

A low-angle photograph of a modern skyscraper with a glass facade, showing a grid of windows and dark structural elements. The sky is visible in the background.

Strategic Focus

A photograph of a modern building facade featuring numerous vertical yellow and silver decorative elements. The building has a curved roofline and a glass section in the distance.

Sustainable Value

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 2018, SPH REIT comprises three quality and well-located commercial properties in Singapore totalling 961,523 sq ft Net Lettable Area ("NLA") with

an aggregate appraised value of S\$3.368 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 493,458 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 223,098 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

Contents

02	Financial Highlights
06	Statement by Chairman and CEO
10	Year In Review
12	Trust Structure
13	Organisation Structure
14	Board of Directors
19	Management Team
21	Property Management Team
24	Operations Review
32	Financial Review
38	Unit Price Performance
40	Portfolio Overview
52	Market Overview
60	Investor Relations
62	Sustainability Report
75	Risk Management
78	Corporate Governance
98	Financial Statements
146	Statistics of Unitholdings
148	Interested Person Transactions
149	Notice of Annual General Meeting
	Proxy Form
	Corporate Directory



Paragon



The Clementi Mall



The Rail Mall

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 195,192 sq ft of retail NLA.

THE RAIL MALL, a retail strip with a 360-metre prominent road frontage to Upper Bukit Timah Road. Acquired by SPH REIT on 28 June 2018, it comprises 43 single-storey shop units and 95 private carpark lots.

The Rail Mall has a total NLA of 49,775 sq ft. It is a 99-year leasehold property with a remaining lease tenure of about 28 years. It is well-served by the Hillview MRT station which is about 250 metres from the mall, as well as a network of public bus services. Accessibility is further enhanced by its close proximity to the Bukit Timah Expressway (“BKE”) and Pan Island Expressway (“PIE”).

Vision

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

Mission

To be the landlord of choice for our tenants and shoppers and be committed in our delivery of quality products and services. To provide Unitholders of SPH REIT with regular and stable distributions, and sustainable long-term growth in distribution per unit and net asset value per unit, while maintaining an appropriate capital structure.

Financial Highlights

For the financial year ended 31 August	2018 S\$ million	2017 S\$ million	Change %
Gross Revenue	211.8	212.8	(0.4)
Net Property Income	166.0	168.1	(1.2)
Income Available for Distribution	142.3	141.2	0.8
Distribution per Unit (cents)	5.54	5.53	0.2

As at 31 August	2018 S\$ million	2017 S\$ million	Change %
Total Assets	3,408.0	3,346.7	1.8
Total Liabilities	969.1	925.6	4.7
Borrowings	893.1	847.4	5.4
Net Assets Attributable to Unitholders	2,438.9	2,421.1	0.7
Number of Units in Issue (million)	2,571.8	2,556.1	0.6
Net Asset Value per Unit (S\$)	0.95	0.95	-

Financial ratios	2018	2017
Annualised Distribution Yield (%)		
• Based on closing price ¹	5.54	5.53
Gearing Ratio (%)	26.3	25.4
Interest Cover Ratio (times)	6.0	6.1
Average All-in-Cost of Debt (% per annum)	2.85	2.82
Average Term to Maturity for Debt (years)	2.3	2.1

1 Based on closing price of S\$1.00 per unit on 31 August 2018 (31 August 2017: S\$1.00).

5.54
cents

DISTRIBUTION PER UNIT
Up 0.2% Compared To 2017

S\$166.0
million

NET PROPERTY INCOME
Decreased 1.2% Compared To 2017

S\$3.368
billion

VALUATION OF INVESTMENT PROPERTIES
Includes the recently acquired The Rail Mall

5.54%

DISTRIBUTION YIELD

Based on Closing Price of S\$1.00
on 31 August 2018

26.3%

GEARING

Strong Balance Sheet

99.4%

COMMITTED OCCUPANCY

Solid Track Record



Focused On Distinctive Retail Experiences

CREATING VALUE THROUGH
A PROACTIVE LEASING STRATEGY

At SPH REIT, we strive to continuously create fresh experiences to delight consumers. Be it attracting new retailers, retaining quality tenants or coming up with exciting activities and events across our malls, we seek to create value for our business partners and enrich the community in new and distinctive ways.



Statement By Chairman & CEO



Ms Susan Leng Mee Yin

Dr Leong Horn Kee

99.4%
COMMITTED
OCCUPANCY

5.54 c
DISTRIBUTION
PER UNIT

26.3%
GEARING

DEAR UNITHOLDERS,

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the "Manager"), we are pleased to present you with SPH REIT's Annual Report for the period from 1 September 2017 to 31 August 2018 ("FY2018").

We continue to deliver consistent distribution growth to Unitholders over the five years since our Initial Public Offering in July 2013, underpinned by our portfolio of well-positioned and quality properties.

Total income available for distribution to Unitholders was steady at S\$142.3 million. The aggregate distribution per unit ("DPU") for FY2018 was 5.54 cents and this translated to a yield of 5.54%.

FOCUSED ON SUSTAINABLE GROWTH

In line with SPH REIT's mission to provide Unitholders with regular and stable distributions, and to grow our property portfolio steadily, we acquired The Rail Mall, a 99-year leasehold estate with a remaining lease tenure of about 28 years, in June 2018.

The Rail Mall is a retail strip, with a 360-metre prominent road frontage to Upper Bukit Timah Road, comprising 43 single-storey shop units and 95 private carpark lots. It has a total net lettable area of approximately 50,000 square feet. It is well served by the Hillview MRT station which is about 250 metres from the mall, as well as a network of public bus services. Accessibility is further enhanced by its close proximity

to the Bukit Timah Expressway ("BKE") and Pan Island Expressway ("PIE").

It is strategically located near the Rail Corridor, a popular 4km stretch between the Hillview area and the conserved Bukit Timah Railway Station. While it was formerly a railway line used for commuting and transporting goods between Singapore and the rest of the Malay Peninsula, it is currently well-known for its railway heritage structures and natural surroundings attracting both locals and tourists.

FOCUSED ON DISTINCTIVE RETAIL EXPERIENCES

The committed occupancy for our portfolio of properties remains high at 99.4%.

Whilst retaining quality tenants, we continue to focus on fine tuning the tenancy mix, and introducing new retailers with novel concepts to enhance retail experience. In view of the emerging trends in the retail environment, we partnered our tenants to provide shoppers with unique in-store experiences, and facilitated cross-marketing opportunities for retailers in the mall.

Paragon, widely known as one of the iconic shopping malls along Orchard Road, introduced a new integrated, "without inter-tenancy walls" concept on Level 3, creating a seamless shopping space for shoppers and enabling better synergies for cross-marketing for our tenants. The new zone will be completed in phases, with the final phase scheduled for completion by the end of 2018. When completed, it will provide shoppers with 16,000 sq ft of curated brands for shopping indulgence, including a new-to-market restaurant.

MCM, a German luxury brand, opened its first Southeast Asia MCM Haus at Paragon. In addition, the newly refurbished Gucci duplex flagship store now features a distinctive five-storey marble façade, setting up a new landmark along Orchard Road. Its bespoke client space on the second floor houses special ready-to-wear pieces, Gucci's customisation service section and Gucci Décor (home) collection for clients to enjoy a holistic shopping experience. Artisanal Japanese label 45R also unveiled its first Orchard Road store in

Singapore at Paragon, reaffirming Paragon's position as a premier upscale retail mall.

Paragon's signature event of the year was themed All Things Japanese, held in May and June. Titled Harmony in Perspective, the event's highlights included the ancient Japanese art of Ikebana floral showcases and an exhibition featuring unique kimonos worn by Japanese during special occasions. Shoppers were also treated to a host of activities such as handicraft workshops and musical performances by young Japanese musicians.

The Clementi Mall, a mid-market suburban mall, continued to perform well in the well-established residential estate. Apart from welcoming new popular food and beverage establishments such as Bobii Frutii, SayChiizu and Mei Heong Yuen Dessert, it also engaged the local community through various family activities held throughout the year. A noteworthy event was The Clementi Mall's Fun Fiesta, during which shoppers from all walks of life created more than 300 art pieces to form the largest weaved CD wall for the Singapore Book of Records.

Both Paragon and The Clementi Mall continued to attract high visitor traffic of 18.8 million and 29.9 million respectively. Tenant sales at Paragon grew by 2.7% to S\$693 million. As for The Clementi Mall, tenant sales was S\$230 million, higher by 2.2% compared to last year.

FOCUSED ON DELIVERING CONSISTENT RESULTS

The Manager sought to deliver a trusted and widely recognised brand of properties in Singapore. In 2016, the Manager embarked on a project to decant areas occupied by Air Handling Units at Paragon. The multi-phased decanting project was completed as scheduled. This project created about 7,000 sq ft of additional retail space, contributing approximately S\$0.9 million in revenue per year.

The Clementi Mall also commenced its green improvement works by replacing and upgrading the existing chiller plant in 2017 to improve its efficiency. The project was completed in July this year.

Statement By Chairman & CEO

In line with SPH REIT's prudent capital management strategy, we maintained our strong balance sheet with low gearing of about 26% as at 31 August 2018. An additional loan of S\$45 million was taken to partially finance the acquisition of The Rail Mall and total borrowing amounted to S\$895 million. The debt profile was well spread out without major concentration in any single year and the weighted average term to maturity stood at 2.3 years. Average cost of debt was kept at 2.85% per annum and about 70% of the loan was on a fixed rate basis.

The SPH REIT portfolio continued to record steady valuation of S\$3.368 billion as at 31 August 2018.

MOVING AHEAD

Consumer expectations and consumption behaviour continue to be impacted by the fast-changing retail environment. Amid the wave of e-commerce, more online retailers understand the benefits of experiential shopping and the lure of setting up brick-and-mortar shops to capture a wider customer base. Retailers are also increasingly adopting omni-channel strategies to engage shoppers. The brick and mortar stores continue to play a pivotal role in offering shoppers with unique touch points for in-store experience and at the same time, leveraging on technology to enlarge their shoppers reach.

Retail space demand remains high for prime shopping street, Orchard Road, and vibrant heartland estates like the Clementi town. Paragon's prominent and strategic location on Orchard Road, coupled with its well established premier positioning, has benefited from the rebound in Singapore's tourism market.

Arising from the stability of its residential catchment and its proximity to regional centres, The Clementi Mall, a well-connected mall to the surrounding infrastructure, has benefited from the steady growth of the Singapore economy.

We continue to tap on the firm partnerships forged with our tenants and improve customer engagement through

quality differentiated services and events. We remain committed to strengthening the value of our assets through the pursuit of asset enhancement opportunities.

We believe that SPH REIT's portfolio of properties is well-positioned to create greater value and underpin our long-term sustainability.

ACKNOWLEDGEMENTS

On behalf of the Board, we would like to thank Ms Rachel Eng, who has retired from the Board on 26 September 2018, for her invaluable contributions since she came on board in December 2015.

We would also like to welcome Ms Hoo Sheau Farn to the Board. Ms Hoo was appointed as an independent non-executive director to the Board with effect from 26 September 2018. She is also a member of the Audit & Risk Committee, as well as the Nominating and Remuneration Committee. Ms Hoo will offer a wealth of experience and expertise in REITs and property funds and complement the Board's composition.

On this note, we wish to acknowledge the dedication and commitment of the Board members, management team and staff in the past year.

Finally, on behalf of the Board and management, we would like to express our appreciation to our Unitholders, business partners, tenants and shoppers for their continued and unwavering support. We look forward to continued success and performance in the coming years.

DR LEONG HORN KEE

Chairman, Non-Executive and
Independent Director

MS SUSAN LENG MEE YIN

Chief Executive Officer



Year In Review



2017

DECEMBER

- **Paragon:** Orchard Road Business Association's Best Dressed Building Contest 2017 – The Most Insta-Worthy Display

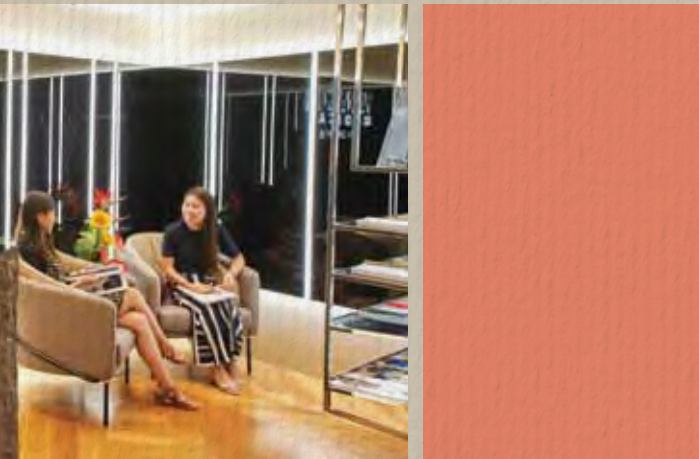
2018

JANUARY

- SPH REIT announced DPU of 1.34 cents for 1st Quarter ended 30 November 2017. Net property income increased 1.9% year-on-year.

APRIL

- SPH REIT announced DPU of 1.40 cents for 2nd Quarter ended 28 February 2018. Net property income decreased 1.1% year-on-year.



MAY

- **Paragon:** BCA Green Mark Certified Award
- **The Clementi Mall:** Singapore Book of Records – Largest Wall Made of Weaved CDs

JUNE

- SPH REIT acquired The Rail Mall.

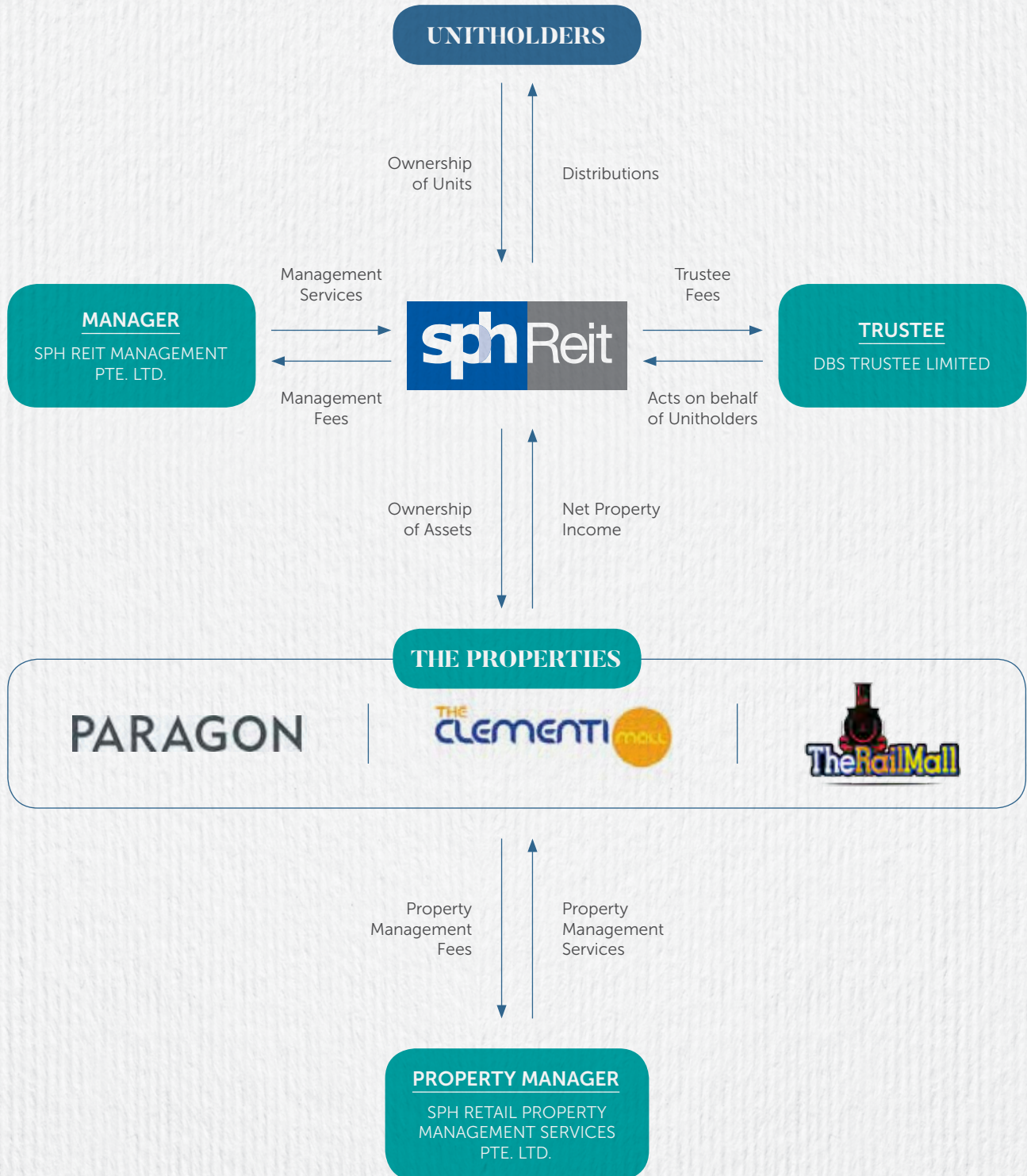
JULY

- SPH REIT announced DPU of 1.37 cents for 3rd Quarter ended 31 May 2018. Net property income decreased 3.8% year-on-year.

AUGUST

- SPH REIT's aggregate DPU of 5.54 cents was 0.2% higher year-on-year. The DPU was 1.43 cents for the 4th Quarter ended 31 August 2018.
- Net property income for FY2018 decreased 1.2% year-on-year
- Valuation of SPH REIT portfolio of properties was S\$3.368 billion as at 31 August 2018.

