DTZ Debenham Tie Leung (SEA) Pte Ltd ("DTZ") respectively. JLL and DTZ have 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.

PORTFOLIO STATEMENT

For the financial year ended 31 August 2016

Remaining Term of Lease 31 August 2016	Occupancy Rate as at 31 August		At Valuation 31 August		Percentage of Unitholders' funds 31 August	
	2016 (%)	2015 (%)	2016 S\$'000	2015 S\$'000	2016 (%)	2015 (%)
96 years	100.0	100.0	2,656,000	2,641,000	111	110
93 years	100.0	100.0	574,000	571,500	24	24
			3,230,000	3,212,500	135	134
			(841,468)	(814,690)	(35)	(34)
			2,388,532	2,397,810	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 2016

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 5.0% per annum of the Net Property Income (as defined in the Trust Deed)

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

For the period from 24 July 2013 (listing date) to 31 August 2016, the Manager has elected to receive 100% of Management fees in units.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

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 2016, 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" revised and issued by the Institute of Singapore Chartered Accountants, and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies adopted to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards.

The adoption of this revised RAP 7 did not result in substantial changes to the accounting policies of the Trust and had no material effect on the amounts reported for the current or prior years.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 reporting 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Plant and equipment (Cont'd)

(ii) Depreciation

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

Plant and equipment 3 – 10 years

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 reporting date which are presented as non-current assets. Loans and receivables comprise bank balances and fixed deposits and trade and other receivables.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the 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 statement of financial position 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.

(v) Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (Cont'd)

(v) Impairment (Cont'd)

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 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 2016

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 as at the reporting date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

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

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

(k) Impairment of non-financial assets

- Intangible asset
- Plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of non-financial assets (Cont'd)

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 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes

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

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

Deferred tax is measured:

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

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

Current and deferred taxes are recognised as income or expense in the 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 2016

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

The Trust's distribution policy is to distribute at least 90% of its specified taxable income, comprising rental and other property related income from its business of property letting, interest income and top-up payments from income support and after deducting allowable expenses and applicable tax allowances. The actual level of distribution will be determined at the Manager's discretion, taking into consideration the Trust's capital management and funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

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 reporting date, in which case they are presented as non-current liabilities.

(r) Trade and other payables

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

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

(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 2016

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 set out in (Note 5).

4. PLANT AND EQUIPMENT

	2016 S\$'000	2015 S\$'000
Cost		
Beginning of financial year	1,331	1,182
Additions	116	149
End of financial year	1,447	1,331
Accumulated depreciation		
Beginning of financial year	287	127
Depreciation charge	210	160
End of financial year	497	287
Net book value		
Beginning of financial year	1,044	1,055
End of financial year	950	1,044

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

5. INVESTMENT PROPERTIES

	2016 S\$'000	2015 S\$'000
Beginning of financial year	3,212,500	3,159,000
Additions	9,815	16,912
Fair value change	7,685	36,588
End of financial year	3,230,000	3,212,500

The fair value of the investment properties as at the reporting date was stated based on independent professional valuations by Jones Lang LaSalle Property Consultants Pte Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd respectively. 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 22(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\$2,656 million (2015: S\$2,641 million), is mortgaged to banks as security for the loan facility of S\$850 million (2015: S\$850 million) [Note 9].

6. INTANGIBLE ASSET

	2016 S\$'000	2015 S\$'000
Cost		
Beginning of financial year	17,500	17,500
End of financial year	17,500	17,500
Accumulated amortisation		
Beginning of financial year	8,100	5,092
Amortisation	2,365	3,008
End of financial year	10,465	8,100
Carrying amounts		
Beginning of financial year	9,400	12,408
End of financial year	7,035	9,400

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 2 years (2015: 3 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

7. TRADE AND OTHER RECEIVABLES

	2016 S\$'000	2015 S\$'000
Trade receivables from non-related parties	3,795	2,758
Amount owing by related parties	611	748
Other receivables	1,157	1,232
Deposits	59	95
Accrued interest	113	51
Prepayments	153	124
	5,888	5,008

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

	2016 S\$'000	2015 S\$'000
Cash held as fixed bank deposit	55,000	64,000
Cash and bank balances	12,382	13,355
	67,382	77,355

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 0.99% (2015: 0% to 0.75%) per annum. During the financial year, fixed bank deposits were placed for varying periods of generally up to 6 months, with interest rates ranging from 0.64% to 1.60% (2015: 0.48% to 1.43%) per annum.