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 NGE

(Up to 26 September 2018)
Non-Executive and Independent Director
Member, Audit & Risk Committee
Member, Nominating & Remuneration Committee

MS HOO SHEAU FARN

(From 26 September 2018)
Non-Executive and Independent Director
Member, Audit & Risk Committee
Member, Nominating & Remuneration Committee

MR NG YAT CHUNG

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

MR ANTHONY MALLEK

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

MS GINNEY LIM MAY LING

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

MS SUSAN LENG MEE YIN

Chief Executive Officer

MS SOON SUET HAR

Chief Financial Officer &
Head, Investor Relations

MS BELINDA ZHENG QINYIN

Investment Manager

MR SZE HOCK THONG

(Up to 28 September 2018)
Asset Manager

Board of Directors



From left to right

Hoo Sheau Farn
Rachel Eng Yaag Ngee
Ginney Lim May Ling
David Chia Chay Poh
Dr Leong Horn Kee
Ng Yat Chung
Anthony Mallek
Soon Tit Koon

DR LEONG HORN KEE

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

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

SOON TIT KOON

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

Mr Soon held a series of senior positions in OCBC Bank from 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 FPDSavills (Singapore) Pte Ltd, a leading international property consultancy company.

From 1987 to 1999, he was with Chesterton International Property Consultants Pte Ltd rising to the position of the Executive Director of the company in 1996. From 1981 to 1987, he served as the District Valuer in the Property Tax Division of the Inland Revenue Authority of Singapore (IRAS). Prior to that, he served as an Estate/Projects Officer in the Singapore Ministry of Defence from 1978 to 1981. Mr Chia was a member of the Property Committee in the Singapore International Chamber of Commerce and a Board Member of CISCO Police from 1996 to 2002.

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

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

RACHEL ENG YAAG NGEN

NON-EXECUTIVE AND INDEPENDENT DIRECTOR /
MEMBER, AUDIT & RISK COMMITTEE /
MEMBER, NOMINATING & REMUNERATION COMMITTEE
(Up to 26 September 2018)

Ms Eng stepped down as Director on 26 September 2018.

Ms Eng 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).

Ms Eng is a board member of the Central Provident Fund Board. In addition, she sits on the Monetary Authority of Singapore's Corporate Governance Council and SingHealth Fund Committee.

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.

HOO SHEAU FARN

NON-EXECUTIVE AND INDEPENDENT DIRECTOR /
MEMBER, AUDIT & RISK COMMITTEE /
MEMBER, NOMINATING & REMUNERATION COMMITTEE
(From 26 September 2018)

Ms Hoo was appointed as Director of SPH REIT Management Pte Ltd on 26 September 2018.

Ms Hoo is a partner of Allen & Gledhill and her areas of practice include real estate investment trusts (REITs), property acquisitions, property investments and leasing. She has advised REITs and property funds on acquisitions of real properties in Singapore and the region such as office units and buildings, commercial buildings and

Board of Directors

healthcare buildings; multinational corporations on acquisition and leasing of commercial and industrial buildings; as well as government-linked corporations on acquisition and divestment of real properties.

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

NG YAT CHUNG

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

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

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

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

ANTHONY MALLEK

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

Mr Mallek served as Chief Financial Officer for Singapore Press Holdings Limited (SPH) until his retirement at the end of March 2018.

Mr Mallek currently consults for SPH on The Woodleigh Residences and The Woodleigh Mall and develops

SPH's Silvercare business overseas. He serves on the Board of Assisi Hospice.

Mr Mallek was named Best CFO (large cap) at the Singapore Corporate Awards in 2016.

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

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 Singapore Press Holdings Limited (SPH). She joined SPH in 1991 and set up the Secretariat/Legal Division. She is responsible for the corporate secretarial, legal, 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 and Orchard 290 Ltd, both of which are wholly-owned indirect property subsidiaries of SPH. She is also a member of Temasek Junior College Advisory Committee and the NUS Law Advisory Council.

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

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

Further Information on Board of Directors

DR LEONG HORN KEE

CHAIRMAN, NON-EXECUTIVE AND
INDEPENDENT DIRECTOR

Date of first appointment as a director:
10 June 2013

Board Committee served on:

- Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

• IGG Ltd*	Director
• CSC Holdings Limited*	Director
• 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 (1/9/15-31/8/18)

• Wilmar International Limited*	Director
• Tat Hong Holdings Ltd*	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 (1/9/15-31/8/18)

• Bank of Ningbo Co., Ltd*	Director
• AVIC Trust Co., Ltd	Director

DAVID CHIA CHAY POH

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as a director:
10 June 2013

Board Committees served on:

- Nominating & Remuneration Committee (Chairman)
- Audit & Risk Committee (Member)

Current Directorships/Principal Commitments

- Nil

Directorships over the past 3 years (1/9/15-31/8/18)

- Nil

RACHEL ENG YAAG NGEN

NON-EXECUTIVE AND INDEPENDENT DIRECTOR⁺

Date of first appointment as a director:
1 December 2015

Board Committees served on:

- Audit & Risk Committee (Member)⁺
- Nominating & Remuneration Committee (Member)⁺

Current Directorships/Principal Commitments

• Monetary Authority of Singapore, Corporate Governance Council	Member
• SingHealth Fund, SGH Health Development Fund Committee	Member
• Central Provident Fund Board	Board Member

Directorships over the past 3 years (1/9/15-31/8/18)

• Singapore Accountancy Commission	Board Member
• CMFAS Examination Board – The Institute of Banking & Finance	Board Member
• (APREA) Asia Pacific Real Estate Association	Board Member
• Certis Cisco Security Pte. Ltd.	Board Member
• Olam International Limited*	Director
• Public Utilities Board	Director
• Singapore Institute of Technology	Trustee

* Public-listed company.

+ stepped down on 26 September 2018.

Further Information on Board of Directors

HOO SHEAU FARN

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as a director:

26 September 2018

Board Committees served on:

- Audit & Risk Committee (Member)
- Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- Nil

Directorships over the past 3 years (1/9/15-31/8/18)

- Nil

NG YAT CHUNG

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR

Date of first appointment as a director:

1 August 2017

Board Committee served on:

- Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- | | |
|-------------------------------------|--------------------------------|
| • Singapore Press Holdings Limited* | Director |
| • Singapore Institute of Technology | Chairman,
Board of Trustees |

Directorships over the past 3 years (1/9/15-31/8/18)

- Neptune Orient Lines Ltd* Director

ANTHONY MALLEK

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR

Date of first appointment as a director:

1 March 2013

Board Committees served on:

- Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- | | |
|---------------------------------------|-----------------|
| • The Woodleigh Mall Pte Ltd | Board of Member |
| • The Woodleigh Residences Pte Ltd | Board of Member |
| • Orange Valley Nursing Homes Pte Ltd | Board of Member |
| • Assisi Hospice | Board of Member |

Directorships over the past 3 years (1/9/15-31/8/18)

- ISCA Council Member

GINNEY LIM MAY LING

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR

Date of first appointment as a director:

10 June 2013

Board Committee served on:

- Nominating & Remuneration Committee (Member)

Current Directorships/Principal Commitments

- | | |
|-----------------------------|----------|
| • Times Development Pte Ltd | Director |
| • Orchard 290 Ltd | Director |

Directorships over the past 3 years (1/9/15-31/8/18)

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

* Public-listed company.

Management Team



From left

Sze Hock Thong
Susan Leng Mee Yin
Belinda Zheng Qinyin
Soon Suet Har

SUSAN LENG MEE YIN

CHIEF EXECUTIVE OFFICER
SPH REIT MANAGEMENT PTE. LTD.

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

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

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

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

Management Team

SOON SUET HAR

CHIEF FINANCIAL OFFICER &
HEAD, INVESTOR RELATIONS
SPH REIT MANAGEMENT PTE. LTD.

Ms Soon was appointed Chief Financial Officer and Head of Investor Relations of SPH REIT Management Pte. Ltd. in 2013. Ms Soon has over 15 years of finance and accounting experience.

Prior to the appointment, Ms Soon was a Manager in SPH 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. Her prior experience 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 and a Bachelor of Social Science in Economics (Honours) from National University of Singapore. She is a member of the Institute of Singapore Chartered Accountants.

BELINDA ZHENG QINYIN

INVESTMENT MANAGER
SPH REIT MANAGEMENT PTE. LTD.

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

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

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

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

SZE HOCK THONG

ASSET MANAGER
SPH REIT MANAGEMENT PTE. LTD.
(Up to 28 September 2018)

Mr Sze was appointed the Asset Manager of SPH REIT Management Pte. Ltd. in 2015.

Prior to joining SPH REIT, he was with Orchard 290 Ltd, a wholly-owned subsidiary of SPH for more than eight years. During this period, he managed all facilities and asset enhancement initiatives of Paragon and The Clementi Mall. He also played a key role during the design stage of The Seletar Mall.

Mr Sze has garnered more than 20 years of experience in construction, projects and property management across various institutions, residential and commercial developments. The first half was mainly in engineering design and supervision of construction works. The latter half was involved in overseeing operations, facilities and project management works.

Mr Sze graduated from Sheffield University (UK) with an honours Degree and is a Professional Engineer (PE) registered with the Professional Engineers Board Singapore.

Property Management Team



From left

Tan Poh Seng
Jaylyn Ong
Khee Ho Yuen
Loh Long Chiang

JAYLYN ONG

GENERAL MANAGER

TAN POH SENG

DEPUTY GENERAL MANAGER

KHEE HO YUEN

ASSISTANT GENERAL MANAGER

LOH LONG CHIANG

HEAD,
FACILITIES & PROJECT MANAGEMENT

A photograph of a grey ceramic vase containing several pink orchid flowers. The vase is positioned centrally on the page, with the flowers extending upwards. The background is a plain, light-colored wall.

Focused On Sustainable Growth

CREATING VALUE THROUGH
A PROFICIENT ASSET ENHANCEMENT STRATEGY

We are constantly seeking new opportunities that will enable us to grow our property portfolio and deliver sustainable returns to our Unitholders. This year, SPH REIT acquired The Rail Mall, a retail strip located in Upper Bukit Timah. The acquisition has the potential to create a differentiated positioning to complement our existing portfolio of quality income-producing retail properties, which includes Paragon and The Clementi Mall.



Operations Review

As at 31 August 2018, SPH REIT's portfolio comprises three retail malls and one medical/office tower, namely Paragon, Paragon Medical, The Clementi Mall and The Rail Mall. The total Net Lettable Area ("NLA") is 961,523 sq ft.

For the year under review, the performance of Paragon and The Clementi Mall remained stable with promising committed occupancy and Net Turnover ("NTO") improvement. We continue to strengthen our good relationship with tenants and proactively engage business leaders for performance review and sustainability. The proactive management approach renders progressive retention rate and formulation of partnership in many aspects. While Paragon registered incremental shopper traffic, The Clementi Mall's shopper traffic remained comparable to the previous year.

Technology has inevitably shifted the business' strategies from a one-sided track to a multi-pronged consumer-centric journey – omni-channel. Tech-savvy shoppers are now more active in gathering information before making purchase decisions. Increasingly, shoppers expect a more seamless, integrated, consistent and personalised experience with the brands. Working closely with our tenants, we strive to meet new demands of consumers and curate a unique shopping experience for our shoppers.

PARAGON

Paragon continues to be rejuvenated and refreshed with a tenant mix to improve customer experience. Apart from new tenants such as MCM, Montblanc and Stella McCartney, existing tenants like Gucci, Tods and Etro have also refreshed their stores with new façades and store designs.

In early 2018, Paragon embarked on Asset Enhancement Initiatives ("AEI") works on Level 3 which involves the creation of a seamless and integrated retail concept. Shoppers are able to browse and cross-shop amongst different retailers freely. The AEI is expected to be completed by late 2018.

Amidst a challenging retail climate, Paragon continues to achieve a high committed occupancy of 99.6% with a rental reversion of -3.7% and tenant retention rate of 82.5% by NLA.

The footfall has increased from 18.3 million visitors in FY2017 to 18.8 million visitors in FY2018. It has achieved tenants' sales of S\$693 million with an occupancy cost of 18.3%, higher than S\$675 million in FY2017 with an occupancy cost of 19.6%.

As part of the energy conservation initiatives, Paragon has obtained its Green Mark Certified Award in May 2018.

During Christmas in 2017, Paragon won the Orchard Road's Best Dressed Building 2017 - "Most Insta-Worthy Display". In addition to seasonal campaigns, Paragon was the selected mall venue for special events and launches of exclusive pop-up concepts such as Prada Silver Line and Miu Miu's first disco pop-up store in the world.





Operations Review

THE CLEMENTI MALL

The committed occupancy for The Clementi Mall is maintained at 100%, with a positive rental reversion of 3.0%. Tenants sales was S\$230 million compared to S\$225 million in the preceding year. Occupancy cost increased from 15.8% to 16.2%.

In 2018, the mall's focus was on asset enhancement works to improve its way-finding signages, lighting and ambience. It aims to achieve the Green Mark Gold Certification by the end of 2018.

The mall continues to attract a strong footfall of about 30 million per annum, organising a host of community engagement events for residents. Shoppers and residents took part in curated events and interactive activities such as Good Old Days and Residents Specials. In May 2018, a communal mural artwork using CDs was installed on a 6-metre long wall at the Main Atrium. With the support of the shoppers and students from the neighbouring schools, The Clementi Mall broke The Singapore Book of Records for the largest weaved CD wall.

THE RAIL MALL

The acquisition of The Rail Mall was completed on 28 June 2018.

As at 31 August 2018, the committed occupancy is 94.8%. Out of the total NLA, the strong F&B mix accounts for 35% of the total NLA, while the supermarket and non-retail services represent 25% and 33% of the total NLA respectively. In 2019, the Property Manager will focus on improvement works, enhancing the tenant mix and community engaging events.



SUMMARY OF RENEWALS/NEW LEASES FOR FY2018

	Number of renewals/new leases	Retention rate ^(a)	NLA		Rental reversion ^(c)
			Area (sq ft)	% of property	
PARAGON	97	82.5%	282,413	39.4%	-3.7%
THE CLEMENTI MALL	19	94.7%	11,602	5.9%	3.0%
THE RAIL MALL	1	100.0%	1,140	2.3%	0.0%
SPH REIT PORTFOLIO	117	84.6%	295,155	30.7% ^(b)	-3.5%

LEASE EXPIRY PROFILE

SPH REIT's portfolio lease expiry profile was well staggered with 26.8% of leases by Gross Rental Income expiring in FY2019. As leases are renewed or relet ahead of time, only 13.9% of the leases remain to be

committed. The Weighted Average Lease Expiry (WALE) was 1.9 years by NLA as at 31 August 2018.

The new and renewed leases entered into in FY2018 contributed 31.4% of gross rental revenue as at 31 August 2018 and had a WALE of 2.5 years.

PORTFOLIO COMMITTED OCCUPANCY

	As at 31 August 2016	As at 31 August 2017	As at 31 August 2018
PARAGON	100.0%	100.0%	99.6%
THE CLEMENTI MALL	100.0%	100.0%	100.0%
THE RAIL MALL	–	–	94.8%
SPH REIT PORTFOLIO	100.0%	100.0%	99.4%



PORTFOLIO LEASE EXPIRY AS AT 31 AUGUST

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 and beyond
Portfolio	12	88	230	127	46	1
Expiries by NLA	1.0%	14.1%	39.3%	35.3%	10.1%	0.2%
Expiries by Gross Rental	0.4%	13.9%	41.5%	32.6%	11.0%	0.6%

(a) Based on number of leases.

(b) As a % of SPH REIT's total NLA of 961,523 sq ft as at 31 August 2018.

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

Operations Review

TOP 10 TENANTS BY GROSS RENTAL INCOME

SPH REIT's top 10 tenants in terms of Gross Rental Income contributed 22.8% of Gross Rental Income for the month of August 2018. No single trade sector accounted for more than 25.9% of Gross Rental Income in the same period.

The top 10 tenants of the portfolio (by Gross Rental Income for the month of August 2018) are listed below, in alphabetical order.

TOP 10 TENANTS

Name of top 10 tenants:

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

Tenant ^{1,2}	Trade sector	Lease expiry (Year) ³	% of rental income
Tenant A	Luxury brands, jewellery, watches	2nd Half 2019	5.3%
Tenant B	Departmental stores & supermarket	2nd Half 2020	4.1%
Tenant C	Departmental stores & supermarket Lifestyle	Between 1st Half 2019 and 1st Half 2021	2.3%
Tenant D	Luxury brands, jewellery, watches Fashion, handbags, shoes & accessories	Between 1st Half 2019 and 2nd Half 2020	2.3%
Tenant E	Luxury brands, jewellery, watches	2nd Half 2020	2.2%
Tenant F	Luxury brands, jewellery, watches	1st Half 2021	1.4%
Tenant G	Luxury brands, jewellery, watches	1st Half 2019	1.4%
Tenant H	Departmental stores & supermarket Lifestyle	1st Half 2020	1.4%
Tenant I	Luxury brands, Lifestyle	2nd Half 2019	1.2%
Tenant J	Departmental stores & supermarket Lifestyle	2nd Half 2021	1.2%
Total			22.8%

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.

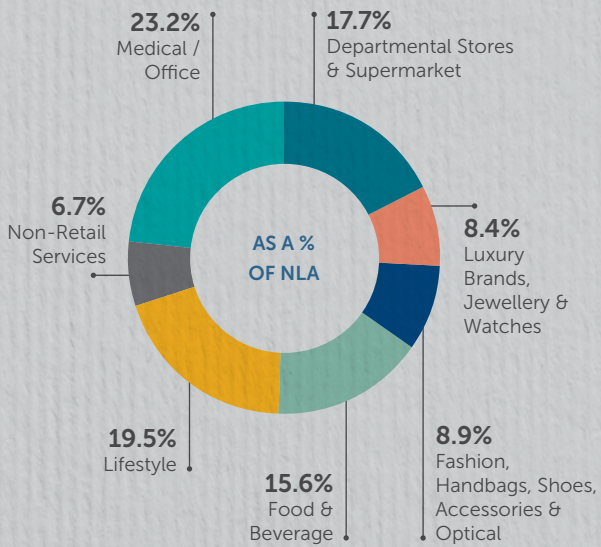
2 The names of the tenants cannot be matched to the information set out above for confidentiality reasons.

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.



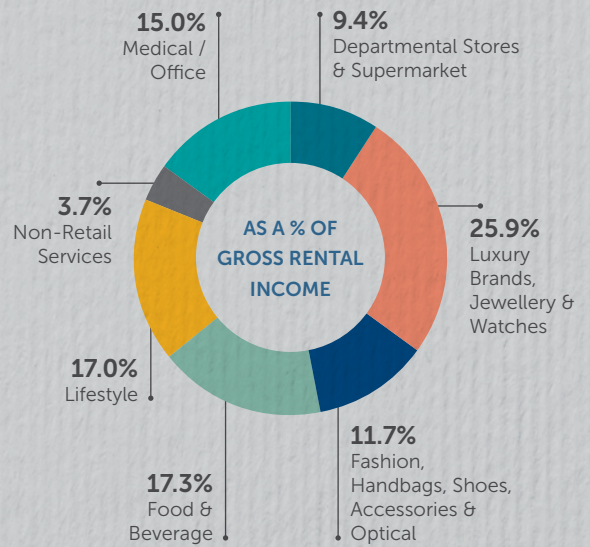
TRADE MIX

By Net Lettable Area



TRADE MIX

By Gross Rental Income

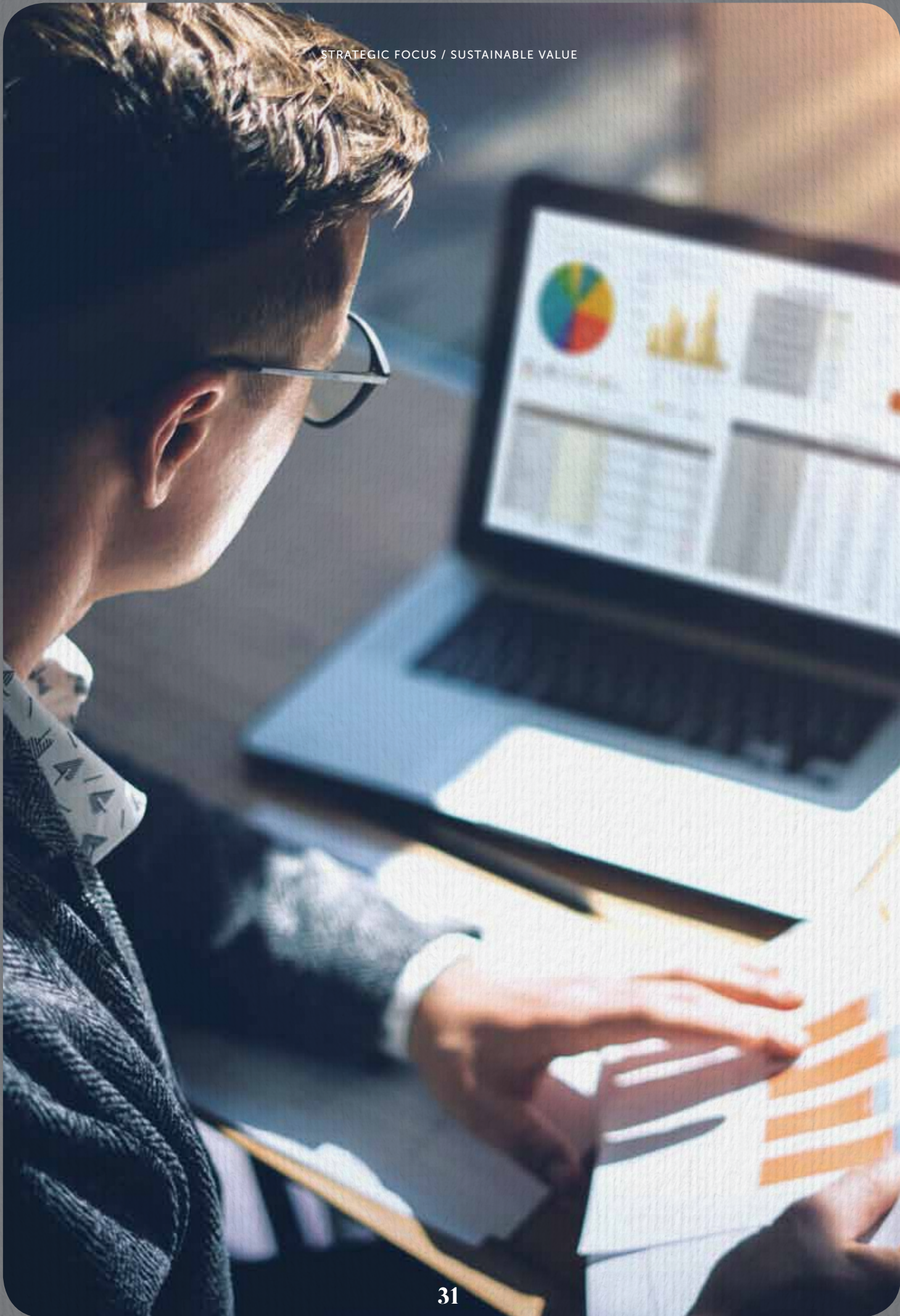




Focused On Delivering Consistent Results

CREATING VALUE THROUGH
A PRUDENT CAPITAL MANAGEMENT STRATEGY

The foundation of our sustainable growth lies in the REIT's ability to build on our properties' value as trusted brands of choice. Moving forward, we will continue to stay on track with a prudent capital management strategy that will equip us with the right resources to generate greater results for our Unitholders.



Financial Review



STATEMENT OF NET INCOME AND DISTRIBUTION

For the financial year ended 31 August

	2018 ¹ S\$'000	2017 S\$'000	Change %
Gross revenue	211,802	212,756	(0.4)
Property operating expenses	(45,806)	(44,668)	2.5
Net property income	165,996	168,088	(1.2)
Income support ²	624	1,186	(47.4)
Amortisation of intangible asset	(624)	(1,186)	(47.4)
Write down of intangible asset ³	(876)	(4,349)	(79.9)
Manager's management fees	(16,688)	(16,708)	(0.1)
Trust expenses ⁴	(1,620)	(1,579)	2.6
Finance income	778	744	4.6
Finance costs	(24,506)	(23,944)	2.3
Net income	123,084	122,252	0.7
Add: Non-tax deductible items ⁵	19,226	18,976	1.3
Income available for distribution	142,310	141,228	0.8
Distribution per unit (cents) ("DPU")	5.54	5.53	0.2

1 On 28 June 2018, SPH REIT acquired The Rail Mall from Pulau Properties (Pte) Ltd. The contribution from The Rail Mall was from 28 June to 31 August 2018.

2 Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support. The income support has ended on 23 July 2018, five years from listing date on 24 July 2013. The total amount drawn over five years was S\$12.2 million, lower than the guaranteed sum of S\$20.0m. The amount of income support for FY2018 translated to distribution per unit of 0.02 cents (FY2017: 0.05 cents).

3 Intangible asset relates to unamortised income support receivable from the vendors of The Clementi Mall.

The write down of the intangible asset arose due to a lower amount of drawdown as a result of better performance of The Clementi Mall. This write down amount of intangible asset has no impact on SPH REIT's income available for distribution.

4 Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, legal & others professional fees, cost associated with the preparation of annual reports, and investor communication costs.

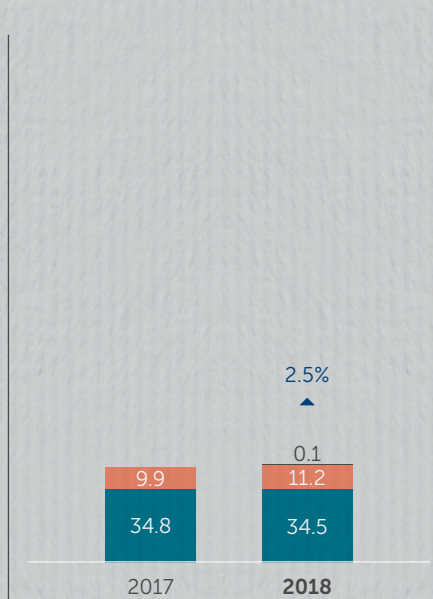
5 Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, straight-line rental adjustments, amortisation of income support, amortisation of debt issuance costs, the write down of intangible asset and capital allowances claim on qualifying assets under the Income Tax Act.

GROSS REVENUE



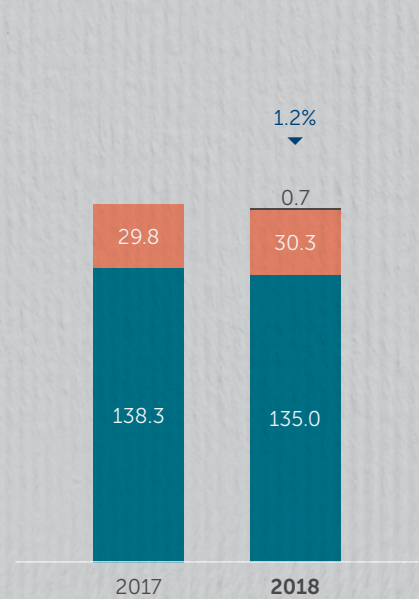
Gross revenue for FY2018 decreased by S\$1.0 million (0.4%) to S\$211.8 million, mainly due to lower revenue at Paragon, partially offset by higher contribution from The Clementi Mall and The Rail Mall.

PROPERTY OPERATING EXPENSES



Property operating expenses was S\$45.8 million, S\$1.1 million (2.5%) higher against FY2017, mainly due to higher utility rate contracted, property tax and maintenance expenses. The increase was mitigated by lower marketing expenses.

NET PROPERTY INCOME



Net Property Income ("NPI") of S\$166.0 million for FY2018, was S\$2.1 million (1.2%) lower than last year. NPI margin remained high at 78.4%.

All Figures (S\$ million)

■ Paragon ■ The Clementi Mall ■ The Rail Mall

NET INCOME

Net income increased by S\$0.8 million (0.7%) to S\$123.1 million for FY2018 against last year, due to a lower amount of intangible asset written down which cushioned the decline in NPI.

The intangible asset relates to unamortised income support receivable from the vendors of The Clementi Mall. The income support ended on 23 July 2018, five years after its listing date on 24 July 2013. Accordingly, the intangible asset was fully written down in FY2018, as higher NPI at The Clementi Mall resulted in a lower utilisation of income support. The income support drawn over the five years was S\$12.2 million, lower than the guaranteed sum of S\$20.0 million.

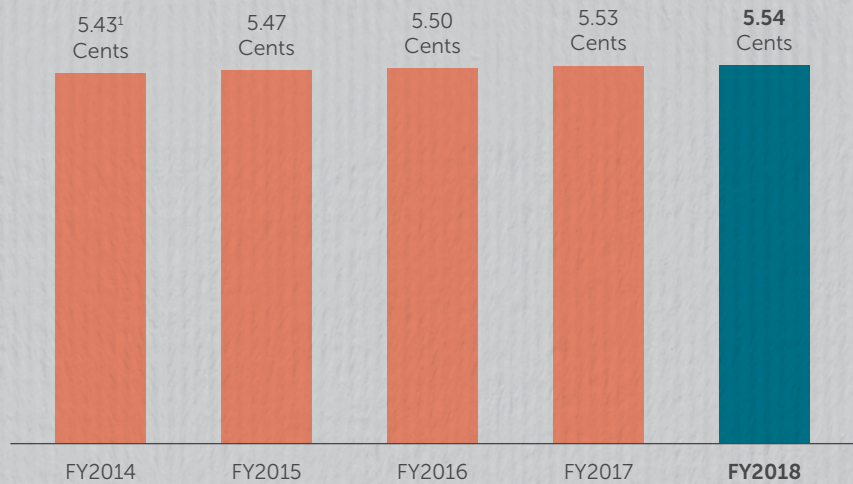
Finance costs increased by S\$0.6 million (2.3%) to S\$24.5 million for FY2018 mainly due to additional interest expense from the new loan drawn down in end June 2018 to partially finance the acquisition of The Rail Mall. The annualised cost of debt was 2.85% for FY2018.

Financial Review



DISTRIBUTION

Quarter Ended	2018 (cents)	2017 (cents)	Change %
1Q	1.34	1.34	-
2Q	1.40	1.40	-
3Q	1.37	1.37	-
4Q	1.43	1.42	0.7
Total	5.54	5.53	0.2



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

SPH REIT continued to deliver consistent returns to Unitholders over the five years since listing in July 2013. The aggregate distribution per unit ("DPU") of 5.54 cents for FY2018 was 0.2% higher than last year. This translated to a distribution yield of 5.54%, based on the closing price of S\$1.00 as at 31 August 2018.

VALUATION OF PROPERTIES

As at 31 August 2018, the portfolio including the recently acquired The Rail Mall, was valued at S\$3.368 billion by Edmund Tie & Company (SEA) Pte Ltd. Excluding The Rail Mall, the portfolio was valued at S\$3.305 billion as at 31 August 2018, an increase of 0.8% from last year's valuation. Net asset value per unit remained steady at S\$0.95 as at 31 August 2018.

Property	At valuation (S\$m) as at 31 August			Capitalisation rate (%) as at 31 August	
	2018	2017	Change	2018	2017
Paragon	2,719.0	2,695.0	24.0	Retail: 4.50%	Retail: 4.50%
				Medical suite/office: 3.75%	Medical suite/office: 3.75%
The Clementi Mall ²	586.0	583.0	3.0	4.75%	4.80%
The Rail Mall	63.3	-	63.3	6.00%	-
SPH REIT Portfolio	3,368.3	3,278.0	90.3		
Representing:					
Acquisition			65.9		
Additions			9.6		
Fair value change			14.8		

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

CASH FLOWS AND LIQUIDITY

As at 31 August 2018, SPH REIT's cash and cash equivalents amounted to S\$36.0 million.

Net cash generated from operating activities for FY2018 was S\$164.8 million. Net cash used in investing activities was S\$71.2 million, mainly for the acquisition of The Rail Mall, asset enhancement project and upgrading of equipment. Net cash used in financing activities was S\$120.7 million, mainly for distribution to Unitholders and interest settlements, as well as proceeds from the new loan drawn down in end June 2018 which was used to partially finance the acquisition of The Rail Mall.

Financial Review

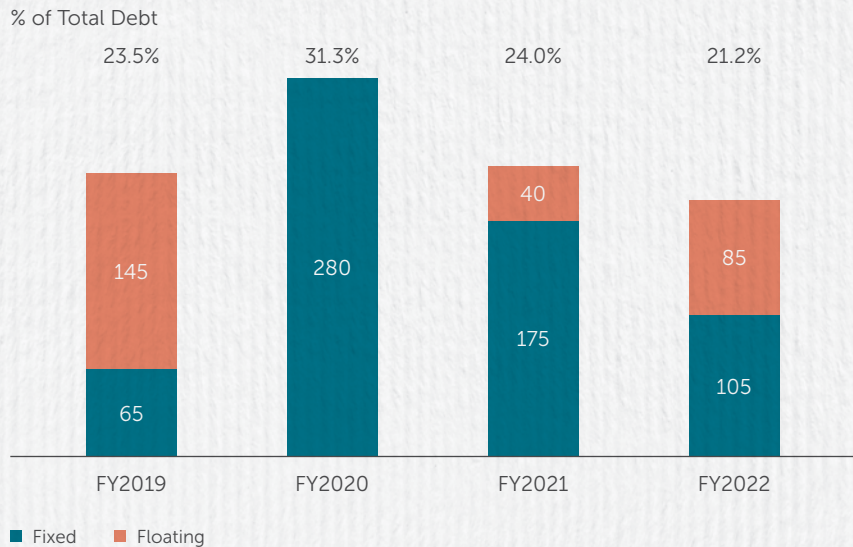
CAPITAL MANAGEMENT

SPH REIT's secured term loan from DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited amounted to S\$895 million. This included an additional loan of S\$45 million established in end June 2018 to partially finance the acquisition of The Rail Mall.

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 is well staggered, without major concentration of debts maturing in any single year. The average term to maturity was 2.3 years and gearing remained low at 26.3%. The annualised average cost of debt was 2.85% p.a. for FY2018.

DEBT MATURITY PROFILE (\$ MILLION)



Key indicators as at 31 August

	2018	2017
Gearing ratio	26.3%	25.4%
Interest coverage ratio	6.0 times	6.1 times
Weighted average term to maturity	2.3 years	2.1 years
Annualised average all-in interest rate	2.85%	2.82%
Derivative financial instrument ³ as % of NAV	0.12%	0.33%

³ The derivative financial instruments refer to the fair value of interest rate swap contracts as at balance sheet date.



Unit Price Performance

SPH REIT's unit price remained steady during the year and closed at S\$1.00 on 31 August 2018. The unit price performance was in-line with the FTSE Straits Times REIT Index and FTSE Straits Times Index.

SPH REIT continued to deliver stable distribution growth with the distribution of 5.54 cents for FY2018. This represented a distribution yield of 5.54%, higher than that of other investments such as FTSE Straits Times REIT Index (5.3%), FTSE Straits Times Index (4.4%) and Singapore government bond (2.4%).