9. BORROWING

	2016 S\$'000	2015 S\$'000
Secured term loan	850,000	850,000
Less: Unamortised transaction costs	(4,113)	(5,105)
	845,887	844,895
Borrowing repayable:		
Within 1 year	–	249,330
Between 1 – 5 years	845,887	595,565
	845,887	844,895

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

9. BORROWING (CONT'D)

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 2016, fixed rate loan and loans hedged with interest rate swaps amounted to S\$730 million (2015: S\$720 million). The fixed interest rates were from 1.44% to 2.65% (2015: 1.10% 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 reporting date on the outstanding term loan of S\$850 million (2015: S\$850 million) was 2.82% (2015: 2.55%) per annum.

The notional principal amounts of the outstanding interest rate swap contracts and their corresponding fair values as at 31 August 2016 are:

	2016 S\$'000	2015 S\$'000
Notional due [Note 10]:		
Within 1 year	–	120,000
Between 1 – 5 years	450,000	450,000
Total	450,000	570,000
Fair values* [Note 10]	(9,890)	4,314

* 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 reporting date. These interest rate swaps are contracted with counter-parties which are banks and financial institutions with acceptable credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

10. DERIVATIVE FINANCIAL INSTRUMENTS

Analysed as:

	Contract notional amount S\$'000	Fair value amount S\$'000
2016		
Non-current liabilities		
Cash flow hedge		
– Interest-rate swaps [Note 9]	450,000	(9,890)

Analysed as:

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

11. TRADE AND OTHER PAYABLES

	2016 S\$'000	2015 S\$'000
Non-current		
Deposits received	32,763	36,685
Current		
Trade payable to non-related parties	176	213
Amount owing to related parties	882	1,690
Other payables	8,843	8,399
Accrued expense	4,921	5,519
Interest payable	2,563	2,809
Deposits received	15,469	10,227
Collections in advance	1,329	1,374
	34,183	30,231

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 2016

12. HEDGING RESERVE

	2016 S\$'000	2015 S\$'000
Beginning of financial year	(4,314)	8,758
Fair value change	17,961	(7,342)
Transferred to finance costs	(3,757)	(5,730)
End of financial year	9,890	(4,314)

13. UNITS IN ISSUE

	2016 '000	2015 '000
<u>Units in issue</u>		
Beginning of financial year	2,529,309	2,514,276
Issue of new units:		
– Manager's fee paid in units	17,394	15,033
End of financial year	2,546,703	2,529,309

During the financial year, the Trust issued 17,394,008 (2015: 15,032,814) new units at the issue price range of S\$0.9241 to S\$0.9483 (2015: S\$1.0474 to S\$1.0765 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 2016

14. CAPITAL AND OTHER COMMITMENTS

(a) Commitments for capital expenditure

	2016 S\$'000	2015 S\$'000
Authorised and contracted for		
- Investment properties	4,596	4,992

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

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

	2016 S\$'000	2015 S\$'000
Within 1 year	190,101	191,112
Between 1 – 5 years	263,455	280,058
After 5 years	247	2,845
	453,803	474,015

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

	2016 S\$'000	2015 S\$'000
Gross rental income	199,868	195,349
Car park income	6,868	7,048
Other income	2,858	2,716
	209,594	205,113

16. PROPERTY OPERATING EXPENSES

	2016 S\$'000	2015 S\$'000
Property tax	19,962	17,855
Property management fees	8,425	8,198
Maintenance	8,875	9,420
Utilities	4,112	6,254
Marketing	4,353	5,105
Staff cost	2,439	2,268
Others	517	393
	48,683	49,493