KEY STATISTICS

	FY2018	FY2017
Highest closing price (S\$)	1.080	1.010
Lowest closing price (S\$)	0.985	0.930
Year-end closing price (S\$)	1.000	1.000
Total trading volume (million units)	358.7	285.7
Average daily trading volume (million units)	1.4	1.1

Source: Bloomberg

RETURN ON INVESTMENT IN SPH REIT

	FY2018 ¹	FY2017 ²
	Based on last year's closing price of S\$1.00 as at 31 August 2017	Based on last year's closing price of S\$0.96 as at 31 August 2016
(a) Total return	5.5%	9.9%
(b) Capital appreciation	0.0%	4.2%
(c) Annual distribution yield	5.5%	5.7%

Source: Bloomberg

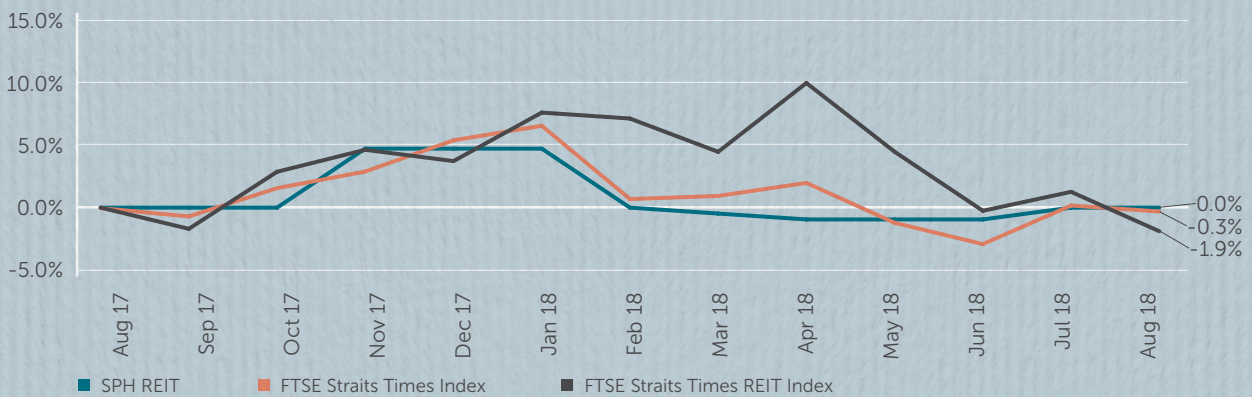
- 1 For FY2018:
- (a) Sum of price appreciation and distribution for FY2018, over last year's closing price of S\$1.00 as at 31 August 2017.
 - (b) Based on closing price of S\$1.00 as at 31 August 2018 and 31 August 2017.
 - (c) Based on distribution of 5.54 cents for the year ended 31 August 2018, over last year's closing price of S\$1.00 as at 31 August 2017.
- 2 For FY2017:
- (a) Sum of price appreciation and distribution for FY2017, over last year's closing price of S\$0.96 as at 31 August 2016.
 - (b) Based on closing price of S\$1.00 as at 31 August 2017 and S\$0.96 on 31 August 2016.
 - (c) Based on distribution of 5.53 cents for the year ended 31 August 2017, over last year's closing price of S\$0.96 as at 31 August 2016.

MONTHLY SHARE PRICE AND VOLUME (LISTING DATE TO 31 AUGUST 2018)



Source: Bloomberg

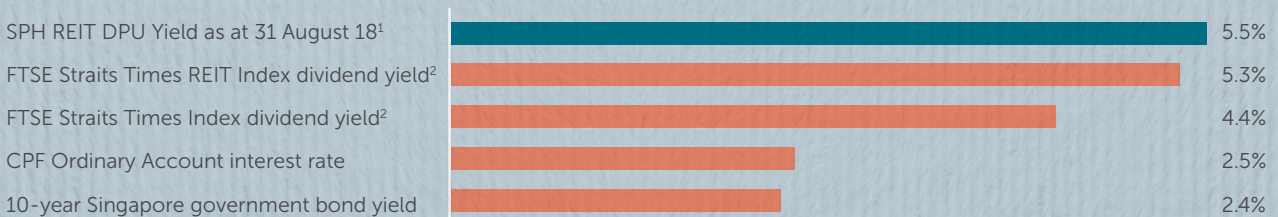
MONTHLY COMPARATIVE PRICE TRENDS FOR FY2018



Source: Bloomberg

Note: The price change was compared to the month-end closing price in August 2017.

COMPARATIVE YIELDS



Source: Bloomberg, Monetary Authority of Singapore, Central Provident Fund Board

1 Based on DPU of 5.54 cents for FY2018 and closing price of S\$1.00 as at 31 August 2018.

2 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 2018.

Portfolio Review

PARAGON

290 Orchard Road Singapore 238859



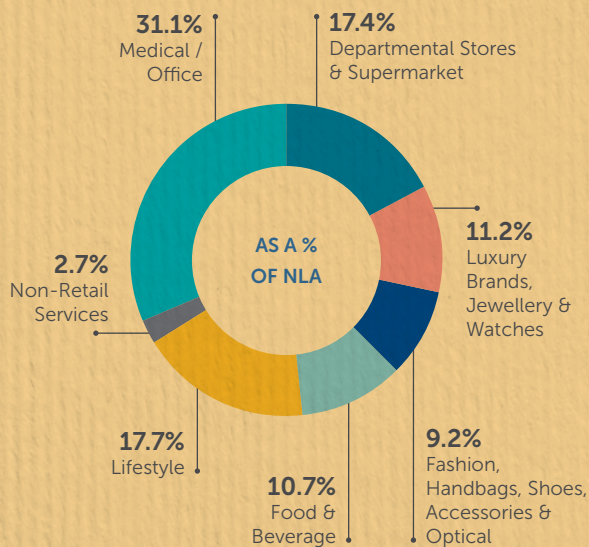
PROPERTY INFORMATION

Description	A 6-storey retail podium with one basement level, together with a 14-storey medical suite/office tower and another 3-storey medical suite/office tower both sitting on top of the retail podium. It also includes a basement carpark.
Net Lettable Area:	Retail: 493,458 sq ft ; Medical suites/offices: 223,098 sq ft ; Total: 716,556 sq ft
Number of tenants	321
Car park lots	416
Title	99 years commencing 24 July 2013
Gross revenue¹	S\$169.5m
Net Property Income¹	S\$135.0m
Market valuation	S\$2,719.0m as at 31 August 2018
Purchase price	S\$2,500.0m
Committed occupancy	99.6% as at 31 August 2018
Key tenants	Burberry, Ermenegildo Zegna, Gucci, Miu Miu, Prada, Salvatore Ferragamo, Tod's Crystal Jade Golden Palace Restaurant, Imperial Treasure Super Peking Duck Fitness First, Marks & Spencer, Metro, Mothercare, Muji, Paragon Market Place, Singapore Medical Group
Awards and accolades	Green Mark Certified Award (BCA) Orchard Road Business Association (ORBA) Best Dressed Building Contest, Christmas 2017 The Most Insta-Worthy Display Award Singapore Retailers Association (SRA) Retail Awards 2018, Best Efforts in Centre Management (Shopping Centre)

1 FY2018.

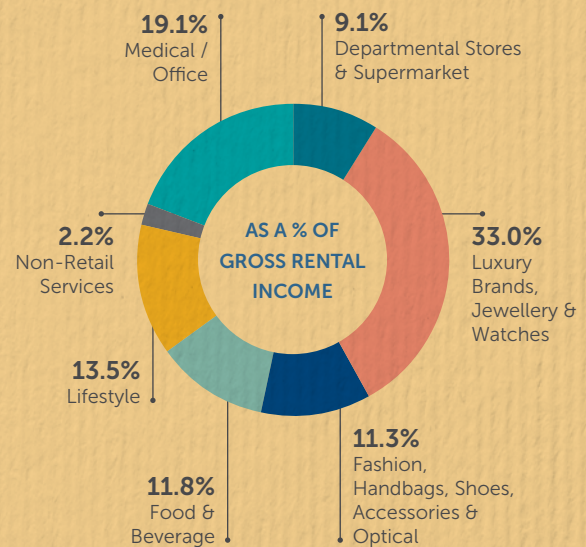
TRADE MIX

By Net Lettable Area



TRADE MIX

By Gross Rental Income



Portfolio Review



PARAGON, located in the heart of Orchard Road - Singapore prime shopping boulevard, has established its premier upscale positioning amongst local shoppers and international visitors. Standing at 99.6% occupancy, Paragon comprises a 6-storey retail podium and a basement level totalling 493,458 sq ft of retail space.

Its prominent landmark complements the vibrancy of the shopping streetscape with luxury brands' newest collection showcases through the window displays of Gucci, Prada, Miu Miu, Tod's and Salvatore Ferragamo. The upgraded Gucci duplex store with its new facade is an alluring sight along Orchard Road. Other luxury brands in Paragon include Givenchy, Loewe, Burberry, Alfred Dunhill, Versace, Jimmy Choo, Emporio Armani, Ermenegildo Zegna, Etro and Mulberry.

The introduction of exciting brands, newly fitted stores and launches of exclusive pop-up collections by tenants continue to drive repeat visits and spending. In FY2018, new

tenants added to the excitement of shopping in Paragon – Stella McCartney, Montblanc, UGG, Brooks Brothers, 45R, Pois, Under Armour, Venchi Chocolate and Gelato. Paragon also welcomed MCM's first flagship store in Southeast Asia at Level 1.

A wide range of sports brands such as Adidas, Asics, New Balance, Nike, Puma, The North Face and others on Level 4 also cater to all sporting needs.

Paragon Medical, a 14-storey standalone tower plus a 3-storey tower which sits on top of the retail podium totalling 223,098 sq ft, houses over 100 medical specialists which extends holistic healthcare for local residents, expatriates and regional medical tourists. Paragon Medical Concierge, a dedicated customer-centric concierge was launched in December 2017 to offer frontline assistance to our medical visitors.



Portfolio Review

THE CLEMENTI MALL

3155 Commonwealth Avenue West
Singapore 129588



PROPERTY INFORMATION

Description	A 5-storey retail podium that includes a basement carpark and a public library. It also has direct transport links to the bus interchange on the ground floor, as well as the Clementi MRT station on the 3rd floor via a linkbridge.
Net Lettable Area	Retail: 195,192 sq ft
Number of tenants	156
Car park lots	166
Title	99 years commencing 31 August 2010
Gross revenue¹	S\$41.5m
Net Property Income¹	S\$30.3m
Market valuation²	S\$586.0m as at 31 August 2018
Purchase price³	S\$553.0m
Committed occupancy	100.0% as at 31 August 2018
Key tenants	Best Denki, BHG, Clementi Public Library, FairPrice Finest, Popular Bookstore Crystal Jade Kitchen, Foodfare, McDonald's, Swensen's

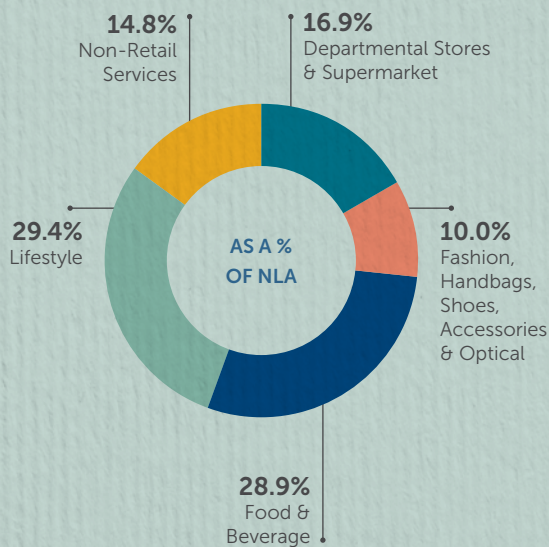
1 FY2018.

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. The income support has ended on 23 July 2018, five years from listing date on 24 July 2013.

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

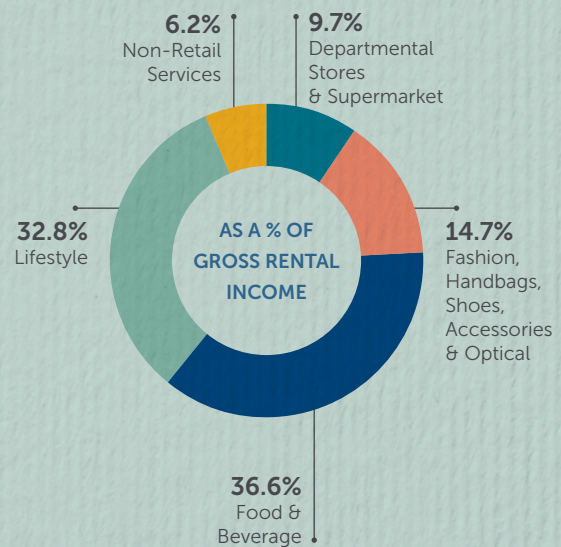
TRADE MIX

By Net Lettable Area



TRADE MIX

By Gross Rental Income



Portfolio Review



The Clementi Mall, located in highly populated Clementi Town, is a 195,192 sq ft mid-market suburban mall with direct connection to Clementi MRT Station. The mall serves the needs of Clementi residents and is also patronised by residents from West Coast, Holland Village, Bukit Timah and Jurong East. The mall is in close proximity to schools, polytechnics and universities.

Anchored by FairPrice Finest, National Library, Foodfare and BHG Departmental Store, The Clementi Mall complete the mix by offering

an extensive range of F&B outlets. Essential services such as banks, a post-office, health and wellness and kids and enrichment centres, serve the daily needs of the residents.

Diners enjoy a wide variety of dining options in The Clementi Mall, which complement the neighbourhood hawker centre. There are various options for Japanese and Korean F&B, including Café Mama, Daessiksin, Dookki, Ichiban Sushi, Jinjja Chicken, Maki-San, Ootoya and Takezo Ramen. New concept kiosks Bobii Fruttii, Say Chiizu, The Jelly Hearts and Yole were launched to attract young shoppers, while the traditional local dessert café Mei Heong Yuen Dessert is well-received across generations.

As a mall close to home, community engagement through arts, cultural and sports activities continue to be part of the marketing initiatives to cultivate a sense of belonging and promote repeated visits. With support from the Health Promotion Board, group exercise sessions were organised on a regular basis to promote a healthy lifestyle amongst the residents.



Portfolio Review

THE RAIL MALL

380 Upper Bukit Timah Road
Singapore 678040



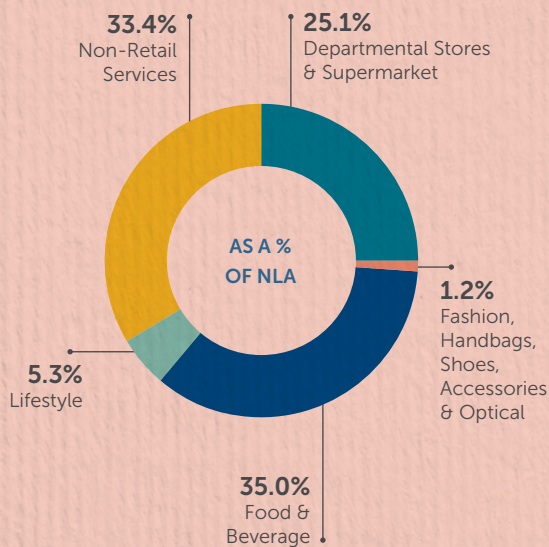
PROPERTY INFORMATION

Description	A retail strip with a 360-metre prominent road frontage along Upper Bukit Timah Road. Comprising 43 single-storey shop units, it is a 99-year leasehold property with a remaining lease tenure of about 28 years.
Net Lettable Area	Retail: 49,775 sq ft
Number of tenants	26
Car park lots	95
Title	99 years commencing 1947
Gross revenue	S\$0.8 m ¹
Net Property Income	S\$0.7 m ¹
Market valuation	S\$63.3 m as at 31 August 2018
Purchase price	S\$63.238 m
Committed occupancy	94.8% as at 31 August 2018
Key tenants	Busy Bees Learning Centre, Cold Storage

1 The Rail Mall was acquired on 28 June 2018. The contribution was from 28 June to 31 August 2018.

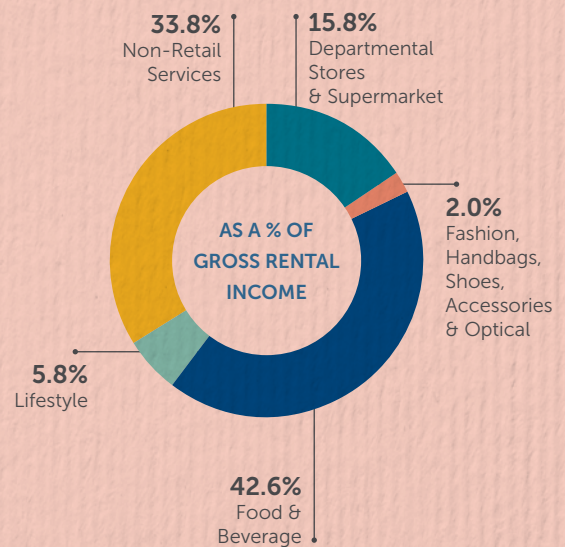
TRADE MIX

By Net Lettable Area



TRADE MIX

By Gross Rental Income



Portfolio Review





The Rail Mall, acquired by SPH REIT on 28 June 2018, is located along Upper Bukit Timah Road. It is well served by the Hillview MRT station about 250 metres away and a network of public bus services. Accessibility is further enhanced by its proximity to the Bukit Timah Expressway ("BKE") and Pan Island Expressway ("PIE").

At The Rail Mall, F&B forms a major trade mix to serve the needs of Fuyong estate residents, diners

from Bukit Timah and Hillview, as well as the Rail Corridor visitors from other parts of the city. Cold Storage Supermarket and Busy Bees Learning Centre are both anchor tenants occupying an aggregate of 18,000 sq ft. Medical and healthcare services essentially complement the trade mix of The Rail Mall.

One of the mall's key access points is the Rail Corridor (Central section), which is well-known for its railway heritage structures and natural

surroundings. Visitors' experience will be enhanced by the heritage and culture, biodiversity and greenery, and recreational facilities at the Rail Corridor.

Market Overview



1.0 ECONOMIC OVERVIEW

1.1 ECONOMIC INDICATORS

Firm economic growth expected in 2018

Singapore's economy grew by 3.6% in 2017, faster than 2016's growth of 2.4%. According to Oxford Economics, Singapore's economic growth is expected to remain firm at 3.0% in 2018, fuelled by growth in manufacturing, finance & insurance and transportation & storage sectors. Notably, growth is expected to broaden into domestically-oriented sectors like retail and food services, fuelled by improvements in consumer sentiments amidst the on-going recovery in the labour market.

Wage growth to accelerate amidst tight labour market

Amidst cautious business sentiments in 2016, wage growth has slowed from 4.9% in 2015 to 1.5% in 2017.

Singapore economic indicators

	2015	2016	2017	2018F
GDP Growth	2.2%	2.4%	3.6%	3.0%
Population Growth	1.2%	1.3%	0.1%	1.5%
Household Income Growth	4.9%	2.6%	1.5%	2.5%
Unemployment Rate	1.9%	2.1%	2.2%	2.0%
Retail Sales Growth	-1.0%	-3.4%	1.3%	1.5%

Source: Department of Statistics Singapore, Oxford Economics, Cushman & Wakefield Research

Nonetheless, wage growth could accelerate in 2018 to 2.5%, amidst low unemployment rates and strong economic prospects.

Population growth in 2018 is expected to return to 1.5% this year, after growing 0.1% in 2017, the lowest in a decade.

1.2 RETAIL SALES

Retail sales rebounds as consumer sentiments and tourism arrivals recover

Retail sales (excluding motor vehicles) rebounded 1.3% year-on-year ("y-o-y") in 2017, after 3 years of consecutive decline. Most retail trade sectors saw an increase in retail sales, fuelled by strong growth in medical goods & toiletries (+6.7%), supermarkets & hypermarkets (+3.0%) and watches & jewellery (+2.4%). In 2018, retail sales volume is expected to trend higher, underpinned by strong macroeconomic fundamentals, recovering labour market and tourism prospects.

International Tourist Arrivals (in million), by countries (Top 5 markets)

		2015	2016	2017	2017 Y-o-Y Change
Top 5 Markets	Total	15.2	16.4	17.4	6.2%
	China	2.1	2.9	3.2	12.7%
	Indonesia	2.7	2.9	3.0	2.1%
	India	1.0	1.1	1.3	15.9%
	Malaysia	1.2	1.2	1.2	1.5%
	Australia	1.0	1.0	1.1	5.3%

Source: STB, Cushman & Wakefield Research

2.0 TOURISM MARKET**2.1 TOURIST ARRIVALS & SPENDING****Tourism market continues to hit record highs**

According to Singapore Tourism Board ("STB"), Singapore's tourist arrivals and spending hit a record high for the second consecutive year¹. International visitor arrivals ("IVA") reached 17.4 million (m) in 2017, growing 6.2% y-o-y from 2016. Tourism receipts ("TR") grew 4% y-o-y to S\$26.8 billion (b) in 2017. Singapore's top three international visitor markets for 2017 were China (3.2 m visitors), Indonesia (3.0 m visitors) and India (1.3 m visitors) and contributed around 18.5%, 17.0%, and 7.3% of total international visitor arrivals respectively. Outside of the top five markets, Vietnam is shaping up to become an important tourism source market. Around 530,000 Vietnam visitors came to Singapore in 2017, achieving a double-digit growth rate for the second year running since 2016. According to

STB's official estimate, total tourist arrivals for 2018 would be between 17.6 m to 18.1 m.

Tourist shopping receipts fuelled by rising tourist arrivals

Though overall shopping spend per visitor fell slightly, the increase in international tourists brought total shopping spend to new heights. Total shopping spend saw a y-o-y

increase of 4% in 2017, reaching S\$6.2 b. Chinese and Indonesian visitors were the top contributors to shopping spend, representing 28.8% (S\$1.8 b) and 14.3% (S\$0.9 b) of total shopping spend respectively in 2017.

Chinese dominate shopping spend while Indonesian spend falls due to depreciation of Rupiah

The Chinese spent S\$548 per visitor on shopping in 2017, up 2.6% from 2016. Notably, China has overtaken Indonesia as the largest source of international tourist arrivals in Singapore in 2017 and remains the top spender for three consecutive years, highlighting rising Chinese dominance in the tourism industry.

Shopping spend by Indonesians in 2017 fell to S\$298 per visitor, down 11.3% from 2016. The Indonesian Rupiah depreciated about 7.5% against the Singapore dollar in 2017, making shopping in Singapore less attractive for Indonesians.

Tourist shopping spend per capita (Top five markets)

		2015	2016	2017	2017 Y-o-Y Change
Top 5 Markets	Total	S\$257	S\$363	S\$353	-2.9%
	China	S\$544	S\$534	S\$548	2.6%
	Indonesia	S\$244	S\$336	S\$298	-11.3%
	India	S\$173	S\$268	S\$245	-8.7%
	Malaysia	S\$143	S\$221	S\$255	15.3%
	Australia	S\$134	S\$235	S\$216	-8.1%

Source: STB, Cushman & Wakefield Research

¹ Source: STB (May 2018), Tourism Sector Performance for 4Q2017.

Market Overview

Continued growth for Singapore's tourism market

In 2018, Singapore's tourism market is expected to grow further, with IVA and TR forecasted to grow between 1.0-4.0% and 1.0-3.0% respectively, according to STB.

2.2 TOURISM TRENDS IN SINGAPORE & SINGAPORE GOVERNMENT INITIATIVES

Tapping on Chinese potential

STB has deepened their engagement efforts in 2nd tier China cities such as Chongqing. Tourist arrivals from Chongqing have risen threefold from 44,000 in 2015 to 146,000 in 2017². STB has also collaborated with Alipay to share content across their respective digital platforms to enable a more personalised and enriching Singapore experience for Chinese tourists.

Singapore Government committing S\$1.3m, 6-month study to rejuvenate Orchard Road

The Singapore government committed to a 6-month study in April 2018 that costs a total of S\$1.3 m to come up with ways to rejuvenate Orchard Road. Expected to conclude in 4Q2018, the study is a positive development for the iconic shopping belt to ensure Orchard Road remains relevant amidst increasing competition from global shopping destinations, local suburban malls and online retailers.

3.0 SINGAPORE RETAIL PROPERTY MARKET

Despite improving market fundamentals, the retail market remains pressured by

a high operating cost environment and the emergence of e-commerce. As such, retailers and landlords continue to reinvent themselves, investing in technology and focusing on lifestyle and activity-based experience to keep pace with the fast-changing retail landscape. For example, electronics, IT and furniture retailer Courts Singapore revamped its Tampines megastore in 2H2017. After a 2-month overhaul, the megastore now boasts memorable retail and experiential concepts such as a design studio, more dynamic showroom spaces, cooking demonstration stations and a new gaming zone to cater to the growing gaming segment.

3.1 RETAIL TRENDS

Retailers and malls investing in technology and embracing omni-channel strategies

In a world that is constantly connected, more and more user-behaviour data is captured by small devices and sensors. Landlords and retailers are investing in technology to analyse big data and gain insights to shoppers' behaviour. This will allow them to deliver personalised and localised experiences to attract customers. Some malls have partnered with leading e-payment service providers to launch holistic payment services. Besides smoothening the consumer transaction process, consumer insights and data can also be analysed over time.

Shoppers are now more sophisticated engaging in both online and offline channels to collect information and make purchasing decisions. As such, retailers are increasingly adopting an omni-channel strategy to meet

the needs of this new generation of shoppers. A study by Harvard Business Review revealed that omni-channel shoppers spent an average of 4.0% more on every shopping occasion in the store and 10.0% more online than single-channel shoppers.

Majority of retail sales still done offline

Though Singaporeans are expected to shop more online, the contribution of online retail sales is estimated to be around 3.9% to 4.1% of total retail sales, based on data from the Department of Statistics in 1Q2018. Total retail sales reached around S\$11.4 b in 1Q2018 with total online spend estimated at around S\$0.5 b. According to a study by Google and Temasek in 2016, total online spend is expected to exceed S\$7 b or form about 6.7% of retail sales in Singapore by 2025³.

A shift in tenant mix

Landlords are incorporating an increased focus on food and beverage (F&B), fitness, lifestyle and entertainment services, amidst a changing retail landscape and the disruption of e-commerce. F&B continues to be a main driver of retail demand. Besides having F&B offerings to boost footfall and occupancy, retail landlords have also tapped into new tenant pools such as co-working operators. For example, JustCo, a Singapore co-working operator has opened its sixth and largest co-working centre in Marina Square's retail premises.

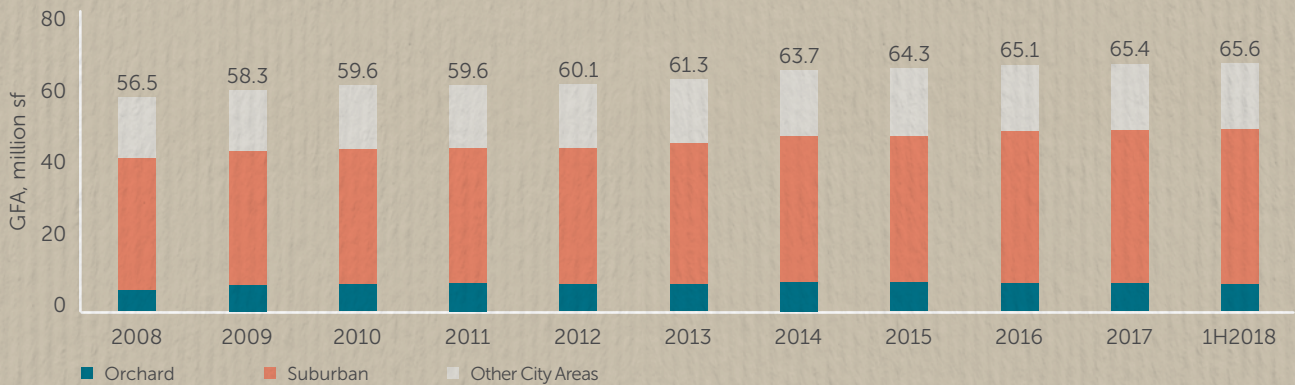
Pop-up and multi-label stores to mitigate e-commerce impact

Once used as a stop-gap measure to increase mall occupancy, pop-up

² Source: STB, Tourism Industry Conference 2018.

³ Google and Temasek Holdings, E-economy SEA: Unlocking the \$200 billion digital opportunity in Southeast Asia, May 2016.

Historical Retail Supply



Source: Cushman & Wakefield Research

stores and multi-label outlets are now the new norm for many landlords who want to curate exciting and new concepts to draw shopper traffic and entrench shopper loyalty. The pop-up model has grown beyond e-retailers to include established fashion labels and luxury brands. In April 2018, french fashion house Chanel launched its third pop-up concept in Singapore – the Coco Game Centre. Inspired by the arcade halls of Japan, the pop-up aims to attract beauty aficionados and millennials through uniquely designed games and Instagram-friendly spaces.

In the same vein, multi-label outlets boost the experiential factor in shopping and offer customers a holistic retail experience, allowing them to eat, shop and attend workshops all in one space. It has also become a popular way for e-retailers to establish their physical presence in premier locations. E-retailers are mostly attracted to the pop-up concept’s flexible lease structure and compact space, which would

reduce their capital outlay when they start their new businesses and test new products.

3.2 RETAIL SUPPLY

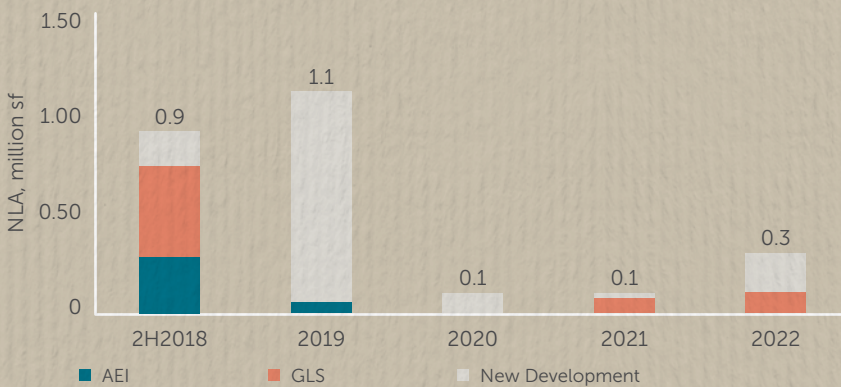
Annual retail net supply reached a 6-year low in 2017, with only 0.3 million square feet (msf) of retail space entering the market, according to URA REALIS data made available since 2012. New supply in 2017 was concentrated in the suburban areas with the opening of Singapore Post Centre in Paya Lebar and Northpoint City in Yishun. For 1H2018, island-wide net retail space increased by around 0.2 msf. The increase in supply can be mainly attributed to the suburban areas, with the bulk of supply coming from the completion of asset enhancement initiatives (“AEI”) at Century Square and the retail component at Oasis Terraces, a Housing Development Board (“HDB”) development.

Moving forward, another 2.2 msf of retail net lettable area (“NLA”) is

expected to be introduced into the market from 2H2018 to 2022, the bulk (63.0%) of which will be located within the suburban areas. One major contributor to new retail supply would be Jewel Changi Airport, a new mixed-use development, which will introduce around 0.6 msf of retail NLA in 2019. The large injection of retail space would likely have some impact on suburban malls located in the East and North-East regions of Singapore. Due to its strategic airport location, a portion of tourist spending might be drawn away from Orchard Road. Other major malls in the pipeline include PLQ Mall (0.3 msf) and Funan (0.3 msf), which are expected to complete in 2H2018 and 2H2019 respectively. We see limited impact on Paragon and Clementi Mall given their strong positioning in their respective vicinities coupled with little or no new retail supply in the Orchard or Clementi areas over the next few years.

Market Overview

Incoming retail supply (2H2018 to 2022)



Source: Cushman & Wakefield Research

3.3 RETAIL DEMAND AT ORCHARD ROAD AND CLEMENTI

Retail demand remains high for main shopping street Orchard Road and vibrant heartland areas like Clementi. The rebound in tourism is expected to boost retail demand for Orchard Road. The trend of setting up flagship stores is expected to continue, which could help fill up the void left by departure or downsizing of large retailers and department stores. As such, average occupancy rates for retail spaces in the Orchard planning

area remains healthy at 94.0% as of 2Q2018, a marked improvement from 92.3% in 2Q2017. Despite competition from Marina Bay Sands and suburban shopping centres, Orchard Road will remain the first landing point for established brands due to its prestigious location and position as a gateway to the Southeast Asian market.

Well-connected suburban malls like Clementi Mall continue to benefit from a large residential catchment and high pedestrian footfalls due to their accessibility and proximity to homes. Suburban occupancy rates

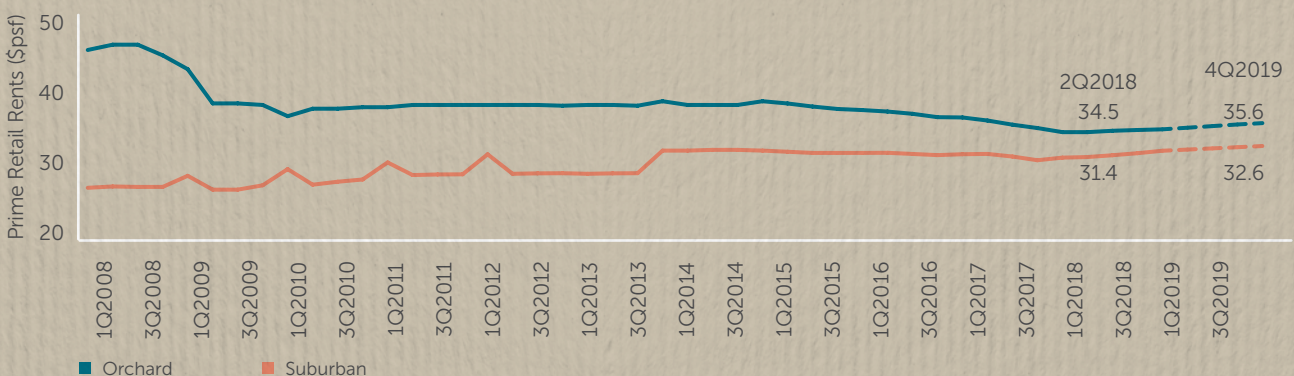
remain high at 92.8%, with major malls connected to MRT stations leading the pack at full or almost full occupancy rates.

3.4 RETAIL RENTS FOR ORCHARD ROAD AND SUBURBAN AREAS

Amidst improving retail sales and tourist arrivals, average prime rents for Orchard have started to recover with rents edging up 0.5% in 1H2018, based on prime retail rents tracked by Cushman & Wakefield Research. Prime suburban rents extended their upward trajectory by rising 1.0% in 1H2018, as retailers remain keen on taking up space at suburban malls due to their large residential catchments and easy accessibility.

Going forward, prime retail rents in Orchard are expected to stay resilient, or even experience mild increases in 2018-2019 on the back of encouraging economic growth and growing tourism figures. Suburban prime rents will continue to be supported by a growing residential catchment with a high shopping frequency.

Prime retail rents



Source: Cushman & Wakefield Research

3.5 IMPLICATION ON PARAGON

Robust tourism market positive for Paragon

Paragon's prominent location on Orchard Road and premier positioning will benefit from the rebound in Singapore's tourism market. Given its best-in-class upscale image, Paragon continues to be popular with Chinese and Indonesian tourists which are the key tourism markets in Singapore. Orchard Road remains one of the choice destinations for tourists in Singapore and continues to evolve to meet the changing needs of shoppers. The recent S\$1.3m study on Orchard Road is a testament to the government's continuous efforts to make Orchard Road one of the leading main streets in the world.