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

17. MANAGER'S MANAGEMENT FEES

	2016 S\$'000	2015 S\$'000
Base fee	8,266	8,195
Performance fee	8,046	7,781
	16,312	15,976

18. OTHER TRUST EXPENSES

	2016 S\$'000	2015 S\$'000
Trust's auditors		
– audit fees	165	165
– non-audit fees	22	–
Valuation expense	68	63
Consultancy and other professional fees	366	379
Other expenses	507	604
	1,128	1,211

19. FINANCE COSTS

	2016 S\$'000	2015 S\$'000
Interest on borrowing	22,005	19,678
Amortisation of upfront fee for loan facility	1,992	1,973
Other financial expenses	18	18
	24,015	21,669

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 due to the following factors:

	2016 S\$'000	2015 S\$'000
Total return for the year	127,574	153,531
Tax calculated at tax rate of 17%	21,688	26,100
Expenses not deductible for tax purposes	3,601	3,671
Income not subject to tax due to tax transparency	(23,983)	(23,551)
Fair value change on investment properties	(1,306)	(6,220)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

21. EARNINGS PER UNIT

Basic and diluted Earnings per Unit are based on:

	2016	2015
Total return for the year after tax (S\$'000)	127,574	153,531
Weighted average number of Units ('000)	2,540,165	2,523,660
Basic and diluted Earnings per Unit (cents)	5.02	6.08

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. 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 2016

22. 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% (2015: 0.50%) with all other variables being held constant, the annual total return and hedging reserve will change by the amounts shown below, as a result of the change in interest expense and fair value of interest rate swaps respectively:

	Statement of Total Return		Hedging Reserve	
	Increase S\$'000	Decrease S\$'000	Increase S\$'000	Decrease S\$'000
2016				
Borrowings	(600)	600	–	–
Interest rate swap	–	–	6,476	(6,599)
	(600)	600	6,476	(6,599)
2015				
Borrowings	(650)	650	–	–
Interest rate swap	–	–	9,171	(9,236)
	(650)	650	9,171	(9,236)

(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 statement of financial position which comprise mainly trade receivables, and cash balances placed with banks. As at the reporting 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 2016 and 31 August 2015, all trade receivables were backed by bankers'/insurance guarantees and/or deposits from customers.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

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

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

	2016 S\$'000	2015 S\$'000
Past due 1 to 30 days	1,983	2,322
Past due 31 to 60 days	1,215	2
Past due 61 to 90 days	371	349
Past due over 90 days	226	85
	3,795	2,758

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
2016				
Net-settled interest rate swap	(4,498)	(2,561)	(2,751)	–
Trade and other payables	(32,854)	(14,001)	(18,389)	(373)
Borrowing	(17,180)	(335,796)	(550,799)	–
	(54,532)	(352,358)	(571,939)	(373)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

	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)

(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 statements of financial position.

	Gross amount of recognised financial instruments S\$'000	Gross amount of recognised financial instruments offset in the statement of financial position S\$'000	Net amount of financial instruments presented in the statement of financial position S\$'000	Related amount not offset in the statement of financial position S\$'000	Net amount S\$'000
2016					
Financial Liabilities					
Interest rate swaps	9,890	–	9,890	–	(9,890)
2015					
Financial Assets					
Interest rate swaps	(4,314)	–	(4,314)	–	4,314

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(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. With effect from 1 January 2016, under the Property Funds Appendix of the CIS Code, the aggregate leverage of a property fund has been revised to not exceed 45% of the fund's deposited properties, regardless whether a credit rating from the above mentioned agencies has been obtained for the property fund.

As at reporting date, the Trust has a gearing of 25.7% (2015: 25.7%), and is in compliance with the Aggregate Leverage limit of 45% (2015: 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).

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
2016				
Assets				
Investment properties	–	–	3,230,000	3,230,000
Liabilities				
Derivative financial instruments	–	(9,890)	–	(9,890)
2015				
Assets				
Investment properties	–	–	3,212,500	3,212,500
Derivative financial instruments	–	4,314	–	4,314

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Fair value measurements (cont'd)

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 reporting date.