Orchard/Scotts Road, the most popular shopping and free-access attraction in Singapore, with a total of 7.4 msf⁴ of retail space and 44 shopping malls⁵, is supported by over 13,000 hotel rooms and serviced apartments⁶ in the vicinity.

3.6 IMPLICATION ON THE CLEMENTI MALL

Strong residential catchment and proximity to regional centres bodes well for The Clementi Mall

Residential catchment at the Clementi Planning Area is expected to grow further, driven by the completion of private and public housing projects over the next few years. The area will see around 2,000 Build-To-Order flats and 1,800 private residential

units being completed over the next four years. Given its close proximity to the Clementi MRT station and bus interchange and being the only major shopping mall in the area, The Clementi Mall is positioned to capture a large market share of this growing catchment.

The Clementi Mall is strategically located at the heart of the Clementi Planning Area and enjoys a strong catchment. Apart from serving about 93,000 residents in the Clementi Planning Area and about 174,000 residents in the neighbouring Bukit Timah and Queenstown Planning Areas, The Clementi Mall also serves more than 88,000 students from tertiary institutions in the area.

3.7 IMPLICATION ON THE RAIL MALL

Potential to enlarge catchment through experiential retail

The tenant mix at the The Rail Mall is geared towards the F&B, lifestyle and health trades, which are fairly insulated from the disruption of e-commerce. The Rail Mall can tap on its proximity to the Rail Corridor to deliver memorable experiential retail concepts, which is the current trend in today's retail market.

Located in a rustic part of Upper Bukit Timah, The Rail Mall offers a prominent main-road frontage for shops and restaurants. The Rail Mall serves about 280,000 residents in the Bukit Panjang and Bukit Batok Planning Areas. It enjoys pedestrian

traffic from hiking enthusiasts due to its proximity to the Rail Corridor which is a popular hiking route.

4.0 MEDICAL SUITE PROPERTY MARKET

4.1 HEALTHCARE SERVICES INDUSTRY TRENDS

Rising local demand for private medical services

Singapore's ageing population, rising affluence, increasing prevalence of chronic diseases and rising health awareness is expected to drive demand for local private medical services. The number of Singapore residents aged 65 and above have continued to grow at around 6.4% annually over the last 5 years and is expected to rise to more than 0.9 m residents by 2030, from 0.5 m in 2017. As a testament to growing local demand, Parkway Pantai Singapore hospital's inpatient admissions grew 2.7% y-o-y in 1Q2018, driven predominantly by local patients⁷.

Singapore's medical tourism faces stiff competition

According to Frost & Sullivan, medical tourism in Asia Pacific is expected to grow by more than 15% in 2018⁸. Though Singapore's medical tourism market remains under threat from lower cost alternatives such as Thailand and Malaysia, Singapore remains one of the top-ranked destinations for medical tourism in the world. According to the International Healthcare Research Center's 2016

4 Urban Redevelopment Authority (URA): REALIS.

5 Orchard Road Business Association (ORBA) website.

6 Singapore Tourism Board, Serviced Apartments Association, Cushman & Wakefield Research.

7 IHH Healthcare Berhad: Q12018 Financial results press release, 25th May 2018.

8 Frost & Sullivan: Double digit growth rates will propel APAC to form 28% of US\$2 trillion global healthcare market in 2018, 19th January 2018.

Market Overview

medical tourism index, Singapore is ranked 4th globally. The index assesses a country’s medical tourism attractiveness across three main dimensions; environment, medical tourism industry and quality of facilities and services. Nonetheless, medical tourism receipts have remained muted in Singapore at around S\$800m in 2017⁹, compared to its peak in 2012 at S\$1.1 b¹⁰.

Medical tourism in Singapore is predominantly driven by Indonesia, followed by Malaysia and China patients. Indonesian patients make up the bulk of medical tourism patients in Singapore and are estimated to take up more than half of the total market share¹¹. Notably, Frost & Sullivan predicts that outbound medical tourism from China and India will grow to over 170 m travellers by 2018¹². Given its advanced medical infrastructure, multi-lingual society

and reputation for high quality care, Singapore is positioned to capture a portion of this emerging market share.

Preference to lease rather than purchase

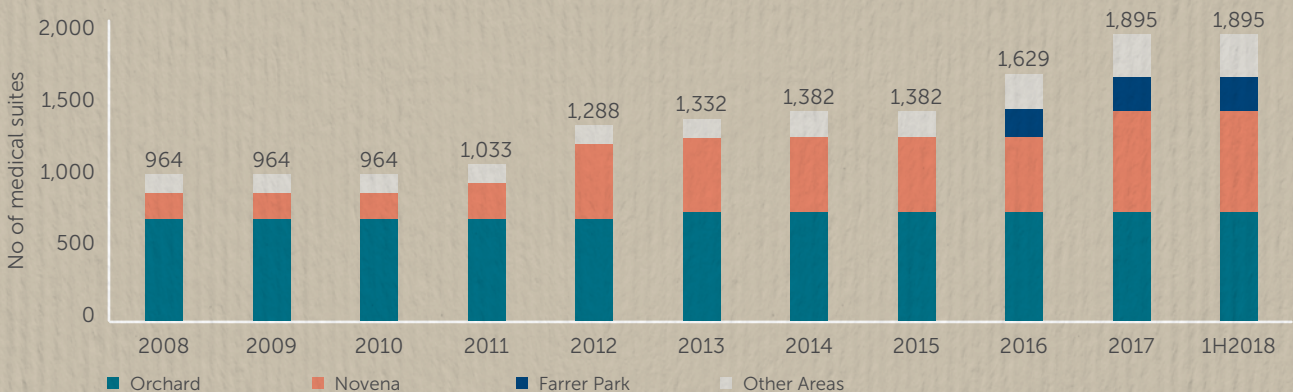
Anecdotally, there is an increasing preference for private doctors to lease medical suites rather than to purchase. Based on caveats data from the Singapore Institute of Surveyors and Valuers, there were 35 medical suites sale transactions in 2017, down from the previous peak in 2013, when 161 units were sold. Though the fall in volume could be partially attributed to the dearth of new medical suites, the heightened prices of medical suites in central regions and tight loan curbs could also make medical suites relatively unaffordable. Median prices for medical suites in Orchard reached around S\$8,805 psf in 2017, 34.1% higher as compared to around S\$6,564 psf in 2013. Nonetheless,

the total number of private doctors in Singapore has continued to rise steadily, at around 3.2% per annum over the last 5 years. As such, the steady increase in private doctors and the relative unaffordability of medical suites in prime areas should translate into increased leasing demand for medical suites.

4.2 MEDICAL SUITE SUPPLY

Based on Cushman & Wakefield’s estimates, there are around 1,900 completed medical suites island wide as of 1H2018. The Orchard (717 units) and Novena (665 units) medical precincts have the largest concentration of medical suites, with around 72.9% of all medical suites located in these two precincts. In 2017, 266 medical suites were completed, predominantly located at Royal Square (171 units) in Novena.

Medical suite supply



Source: Cushman & Wakefield Research

9 South China Morning Post: Medical Tourism Looks Healthy in Malaysia, But in Singapore?, 19th November 2017.

10 Singapore Tourism Board: Annual Tourism Stats 2014, November 2015.

11 iGATE RESEARCH: Singapore Medical Tourism Market and Forecast to 2022, 5th June 2017.

12 Frost & Sullivan: Double digit growth rates will propel APAC to form 28% of US\$2 trillion global healthcare market in 2018, 19th January 2018.

Incoming medical suite supply (2H2018 – 2023)

Medical precinct	No. of units	
	Existing supply	Incoming supply
Orchard	717	31
Novena	665	0
Farrer Park	231	0
Others	282	50
Total	1,895	81

Source: Cushman & Wakefield Research

Moving forward, the supply of medical suites is expected to remain tight, with only 81 units in the foreseeable pipeline (2H2018-2023). These upcoming medical suites are not in close proximity to major hospitals and are unlikely to impact established medical suites like Paragon Medical, which is supported by a nearby major hospital.

4.3 IMPLICATION ON PARAGON MEDICAL

Though Singapore's medical tourism market continues to face competition from the region, we believe that the high-end demand pool remains largely intact. Medical tourists looking for best-in-class medical treatments and good hospitality will continue to visit Singapore for treatment. Furthermore, the expected increase in Chinese and Indian medical tourists could bode well for medical suites in Orchard Road, given their familiarity with the area and the surrounding amenities.

There is a strong preference for medical suites which are near private hospitals, as reflected in the price

premium at Gleneagles Medical Centre and Mount Elizabeth Medical Centre as compared to other medical suites in Orchard. Due to their proximities to hospitals, such medical suites can cater for a wide range of medical procedures and promote cross-referrals and services, thereby enhancing patients' experience.

Despite the growth of the Novena and Farrer Park medical precincts, the Orchard medical precinct continues to be the top destination for private medical care. This is underpinned by the surrounding high-end housing

districts and the numerous amenities and hospitality options in the Orchard shopping belt.

As such, Paragon Medical, which is just a stone's throw away from Mount Elizabeth hospital and in the heart of Singapore's main shopping street, will continue to see strong leasing demand from doctors.

4.4 MEDICAL SUITE RENTS

Asking rents for medical suites in the Orchard precinct continue to hold firm at around S\$14.0 psf pm, presenting a premium as compared to Novena and Farrer Park medical precincts, which are going for around S\$10.0 psf pm and S\$4.80 psf pm respectively. Rents are supported by strong structural growth factors, which include a limited supply of new medical suites, firm economic growth and rising demand for private medical services. Against this backdrop, medical suite rents could see growth of around 3.0%-5.0% over the next 12 months.

Asking monthly gross rents for medical suites (1H2018)

Area	Asking monthly gross rents (SPSF)		
	Low	Average	High
Orchard	11.5	14.0	17.7
Novena	9.0	10.0	11.0
Farrer Park	4.2	4.8	6.0

Source: Cushman & Wakefield Research

BY CUSHMAN & WAKEFIELD (S) PTE LTD
SEPTEMBER 2018

Investor Relations

SPH REIT's Investor Relations (IR) practices are built upon firm adherence to a high standard of corporate governance and transparency. We, as the Manager, are committed to deliver clear, consistent and timely updates to develop long-term relationships with Unitholders. Various activities were planned and communication channels were set up to enable us to engage with all segments of the investment community. The valuable feedback and insights from these engagements are highlighted to the Board of Directors, alongside regular updates on Unitholders' statistics and the views of investors and analysts.

PROACTIVE ENGAGEMENT WITH THE INVESTMENT COMMUNITY

We interact 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 briefings, property-related conferences and roadshows. Analysts' briefings are conducted every half yearly to provide updates on SPH REIT's half-year and full-year financial results, operational performance and market outlook. Every year, a media briefing is also held to announce our full-year results. In addition, property tours are arranged upon requests by institutional investors to enable them to observe the properties' vibrancy and better understand the operations and enhancement plans.

Retail investors constitute an equally important facet of the investment community. We engage with them through public forums such as the REITs symposium jointly organised by ShareInvestor and the REIT Association of Singapore (REITAS). These events provide us with the opportunity to meet retail investors and discuss the business and risk factors affecting SPH REIT as well as the REIT industry.

SPH REIT held its fourth Annual General Meeting (AGM) on 30 November 2017, 13 weeks after the financial year ended to ensure timely engagement with Unitholders. All Directors of the Board and senior management attended the AGM to interact with participants and address their questions and feedback. The AGM was well attended by over 200 participants and all resolutions were approved by Unitholders. Electronic poll voting was conducted, thus enabling the results to be posted instantaneously.

SPH REIT's Investor Relations website is a key source of relevant and comprehensive information to the investment community. It is updated in a timely manner with quarterly financial performance results 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. We also archive all corporate announcements and presentations as well as provide 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 submitted through email to ir@sphreit.com.sg.

INVESTOR RELATIONS CALENDAR

1st Quarter FY2018 (September – November 17)	<ul style="list-style-type: none"> • Announcement of FY2017 Results and Media Conference and Analysts' Briefing with audio webcast • Post-Results Investor Meeting • Payment of 4Q2017 Distribution • Release of Annual Report 2017 • Annual General Meeting
2nd Quarter FY2018 (December 17 – February 18)	<ul style="list-style-type: none"> • Announcement of 1Q2018 Results • Post-Results Investor Meeting • Payment of 1Q2018 Distribution
3rd Quarter FY2018 (March – May 18)	<ul style="list-style-type: none"> • Announcement of 2Q2018 Results and Analysts' Briefing with audio webcast • Post-Results Investor Meeting • Payment of 2Q2018 Distribution • REITs Symposium 2018
4th Quarter FY2018 (June – August 18)	<ul style="list-style-type: none"> • Announcement of 3Q2018 Results • Post-Results Investor Meeting • Payment of 3Q2018 Distribution • Citi-REITAS-SGX C-Suite S'pore REITS and Sponsors Forum in Singapore

FINANCIAL CALENDAR**2018**

11 October	• Announcement of FY2018 Results
17 October	• Books Closure
16 November	• Proposed Payment of 4Q2018 Distribution
30 November	• Annual General Meeting

2019*

4 January	• Announcement of 1Q2019 Results
10 April	• Announcement of 2Q2019 Results
11 July	• Announcement of 3Q2019 Results
10 October	• Announcement of FY2019 Results

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

Sustainability Report

BOARD STATEMENT

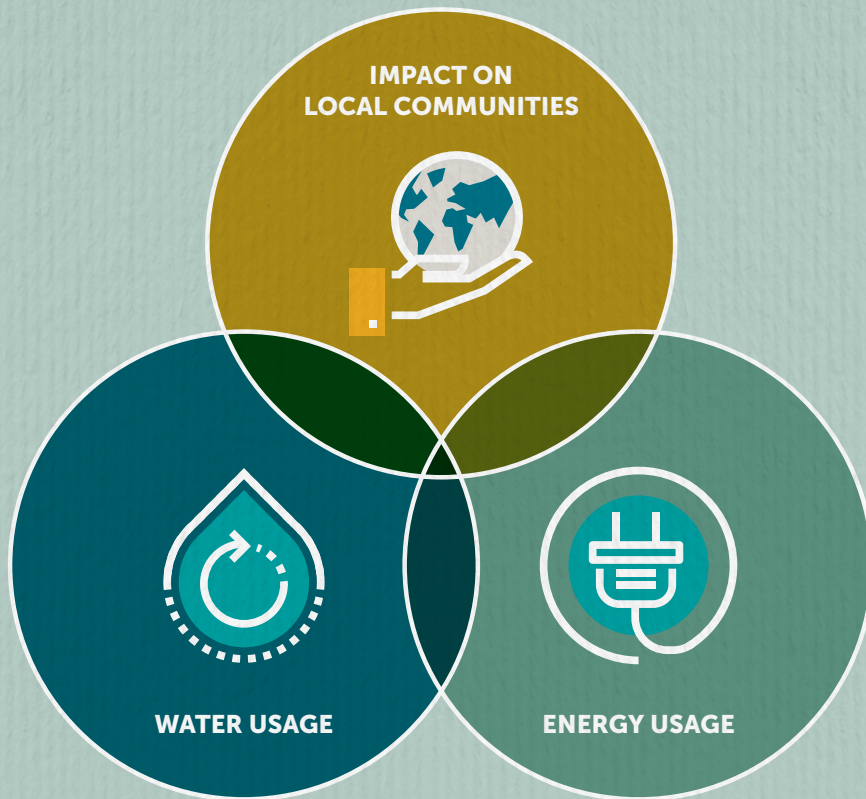
We are pleased to present our first sustainability report to the stakeholders of SPH REIT.

While sustainable practices are not new to our business operations, this inaugural report provides a platform through which we now formally communicate our sustainability approach, performance and goals. We will publish this report annually in accordance with the requirements of SGX-ST Listing Rules 711A and 711B.

As a Real Estate Investment Trust, we are able to contribute positively to the environment and the society through the activities at our properties. Our sustainability efforts are driven by a strong focus on engaging with our key stakeholders, including our customers, tenants, investors and Unitholders. We are committed to

keeping pace with our stakeholders' evolving needs, with a view to forming collaborative partnerships that will enable the impact of our sustainability efforts to be amplified in the long term.

To effectively discharge our responsibility, the Board has assigned the monitoring and overseeing the management of environmental, social and governance ("ESG") factors to the Audit & Risk Committee ("ARC"). The ARC is supported by the Sustainability Steering Committee ("SSC"). We aspire to chart a sustainability journey underpinned by our business strategy and organisational values, to most meaningfully live out our promise as a responsible corporate citizen.



SUSTAINABILITY AT SPH REIT

SPH REIT is a Singapore-based Real Estate Investment Trust (“REIT”) established principally to invest in a portfolio of income-producing real estate. As at 31 August 2018, SPH REIT comprises three quality and well-located commercial properties, namely Paragon, The Clementi Mall and The Rail Mall, which was newly acquired in June 2018.




All of our properties provide unique opportunities for us to engage with our stakeholders and with their input, shape our sustainability initiatives. This continuous engagement is critical in ensuring that our sustainability priorities remain relevant.

Increasingly, shoppers are looking for a lifestyle experience when they visit malls. More than retail avenues, malls have become places where communities gather and bond – common spaces that contribute to social cohesion. Shoppers are now also more conscious about the social and environmental impact of the products and services they purchase and use. Investors and Unitholders assess sustainability performance in their determination of the company’s long-term business value. There is heightened scrutiny from regulators on responsible business practices. These changing behaviours have direct implications on how our tenants operate, and in turn, how we manage our malls.

Following our consideration of business and stakeholder priorities, we have identified three most material environmental and social factors for SPH REIT for purposes of disclosure in this report. These factors include impact on local communities, as well as energy and water usage at our properties. While this sustainability report centres around our management and performance in relation to these three environmental and social factors, it should be read in conjunction with the rest of the annual report for a holistic understanding of SPH REIT’s strategy and business performance for the financial year.

Sustainability Report

SUSTAINABILITY PERFORMANCE AT A GLANCE

MATERIAL FACTORS	PERFORMANCE IN FY2018	TARGET FOR FY2019
 Impact on local communities	Description of Corporate Social Responsibility (CSR) initiatives	Achieve one CSR component in at least one of our major campaigns on an annual basis
 Water Usage	379,207 m ³ of water consumed	Maintain current water intensity
	Water intensity at 3.67 m ³ /m ²	
 Energy Usage	53,662 MWh of electricity consumed	Achieve reduction in energy intensity
	Energy intensity at 0.52 MWh/m ²	
	22,055 tCO ₂ e of GHG ^(a) emissions	
	GHG emissions intensity at 0.21 tCO ₂ e/m ²	

SUSTAINABILITY GOVERNANCE

The ARC, supported by the SSC, oversees the management of sustainability issues. The SSC, which comprises senior management, develops SPH REIT's sustainability strategy, manages overall sustainability performance and reports periodically to the ARC. The SSC assists in driving sustainability practices across the business, and

is supported by the Sustainability Working Committee ("SWC"), which consists of representatives from different functions and divisions.

As an SPH-sponsored REIT, SPH REIT is managed by SPH REIT Management Pte. Ltd. ("REIT Manager") and supported in property management matters by

SPH Retail Property Management Services Pte. Ltd. (the "Property Manager"). We have adopted a sustainability framework, policies and guidelines as well as ethics and code of business conduct. SPH REIT also upholds high standards of corporate governance and transparency to safeguard Unitholders' interests.

(a) "GHG": Greenhouse gas.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is essential to creating value and strengthening the sustainability of SPH REIT's properties. It not only enables us to understand the expectations and concerns of our stakeholders, but

also helps SPH REIT to adapt to the evolving needs of the industry. SPH REIT interacts with our stakeholders regularly via different platforms and channels, as summarised below.

CUSTOMERS AND TENANTS	UNITHOLDERS AND INVESTORS	REGULATORS
Description		
To understand the needs of the tenants and customers, and work with tenants to enrich customer experience	To understand and help them understand our sustainability goals and efforts	To communicate with regulators regularly and ensure compliance with relevant laws and regulations
Engagement Methods		
<ul style="list-style-type: none"> • Management circulars and notices • Tenant bulletins • Tenant engagement activities • Informal dialogue and networking sessions 	<ul style="list-style-type: none"> • Release of financial results, announcements, media releases, and other relevant disclosures through SGXNET, Annual Report and SPH REIT's website • Annual General Meeting • Extraordinary General Meeting, where necessary • Updates through one-on-one and group meetings and investor roadshows 	<ul style="list-style-type: none"> • Industry networking functions • Annual regulatory audits • Compliance with mandatory reporting requirements
Key Issues of Interest		
<ul style="list-style-type: none"> • Shopper experience, including a sustainable space that helps enhance the lifestyle experience • Community engagement 	<ul style="list-style-type: none"> • Economic performance 	<ul style="list-style-type: none"> • Anti-corruption • Socioeconomic compliance
Corresponding Sections of the Annual Report		
<ul style="list-style-type: none"> • Sustainability report 	<ul style="list-style-type: none"> • Financial statements 	<ul style="list-style-type: none"> • Corporate governance report

Sustainability Report



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- 1 Miu Miu Disco pop-up
- 2 Prada Silver Line pop-up
- 3 Shoppers' engagement in FEMALE Magazine event
- 4 Robotic arm fashion visual merchandising display



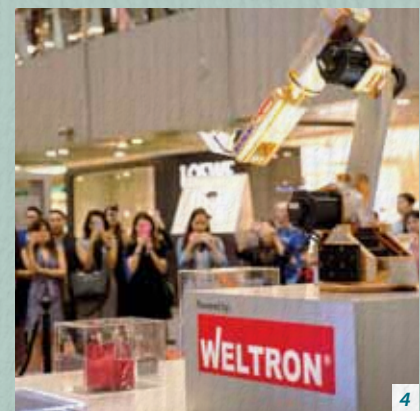
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organisations and selected partners enable rich customer experiences, harmonise social interactions and promote give-back to society.

PARAGON



4

TENANT ENGAGEMENT

SPH REIT fosters tenant relations through regular dialogues and meetings. Paragon, The Clementi Mall and The Rail Mall have regular tenant bulletins to keep tenants updated on upcoming campaigns and initiatives. Through collaborations with tenants, the properties have created interactive events to rejuvenate their shopping environment. For example, during the Spring Summer 2018 programme, Paragon hosted closed-store events helmed by popular fashion magazines Harper's Bazaar and Female, together with its fashion tenants such as Burberry, Prada and Miu Miu. This event has enriched the fashion scene in Paragon. On top of commercial initiatives, we aim to integrate corporate social responsibility ("CSR") components in our campaigns and get tenants involved.

CUSTOMER ENGAGEMENT

SPH REIT strives to facilitate and enrich customer experience in our properties. In addition to the shoppers' concierge, a new dedicated Paragon Medical Concierge was launched in December 2017 to provide one-stop hassle-free assistance for our patrons in a comfortable and relaxing environment. SPH REIT values customer feedback and ensures all feedback is responded to in a timely manner. Post-mortem reports are also prepared after events for future improvement.

The events and activities aim to string shoppers and local community together through the arts, culture, digital, talent development, and health and wellness, by providing venue sponsorships for events and campaigns. Meaningful collaborations with schools, community, non-profit

Elevate Your Reality, September 2017

Showcasing the digital world up-close and in reality, Paragon presented what was possibly Orchard Road's first-ever Robotic Arm Display with integration of fashion visual merchandising display. The one-of-a-kind virtual reality fashion runway was choreographed by Raffles Design Institute and featured the latest ready-to-wear fashion collection. Medical technology and practices were presented by Singapore Medical Specialists Centre to improve health and wellness. PUMA also hosted a ladies' workout session for shoppers.



- 5 Mr Katsuzo Uchia demonstrates kimono sewing
- 6 Japanese cultural performances
- 7 Japanese cultural performances
- 8 Artistic Ikebana floral arrangements
- 9 Singapore Chinese Orchestra performance organised by SPH Gift of Music

Harmony in Perspective, May 2018

Titled Harmony in Perspective, the all-things Japanese event featured Japan's rich culture, the harmonious ancient art of enchanting Ikebana, delicate Kimonos, Tagai traditional music performances by young Japanese musicians and an exhilarating Japanese Sword demonstration, all from the Land of The Rising Sun.

Specially flown in from Japan, the Kimonos worn by Japanese of various ages for different occasions were exhibited to educate shoppers on Kimono culture. A Wedding Kimono was displayed for shoppers to appreciate the intricate details and the dedication it took to craft the timeless work of art.

Shoppers immersed themselves in a host of exciting Japanese-infused cultural performances, activities, workshops and demonstrations, such as learning the history and art of sewing kimonos, presented by Mr Katsuzo Uchia, who used to tailor prized kimonos for the Japanese Royal Family. Ms Keiko Miura also hosted a Kimono Fabric Workshop to impart step-by-step crafting skills for shoppers to create their very own kimono fabric accessory. At the Japanese Tea Demonstration,

Japanese green tea lovers learnt about the golden drop, which could lead to a magical difference in the taste of the tea.

Singapore Chinese Orchestra Community Series, July 2018

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. In July 2018, the Singapore Chinese Orchestra performed Classic Vibes for shoppers at the main entrance of Paragon. The spectacular Chinese orchestra entertained shoppers and showcased the traditional beauty of Chinese musical instruments.



Sustainability Report



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12



13

- 10 *Wholegrain Wednesday food truck*
- 11 *Dance performance by New Town Secondary School*
- 12 *Violin performance by Vienna Music School*
- 13 *Zumba workout at outdoor area*

THE CLEMENTI MALL

Wholegrain Wednesday, December 2017 to January 2018

In collaboration with the Health Promotion Board (“HPB”) as one of the Health Promotion Malls, The Clementi Mall supported two Wholegrain Wednesday initiatives to encourage the public to include more wholegrains in their diets. More than 2,000 portions of HPB products, such as Subway wholegrain wraps, brown rice and wholegrain muffins were distributed to the public.

Christmas, December 2017 and Chinese New Year, January 2018

Over the Christmas and Chinese New Year period, students from New Town Secondary School, The Clementi Primary School and tenant Vienna Music School treated shoppers to melodious festive musical performances and hyped up the joy of celebration in The Clementi Mall. A public platform was created for the students to showcase their talents.

Dance to Fit, January to December 2018

In collaboration with HPB to support an active and healthy lifestyle, shoppers and residents are welcome to enjoy the one hour rhythmic Zumba workouts every Wednesday at the outdoor area. The exercise is open to all with no participation fee. On average, approximately 25 members of the public have benefited from each workout session.

***The Clementi Mall Fiesta,
April 2018***

Students from Clementi Primary School and Tanglin Secondary School, together with shoppers, created Singapore's largest weaved CD wall of 4m by 1.8m using 440 CDs. The CD wall, which entered the Singapore Book of Records, was testament to the neighbourliness of the community. Local talents Annoying Brothers, Bubble show by Bubble Girl and The A Capella Society NANU performed in the mall and brought joy to the fiesta. Besides entertainment, educational tie-ups with HPB also attracted Clementi

residents to learn more about eating well and living healthy. Supermarket tours on healthy food selection and cooking demonstrations were organised for the residents too.

***Singapore Music to the Ears,
August 2018***

To pay tribute to the nostalgic Xinyao tunes that emerged and rose to fame in Singapore between the late 1970s to 1980s, students from Vienna Music School brought back fond memories of Xinyao with their melodious performance to celebrate our 53rd National Day with shoppers.



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- 14 Musical performance in conjunction with The Clementi Mall Fiesta
- 15 Singapore's largest wall of weaved CDs
- 16 Annoying Brothers performing with a young girl
- 17 Family bonding through mall activities

Sustainability Report

IMPACT ON LOCAL COMMUNITIES

Local communities form the bulk of our properties' regular shoppers. This is especially so for The Clementi Mall. We are committed to partner with tenants and involve them in giving back to the communities and fostering strong relationships.

SPH REIT's properties, with good shopper traffic, offer conducive platforms to increase the visibility of social causes. In addition to providing venue sponsorship for campaigns that benefit the local communities, we also garner donations to support philanthropic causes, including the well-being of children and youths. We partner closely with Beyond Social Services, a Voluntary Welfare Organisation (VWO) with a mission to help children and youths from less privileged backgrounds break away from the poverty cycle.^(b) Through events held at Paragon and The Clementi Mall over the past year, a total of S\$6,020 was donated and raised for Beyond Social Services.

PARAGON

Season's Glimmerings, November 2017

In the season of giving, together with generous support from shoppers, Paragon brought joy to 100 children from Beyond Social Services. Shoppers were encouraged to make a donation of S\$15 to grant a child's wish with a personalised message on the gift card. In addition, Paragon matched the same donation amount from the shoppers to benefit more children. The donations raised were used for Christmas gifting for the children

and accompanied with sponsored meals at Fish & Co. on 21st and 22nd December.

A Prosperous Dimension, January 2018

From exhilarating oriental drum performances and arresting life-sized festive greeting showcases, to an enthralling lion dance performance and possibly the first-ever virtual reality calligraphy portrayal, Paragon presented a series of Chinese festivities and cultural performances in celebration of Lunar New Year.

Shoppers and tourists were engaged in a highly immersive traditional calligraphy experience, but in a virtual reality (VR) format. This melding of the old and new, saw 'written' characters transformed

and displayed in the digital realm, guided along by renowned VR calligrapher Mr. Malik Mazlan. His mentor, locally and internationally acclaimed calligrapher Master Yong Cheong Thye, treated shoppers to live demonstrations of his calligraphy prowess by turning large floor canvases into life-sized festive greetings at the Main Entrance Foyer, accompanied by thrilling drum performances.

In addition to the festivities and performances, kids from Beyond Social Services were also treated to pre-Lunar New Year festive cheer with a free haircut at Papa Poika, followed by apparel shopping at FOX Kids and Baby. The fun outing ended with a bento-lunch treat from Tori-Q.

18 Children from Beyond Social Services receiving gifts



19 First-ever virtual reality calligraphy portrayal

20 Life-sized calligraphy by Master Yong



(b) For more information, please visit the website of Beyond Social Services at <http://beyond.org.sg/>



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Spin for A Good Cause, July 2018

On 28th July, from 10am to 8pm, Paragon's atrium was turned into a spin studio for 10 good hours of back-to-back spinning sessions, led by Fitness First's energetic instructors. Over 250 participants took part in this event, which was Singapore's first charity spinning event. A total of S\$7,124 was raised and all proceeds were donated to Make-A-Wish Singapore, a foundation that grants the wishes of children with life-threatening medical conditions, such as end-stage renal failure and Duchenne muscular dystrophy.

THE CLEMENTI MALL

Christmas, December 2017 and Chinese New Year, January 2018

Shoppers were encouraged to each donate S\$15 to purchase a gift for kids from Beyond Social Services during The Joy of Christmas Gifting CSR event. The Clementi Mall matched dollar-for-dollar to fulfil these kids' wishes.

In our Music with a Heart event, while shoppers had fun 'jumping' on the giant piano, The Clementi Mall donated S\$5 to Beyond Social



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- 21 Charity spin event at Paragon's atrium
- 22 Shopping spree at GIORDANO for kids from Beyond Social Services
- 23 Boy from Beyond Social Services getting a haircut from EC House Express Cut
- 24 Kids from Beyond Social Services enjoying a meal at KFC
- 25 Boy jumping on the giant piano for charity

Services each time a shopper successfully played a complete short tune.

During the Chinese New Year period, 10 kids from Beyond Social Services were treated to a delightful meal at KFC, followed by a complimentary

hair cut from EC House Express Cut. The kids also enjoyed a shopping spree at GIORDANO to pick up some new clothes.

In the coming year, SPH REIT targets to achieve one CSR component in at least one of our major campaigns.

Sustainability Report

ENERGY AND WATER USAGE

In response to the global call for climate action, the real estate sector is moving towards sustainable practices on the efficient use of electricity and water to reduce building impact on human health and the environment.

SPH REIT has established monitoring and review mechanisms to evaluate our environmental performance and policies. Every year, electricity and water consumption levels are reported to the respective statutory boards for national benchmarking and planning. Building enhancements are consistently reviewed for operational improvements and environmental impact. We also promote green procurement practices, preferring environmentally sustainable vendors with ISO 140001, ISO 50001 certification or carrying a "Green Label" by certification institutions like Singapore Green Label, Energy Star or Forest Stewardship Council. In this way, we integrate sustainability into

our value chain and better manage our external environmental footprint.

Paragon and The Clementi Mall also continuously seek opportunities to improve our energy and water efficiency. Following last year's initiative on the upgrading of the air-conditioning plant to a more efficient machine, Paragon obtained the Green Mark Certified Award by the Building & Construction Authority ("BCA") in May 2018.

The Clementi Mall embarked on green improvement works last year and completed them in July 2018. In addition, The Clementi Mall has achieved BCA's Green Mark Gold Certification in October 2018. The efforts in better managing the energy usage has shown a downward trend in the electricity consumption and greenhouse gas ("GHG") emissions in the past years.^(c)

In the next year, we will continue to optimise our energy consumption

and target to reduce our energy intensity. We plan to explore the use of renewable energy where possible, and review operational practices, such as the length of pre-cooling hours before tenants' opening hours.

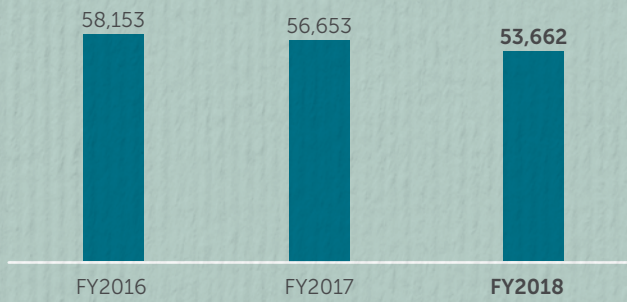
Both Paragon and The Clementi Mall are also certified under the Public Utilities Board's ("PUB") Water Efficient Building ("WEB") Certification Programme. This signifies that these buildings have been installed with approved water efficient fittings and adopted WEB recommended flow rate and flow volumes. We also monitor water consumption closely to identify leaks and opportunities for improvement.

We plan to work with PUB to explore the possibility of using NEWater for non-potable use. We will continue to improve our monitoring infrastructure and cooling system to optimise water savings. In the coming year, we aim to maintain the current water intensity.