Level 3

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

<u>Description</u>	<u>Valuation technique(s)</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Investment properties	Discounted cash flow	Discount rate (7.50%) (2015: 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 (4.00% to 5.00%) (2015: 4.25% to 5.00%)	

Key unobservable inputs correspond to:

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

Movement in Level 3 financial instruments for the financial 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(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
2016				
Assets				
Trade and other receivables excluding non-financial instruments	5,735	–	–	5,735
Cash and cash equivalents	67,382	–	–	67,382
	73,117	–	–	73,117
Liabilities				
Trade and other payables excluding non-financial instruments	–	–	(65,617)	(65,617)
Borrowing	–	–	(845,887)	(845,887)
Derivative financial instruments	–	(9,890)	–	(9,890)
	–	(9,890)	(911,504)	(921,394)
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)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

23. 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:

	2016 S\$'000	2015 S\$'000
Manager's management fees paid to a related company	16,312	15,976
Property management fees paid/payable to a related company	8,425	8,198
Income support received/receivable from related company	2,365	3,008
Trustee's fees paid/payable to the Trustee	482	478
Staff reimbursements paid/payable to a related company	2,329	2,186
Rental and other income received/receivable from related companies	1,310	1,193
Other expenses paid/payable to related companies	1,385	1,168

24. 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 2016

24. OPERATING SEGMENTS (CONT'D)

	Paragon S\$'000	The Clementi Mall S\$'000	Total S\$'000
2016			
Result			
Gross revenue	170,292	39,302	209,594
Property operating expenses	(38,016)	(10,667)	(48,683)
Segment net property income	132,276	28,635	160,911
Income support	–	2,365	2,365
Amortisation of intangible asset	–	(2,365)	(2,365)
	132,276	28,635	160,911
Unallocated amounts:			
Manager's management fees			(16,312)
Trustee's fee			(482)
Other trust expenses			(1,128)
Finance income			915
Finance costs			(24,015)
Net Income			119,889
Fair value change on investment properties	5,910	1,775	7,685
Total return for the year before taxes and distribution			127,574
Less: income tax			–
Total return for the year after taxes and before distribution			125,574
Segment assets	2,656,918	581,067	3,237,985
Segment assets includes:			
– Plant and equipment	918	32	950
– Investment properties	2,656,000	574,000	3,230,000
– Intangible asset	–	7,035	7,035
Unallocated assets			73,270
Total assets			3,311,255
Segment liabilities	38,434	9,798	48,232
Unallocated liabilities:			
– Borrowing			845,887
– Others			28,604
Total liabilities			922,723
Other information			
Additions to:			
– Plant and equipment	86	30	116
– Investment properties	9,090	725	9,815
Depreciation of plant and equipment	(191)	(19)	(210)
Amortisation of intangible asset	–	(2,365)	(2,365)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

24. 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 2016

25. FINANCIAL RATIOS

	2016 %	2015 %
Ratio of expenses to weighted average net assets value ¹		
– including performance component of Manager's management fees	0.75	0.74
– excluding performance component of Manager's management fees	0.41	0.42
Total operating expenses to net asset value ²	2.74	2.75
Portfolio turnover rate ³	–	–

Notes:

- ¹ The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore dated 25 May 2005. The expenses used in the computation relate to expenses of the Trust, excluding property expenses and finance expense.
- ² The ratio is computed based on the total property expenses, including all fees and charges paid to the Trustee, the Manager and related parties for the financial year and as a percentage of net asset value as at the end of the financial year.
- ³ The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Trust expressed as a percentage of weighted average net asset value. The portfolio turnover rate was nil for the year ended 31 August 2016 and 31 August 2015, as there were no sales of investment properties.

26. 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 September 1, 2016 or later periods for which the Trust has not early adopted.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers*, FRS 109 *Financial Instruments* and FRS 116 *Leases*. FRS 115 and FRS 109 are mandatory for adoption by the Trust on September 1, 2018, and FRS 116 on September 1, 2019.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

26. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

- FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
- As FRS 115, FRS 109 and FRS 116, when effective, will change the existing accounting standards and guidance applied by the Trust in accounting for revenue, financial instruments and leases, these standards are expected to be relevant to the Trust. The Manager is currently assessing the potential impact on the financial statements and plans to adopt these standards on the required effective date.

27. SUBSEQUENT EVENT

Subsequent to the reporting date, the Manager announced a distribution of 1.41 cents per unit, for the quarter from 1 June 2016 to 31 August 2016.

28. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements were authorised for issue by the Manager and the Trustee on 6 October 2016.

STATISTICS OF UNITHOLDINGS

As at 12 October 2016

Issued and Fully Paid-Up Units
2,546,703,310 Units (Voting rights: 1 vote per Unit)
There is only one class of Units in SPH REIT.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	3	0.01	31	0.00
100 – 1,000	9,042	29.10	9,004,550	0.35
1,001 – 10,000	18,879	60.77	72,471,903	2.85
10,001 – 1,000,000	3,113	10.02	150,707,046	5.92
1,000,001 AND ABOVE	32	0.10	2,314,519,780	90.88
TOTAL	31,069	100.00	2,546,703,310	100.00

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1.	TIMES PROPERTIES PRIVATE LIMITED	1,264,679,500	49.66
2.	TPR HOLDINGS PTE LTD	486,017,500	19.08
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	138,196,923	5.43
4.	RAFFLES NOMINEES (PTE) LIMITED	102,628,228	4.03
5.	NTUC FAIRPRICE CO-OPERATIVE LTD	67,213,000	2.64
6.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	57,731,200	2.27
7.	DBS NOMINEES PRIVATE LIMITED	47,002,345	1.85
8.	SPH REIT MANAGEMENT PTE LTD	41,727,410	1.64
9.	HSBC (SINGAPORE) NOMINEES PTE LTD	19,522,815	0.77
10.	LEE FOUNDATION STATES OF MALAYA	17,500,000	0.69
11.	TOH LAM TIONG	10,000,000	0.39
12.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	8,733,889	0.34
13.	DBSN SERVICES PTE. LTD.	8,156,900	0.32
14.	MEDIACORP PRESS LIMITED	5,000,000	0.20
15.	OCBC SECURITIES PRIVATE LIMITED	4,820,900	0.19
16.	HL BANK NOMINEES (SINGAPORE) PTE LTD	4,355,000	0.17
17.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,944,700	0.15
18.	CHEONG SAE PENG	2,650,000	0.10
19.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	2,437,100	0.10
20.	DB NOMINEES (SINGAPORE) PTE LTD	2,377,182	0.09
	TOTAL	2,294,694,592	90.11

STATISTICS OF UNITHOLDINGS

As at 12 October 2016

SUBSTANTIAL UNITHOLDERS

No.	Name of Company	Direct Interest	Deemed Interest	% of Total Issued Units
1.	Singapore Press Holdings Ltd ¹	–	1,792,424,410	70.382
2.	Times Properties Private Limited ²	1,264,679,500	527,744,910	70.382
3.	TPR Holdings Pte Ltd	486,017,500	–	19.084
4.	NTUC Enterprise Co-operative Limited ³	–	134,426,000	5.278
5.	National Trades Union Congress ⁴	–	134,426,000	5.278
6.	Singapore Labour Foundation ⁴	–	134,426,000	5.278

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 41,727,410 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 41,727,410 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 2016)

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

FREE FLOAT

Approximately 24.29% 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 2016, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST") and Appendix 6 of the Code on Collective Investment Schemes (the "Property Funds Appendix") (excluding transactions of less than \$100,000 each), are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the period under review (excluding transactions of less than \$100,000 each) \$'000	
	Year Ended 31 August 2016	Year Ended 31 August 2015
Singapore Press Holdings Ltd and its subsidiaries or associates		
– Manager's management fees	16,312	15,976
– Property management/project management fees and reimbursable	10,960	10,574
– Income support	2,365	3,008
– Rental income	862	933
– Other income	316	–
DBS Trustee Limited		
– Trustee's fees	482	478

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

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

Please also see significant related party transactions on Note 23 in the financial statements.

SUBSCRIPTION OF SPH REIT UNITS

During the financial year ended 31 August 2016, SPH REIT issued 17,394,008 new units as payment of management fees.

NOTICE OF ANNUAL GENERAL MEETING

SPH REIT

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

NOTICE IS HEREBY GIVEN that the Third 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, December 2, 2016 at 2.30 p.m. for the following business:

ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of SPH REIT (the "**Trustee**"), the statement by SPH REIT Management Pte. Ltd., as manager of SPH REIT (the "**Manager**"), and the Audited Financial Statements of SPH REIT for the financial year ended August 31, 2016 together with the Auditors' Report thereon. (*Ordinary Resolution 1*)
2. To re-appoint KPMG LLP as the Auditors of SPH REIT to hold office until the conclusion of the next Annual General Meeting of SPH REIT, and to authorise the Manager to fix their remuneration. (*Ordinary Resolution 2*)

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions:

3. That pursuant to Clause 5 of the trust deed constituting SPH REIT (as amended) (the "**Trust Deed**") and the listing rules of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Manager to:

- (a) (i) issue units in SPH REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

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

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

provided that:

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

NOTICE OF ANNUAL GENERAL MEETING

- (B) subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (A) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
 - (i) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Units;
- (C) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (D) unless revoked or varied by Unitholders in a general meeting of Unitholders, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of SPH REIT or (ii) the date by which the next Annual General Meeting of SPH REIT is required by applicable regulations to be held, whichever is earlier;
- (E) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (F) the Manager, any director of the Manager, and the Trustee, be and are hereby severally authorised to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, or, as the case may be, the Trustee may consider expedient or necessary or in the interest of SPH REIT to give effect to the authority conferred by this Resolution.
(Ordinary Resolution 3)

(Please see Explanatory Note 1)

4. That:

- (a) approval be and is hereby given to amend the Trust Deed to include provisions regarding electronic communications of notices and documents to Unitholders of SPH REIT in the manner set out in Annex A of the appendix to the Notice of Annual General Meeting (the "**Appendix**") dated 10 November 2016 (the "**Proposed Electronic Communications Trust Deed Supplement**"); and

NOTICE OF ANNUAL GENERAL MEETING

- (b) the Manager, any director of the Manager, and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of SPH REIT to give effect to the Proposed Electronic Communications Trust Deed Supplement. (*Extraordinary Resolution 4*)

(Please see Explanatory Note 2)

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

Lim Wai Pun
Khor Siew Kim
Company Secretaries

Singapore,
10 November 2016

EXPLANATORY NOTES:

1. Ordinary Resolution 3

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

2. Extraordinary Resolution 4

The recent amendments to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) allows companies to, *inter alia*, send notices and documents electronically to their shareholders by way of electronic communications with the express, deemed or implied consent of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the “**Companies Act Electronic Communications Amendments**”). The Manager understands that the SGX-ST is also considering amending the listing rules of the SGX-ST (the “**Listing Rules**”) to align the Listing Rules with the Companies Act Electronic Communications Amendments and the SGX-ST has published a consultation paper on 11 January 2016 to seek feedback from the public in relation to the Companies Act Electronic Communications Amendments.

Although SPH REIT is not bound by the Companies Act, the Manager proposes to amend the Trust Deed to adopt certain provisions of the Companies Act Electronic Communications Amendments.

(See the Appendix in relation to the Proposed Electronic Communications Trust Deed Supplement for further details.)

NOTES:

1. A Unitholder who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the proxy form.

“**relevant intermediary**” means

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
- (iii) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

3. The proxy form must be lodged at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Towers, Singapore 048623, not later than 29 November 2016 at 2.30 p.m. being **72 hours** before the time fixed for the Annual General Meeting.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by SPH REIT (or its agents or service providers) for the purpose of the processing, administration and analysis by SPH REIT (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for SPH REIT (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to SPH REIT (or its agents or service providers), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by SPH REIT (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify SPH REIT in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

SPH REIT

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

PROXY FORM

ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT

1. A relevant intermediary may appoint more than one proxy to attend the Annual General Meeting and vote (please see note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy Units in SPH REIT, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 November 2016.

Refreshments after Annual General Meeting

Only coffee, tea and bottled water will be served after the Annual General Meeting.

*I/We _____ of
(Name and identification number)

(Address)

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Third 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, 2 December 2016 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

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

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 2016 together with the Auditors' Report thereon. (Ordinary Resolution 1)		
2.	To re-appoint KPMG LLP as the Auditors of SPH REIT to hold office until the conclusion of the next Annual General Meeting of SPH REIT, and to authorise the Manager to fix their remuneration. (Ordinary Resolution 2)		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments. (Ordinary Resolution 3)		
4.	To approve the Proposed Electronic Communications Trust Deed Supplement. (Extraordinary Resolution 4)		

* 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 _____ 2016

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

Total number of Units held

* Delete where inapplicable

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

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

**BUSINESS REPLY SERVICE
PERMIT NO. 09059**



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

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Notes:

1. Please insert the total number of units in SPH REIT ("**Units**") held by you. If you have Units entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Unitholders, you should insert that number of Units. If you have Units entered against your name in the Depository Register and Units registered in your name in the Register of Unitholders, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Unitholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Units held by you.
2. A Unitholder who is not a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the instrument appointing a proxy or proxies.
"relevant intermediary" means
 - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity, or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds these Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a Unitholder from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Meeting in person, and in such event, SPH REIT reserves the right to refuse to admit any person or persons appointed under the instrument of proxy or proxies to the Meeting.
5. The instrument appointing a proxy or proxies or the power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must be deposited at the office of SPH REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a Unitholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
8. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the Meeting as observers are requested to submit in writing, a list with details of the investor's names, NRIC/Passport numbers, addresses and number of Units held. The list, signed by an authorised signatory of the relevant CPF Approved Nominees, should reach the office of the office of SPH REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, at least 72 hours before the time appointed for holding the Meeting.
9. The Manager shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Units entered in the Depository Register, the Manager may reject any instrument appointing a proxy or proxies lodged if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Manager.

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CORPORATE DIRECTORY

MANAGER

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

DIRECTORS OF THE MANAGER

Dr Leong Horn Kee

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

Mr Soon Tit Koon

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

Mr David Chia Chay Poh

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

Ms Rachel Eng Yaag Ngee

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

Mr Chan Heng Loon Alan

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

Mr Anthony Mallek

- ▶ Non-Executive and Non-Independent Director
- ▶ Member, Audit & Risk Committee (Up to 6 October 2016)
- ▶ Member, Nominating & Remuneration Committee

Ms Ginney Lim May Ling

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

AUDIT & RISK COMMITTEE

Mr Soon Tit Koon (Chairman)

Mr David Chia Chay Poh

Ms Rachel Eng Yaag Ngee

Mr Anthony Mallek

(Up to 6 October 2016)

NOMINATING &

REMUNERATION COMMITTEE

Mr David Chia Chay Poh (Chairman)

Dr Leong Horn Kee

Mr Soon Tit Koon

Ms Rachel Eng Yaag Ngee

Mr Chan Heng Loon Alan

Mr Anthony Mallek

Ms Ginney Lim May Ling

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

COMPANY SECRETARIES

Mr Lim Wai Pun

Ms Khor Siew Kim

UNIT REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Telephone: +65 6536 5355
Facsimile: +65 6438 8710

TRUSTEE

DBS Trustee Limited

12 Marina Boulevard
Level 44 DBS Asia Central
Marina Bay Financial Centre
Singapore 018982
Telephone: +65 6878 8888
Facsimile: +65 6878 3977

AUDITORS

KPMG LLP

16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner in charge: Ms Lee Sze Yeng
(Since financial period ended
31 August 2014)

This annual report was produced by the
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SPH REIT thanks BoConcept and Commune for providing the photoshoot venues.



This annual report is printed on
environmentally-friendly paper.

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

1000 Toa Payoh North,
News Centre
Singapore 318994

www.sphreit.com.sg
Co. Reg. No. 201305497E



FRIENDSHIP
BRONZE
SCULPTURE

by Sun Yu-Li