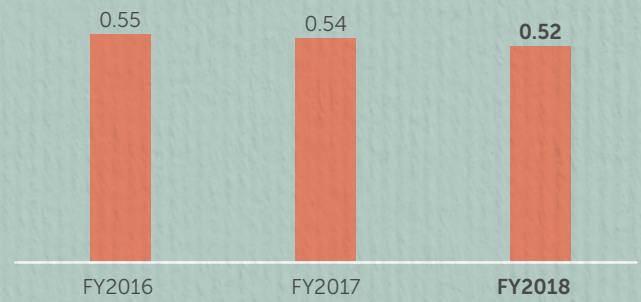
SPH REIT PROPERTY	ENVIRONMENTAL CERTIFICATIONS AND ACCOLADES
PARAGON	<ul style="list-style-type: none"> • Green Mark Certified Award, BCA • Water Efficient Building, PUB
THE CLEMENTI MALL	<ul style="list-style-type: none"> • Green Mark Gold Award, BCA • Water Efficient Building, PUB

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

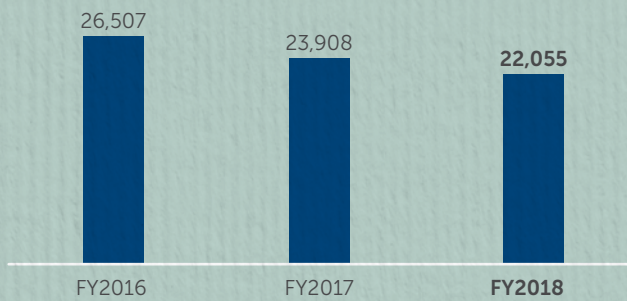
Total Energy Consumption (MWh)



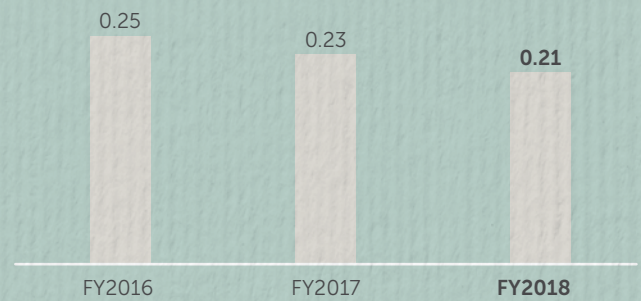
Average Energy Intensity (MWh/m²)



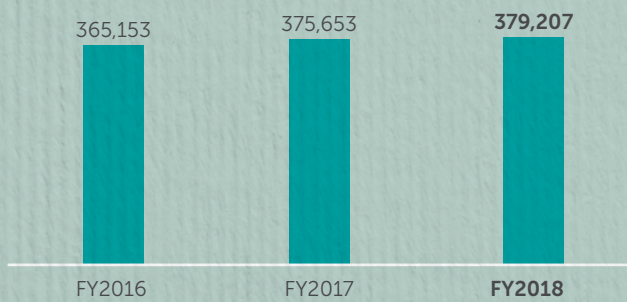
Total GHG Emissions (tonnes of CO₂e)



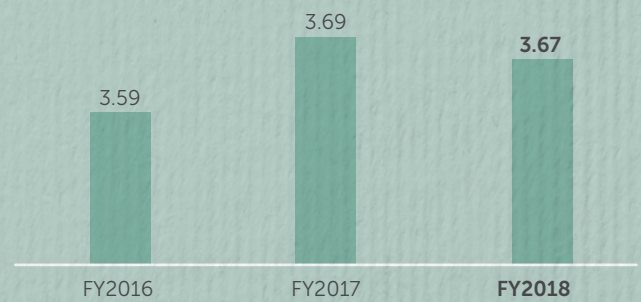
Average GHG Intensity (tonnes of CO₂e/m²)



Total Water Consumption (m³)



Average Water Intensity (m³/m²)



Sustainability Report

THE WAY AHEAD

We believe that sustainability offers bountiful opportunities for us to bring value to our stakeholders, and we are excited to embark on this journey of discovery. While we recognise that we may be taking the first steps, we know that as property owners, we are in a good position to partner with our stakeholders to create positive impact, and look forward to doing so.

ABOUT THIS REPORT

This is SPH REIT's inaugural sustainability report. This report summarises the sustainability approach and performance of the listed entity, SPH REIT and two of our properties, Paragon and The Clementi Mall. The reporting period is from 1st September 2017 to 31st August 2018 ("FY2018").

This report is aligned with the reporting requirements of Singapore Exchange ("SGX") Listing Rules Practice Note 7.6 Sustainability Reporting Guide. This report is prepared with reference to the Global Reporting Initiative ("GRI") Standards (2016), and includes consideration of the GRI Construction and Real Estate Sector Disclosures. GRI Standards are selected as the reporting framework as they represent one of the global best practice guides for reporting on Environmental, Social and Governance ("ESG") factors. This report references the following GRI Standards and topic-specific Disclosures:

- Disclosures 302-1 and 302-3 from GRI 302: Energy 2016

- Disclosure 303-1 GRI 303: Water 2016
- Disclosures 305-2 and 305-4 from GRI 305 Emissions 2016
- Disclosure 413-1 from GRI 413: Local Communities 2016

MATERIALITY ASSESSMENT

A formal materiality assessment was conducted to identify ESG factors which have great impact on the business and are key concerns for our stakeholders. The assessment, facilitated by an external consultant, followed the GRI Principles of Materiality and Stakeholder Inclusiveness. The process started in 2016, with a Group-wide materiality workshop. The assessment considered the following aspects:

- Key organisational strategies and risks identified in the Enterprise Risk Management ("ERM") framework;
- Insights gained from regular day-to-day interactions with external stakeholders;

- Global and local emerging sustainability trends;
- Main topics and future challenges for the real estate sector, as identified by peers

The pool of potentially material ESG factors was then prioritised based on their relative importance to SPH REIT's business and our key stakeholders. In 2017 and 2018, SPH REIT further refined the material factors by considering sustainability concerns from the different perspectives of a REIT, REIT Managers and Property Managers. The selected material factors were also benchmarked with SPH REIT's peers. Eventually, three ESG factors were identified as material and approved by the Board.

FEEDBACK

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

Risk Management

RISK MANAGEMENT APPROACH AND PHILOSOPHY

Risk Management is an integral part of the culture of SPH REIT Management Pte Ltd (the “Manager”) and its Board of Directors (“Board”) is responsible for overseeing the establishment of the overall risk strategy and governance for the Manager and for SPH REIT. The Manager has put in place a continuous and iterative process for enhancing risk awareness which 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 accordingly oversees the proper implementation and maintenance of the risk management programme, and the management of the Manager is accountable to the ARC 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 SPH REIT unitholders’ assets as well as all stakeholders’ interests. The Manager’s risk management philosophy is to mitigate risk exposures by calibrating risk tolerance limits to acceptable levels while balancing the desire to achieve business plans and goals.

The Board Assurance Framework below illustrates how the Board obtains assurance on the adequacy and effectiveness of the Manager’s risk management and internal controls.

BOARD ASSURANCE FRAMEWORK					
ENTERPRISE RISK MANAGEMENT FRAMEWORK			ASSURANCE PROCESS		
<ul style="list-style-type: none"> • Risk Governance • Risk Culture • Risk Change Management 			<ul style="list-style-type: none"> • Map key risks to process • Map Key Controls to key risks • Identify Sources of Assurance (Including Lines of Defence) 		
Measure	Manage	Monitor	RISKS & CONTROL	Management’s Assurance	Independent Assurance
<ul style="list-style-type: none"> • Risk Parameters • Risk Assessment Process • Risk Inventory 	<ul style="list-style-type: none"> • Risk Mitigation Strategies • Risk Action Plans • Risk Registers 	<ul style="list-style-type: none"> • Risk Dashboard • Emerging Risks • Change to risk profiles due to: <ul style="list-style-type: none"> - Incidents - Audit findings 		<ul style="list-style-type: none"> • Policy Management • Fraud Risk Management • Auditing/ Monitoring 	<ul style="list-style-type: none"> • Internal Audit • External Audit • Compliance Audit

Risk Management

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

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

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

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

A robust internal control system is in place to address financial, opera-

tional, 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 to and functioning effectively 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 returns. 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 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 minimise the potential impact from disruptions to critical businesses, particularly 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 under 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/or fixed rate loan. A major portion of the S\$895 million loan is effectively 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, the Manager places its cash balances as well as establishes its debt facility with more than one reputable banks 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. Potential acquisitions are 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 minimise inadvertent contravention of applicable legislations and regulations, counterparty obligations and all contractual agreements. Quarterly reports on significant legal, regulatory and compliance matters are submitted to ARC for 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 for the proper management of personal data is in place to comply with the requirements of the Personal Data Protection Act.

FRAUD RISKS

The Manager has in place a Code of Business Ethics and Employee Conduct (Code of Conduct) which states that the organisation does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work. The Code of Conduct covers areas such as fraud, business and workplace behaviour, 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 all material aspects. 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 Directory page of this Annual Report.

Corporate Governance

Board and Board Committee Attendance

The Board meets on a quarterly basis and as warranted by particular circumstances. Five Board meetings were held in the financial year ended 31 August 2018 ("FY2018") 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 94. 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.

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 FY2018, Directors were provided with briefing and training in the areas of corporate governance, regulatory compliance, essentials of audit and remuneration committee. Directors were also provided with training in the areas of design thinking, innovation, cybersecurity and insights into the REITs industry.

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-independent non-executive Directors. Each Director has been appointed on the strength of his/her calibre and experience.

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

Corporate Governance

On 11 October 2018, the NRC adopted the Board Diversity Policy. Under this policy, NRC will review the relevant objectives for promoting and achieving diversity on the Board and make recommendations for approval by the Board. NRC will review this Policy as appropriate.

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 and the Securities and Futures (Licensing and Conduct of Business) Regulations.

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

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

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

The NRC administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members. In addition, as part of regulatory requirements, MAS also gives approval for any change of the CEO or of any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

Corporate Governance

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

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

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

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

The 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.

Corporate Governance

Review of Directors' Independence

The NRC reviews annually whether a Director is considered an independent director based on the 2012 Code and the Securities and Futures (Licensing and Conduct of Business) Regulations. An independent director is one who is independent from (i) management or business relationships with the Manager and SPH REIT; and (ii) every substantial shareholder of the Manager and substantial unitholder of SPH REIT. The NRC and the Board have established a process for assessing the independence of Directors. As part of the process, each of the relevant non-executive Directors is required to confirm, upon appointment, as well as on an annual basis, that there are no material relationships which would render him or her non-independent. The confirmations are reviewed by the Board during which the Board also considers the Directors' respective contributions at Board meetings. The NRC has ascertained that for the period under review, four of the independent Directors, namely Dr Leong Horn Kee, Mr Soon Tit Koon, Mr David Chia and Ms Rachel Eng, are independent and that all Directors have devoted sufficient time and attention to the Manager's affairs. There are no relationships or circumstances which affect or would be likely to affect the judgment of the independent Directors, and their ability to discharge their responsibilities as independent Directors of the Board. None of the independent Directors have served on the Board for more than nine years from the date of first appointment.

Ms Eng stepped down on 26 September 2018 and Ms Hoo Sheau Farn was appointed as Director on 26 September 2018.

The NRC and the Board had evaluated the independence of Ms Hoo prior to her appointment, on the following grounds and mitigation factors:

- (a) Ms Hoo declared that Allen & Gledhill LLP ("A&G"), in which she is a partner, had received payments from SPH Group for legal services, which was not substantive in relation to A&G's total earnings. In light of Ms Hoo's declaration, the Board assessed Ms Hoo as being independent because she was not directly involved in any of the matters which were handled by A&G;
- (b) Ms Hoo has less than 5% share in A&G;
- (c) The Chairman of the NRC and the Board Chairman met up with Ms Hoo. The two Chairmen assessed Ms Hoo as possessing the integrity of character to be an independent director and would raise any issues and contribute her views for the sole benefit of the Manager and SPH REIT;
- (d) Ms Hoo acknowledged and confirmed that she would declare to the Board any potential conflicts of interest that she or A&G may have in any matter involving the Manager and SPH REIT; and
- (e) The NRC and the Board would review Ms Hoo's independence annually or as and when necessary.

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.

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

Corporate Governance

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 FY2018, the Questionnaire on the performance of the Board and Board Committees was reviewed in accordance with the best practices on board evaluation. The performance of the Board was reviewed as a whole, taking into account the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with the Management.

Individual Director Evaluation

As of FY2018, 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 FY2018 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 provision of complete, adequate and timely information is critical for the Board to be effective in discharging its duties.

The Board is provided with monthly and quarterly reports encompassing management reports, financial statements, progress reports of SPH REIT's business operations, as well as analysts' reports. The quarterly results announcement and annual budget are presented to the Board for approval. Financial results are compared against prior year as well as budgets, together with explanations given for significant variances for the relevant period. The Board also receives regular updates regarding industry and technological developments. Such reports enable Directors to keep abreast of issues and developments in the industry, as well as challenges and opportunities for SPH REIT.

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

Corporate Governance

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.

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

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.

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

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

1. review and recommend to the Board a framework of remuneration for the Board, CEO and key executives;
2. review and recommend to the Board the specific remuneration packages for each director, the CEO and key executives;
3. review and administer the share and other incentive scheme(s) adopted by the Manager and 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.

Corporate Governance

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

1. Unitholder alignment: to ensure that performance measures are aligned to Unitholders' interest;
2. Alignment with performance: variable compensation takes into account financial performance and achievement of non-financial goals; and
3. Competitiveness: Employees receive compensation and benefits packages, which are reviewed annually and benchmarked to the external market.

The NRC has considered the remuneration policies and practices of the Manager's holding company, Singapore Press Holdings Limited ("SPH"), and believes that these are transparent and suitable for adoption by the Manager taking into account the circumstances of the Manager and SPH and its subsidiaries as well as the benefits of tapping into SPH's compensation framework. In its decision to adopt the remuneration policies and practices of SPH, the NRC took into account that the framework of remuneration for the Board and key executives should not be taken in isolation; it should be linked to the building of management strength and the development of key executives. 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.

Name	Board Member	Audit & Risk Committee	Nominating & Remuneration Committee	Total Fees
	S\$	S\$	S\$	S\$
Leong Horn Kee	70,000 (Chairman)	–	7,000	77,000
Soon Tit Koon	40,000	20,000 (Chairman)	7,000	67,000
David Chia Chay Poh	40,000	13,000	12,000 (Chairman)	65,000
Rachel Eng Yaag Ngee	40,000	13,000	7,000	60,000
Ng Yat Chung*	40,000	–	7,000	47,000
Anthony Mallek*	40,000	–	7,000	47,000
Ginney Lim May Ling*	40,000	–	7,000	47,000
Total Fees	310,000	46,000	54,000	410,000

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

Corporate Governance

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

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the CFO during FY2018.

No employee of the Manager was an immediate family member of a Director or the CEO and whose remuneration exceeded \$50,000 during FY2018. "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.

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

The 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 (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives; (ii) the disclosure of the remuneration of at least the top five key executive officers (who are neither Directors nor the CEO) in bands of \$250,000, with a breakdown (in percentage or dollar terms) of each key executive officer's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives; and (iii) the aggregate total remuneration paid to the top five key executive officers (who are neither Directors nor the CEO). In the event of non-disclosure, the Manager is required to give reasons for such non-disclosure.

Corporate Governance

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, 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 announces SPH REIT's quarterly and full-year financial results which present a balanced, clear and informed assessment of its performance, position and prospects through public announcements and through the SGXNET.

The Manager conforms to a set of guidelines to ensure full 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.

The Management recognizes the importance of providing the Board with accurate and relevant information on a timely basis. Hence the Manager provides the Board on a regular basis, with management reports that contain financial, business and operational information and such explanation and information as the Board may require from time to time. This enables the Board to make a balanced and informed assessment 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 and SPH REIT to ensure that the Manager maintains a sound system of risk management and internal controls to safeguard SPH REIT's assets and Unitholders' interests.

Corporate Governance

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

- (a) Oversee SPH REIT's and the Manager's risk exposure and risk management strategy;
- (b) Review and guide Management in the formulation of SPH REIT's and the Manager's risk policies and implementation of risk management assessment processes and mitigation strategies;
- (c) Review the report to the Board of risk management activities and performance, including whether key risks are managed within acceptable levels, breaches of any of key risk indicators and the corrective actions taken;
- (d) Review annually, or more often as required by the ARC, the adequacy and effectiveness of SPH REIT's and the Manager's risk management and internal control systems and processes, including those governing financial, operational, compliance and information technology risks, and
- (e) Report to the Board all significant risk matters and ARC's assessment of risk management performance on an annual basis.

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

Under the risk management framework, the Manager has implemented a systematic risk assessment process to identify significant risks, set relevant risk appetite, monitor risk exposure, and take risk mitigating measures when necessary. The Manager's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management Report" section on pages 76 to 77 of this Annual Report.

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

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

The CEO and CFO at each financial year-end will provide a letter of assurance to the Board on the integrity of the financial records/statements, as well as the adequacy and effectiveness of SPH REIT's risk management and internal control systems.

Corporate Governance

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

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and regular reviews performed by Management, CEO, CFO, the Board and ARC are of the opinion that the Manager's risk management systems and internal controls were adequate and effective as at 31 August 2018 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to SPH REIT's 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 whether or not the event 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 unforeseen events, 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 Hoo Sheau Farn.

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;
- (m) ensuring that the internal audit function is adequately resourced and has adequate support within the Company; and
- (n) overseeing the risk management function of the Manager to ensure the adequacy and effectiveness of risk management processes in safeguarding interest of SPH REIT.

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

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 FY2018 was S\$246,000, comprising fees paid for audit and non-audit services of S\$181,000 and S\$65,000 respectively.

Corporate Governance

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

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

During the financial year, the ARC reviewed the financial statements prior to endorsing and recommending their release to the Board. Management's assessment of fraud risks, adequacy of the whistle-blower arrangements and whistle-blower complaints are reviewed by the ARC.

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

In the review of the financial statements, the ARC had discussed with Management the accounting principles that applied and their judgment of items that affect the financial statements. This included a review of valuation of investment properties, a key audit matter ("KAM") identified by the external auditor in the audit report for the financial year ended 31 August 2018.

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

External Auditors

Details of the aggregate amount of fees paid to the external auditors for FY2018, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 91.

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.

Corporate Governance

Internal Audit

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

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

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

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

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

Unitholder Rights & 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.

Corporate Governance

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

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

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

SPH REIT targets to provide sustainable and progressive dividend payouts.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK COMMITTEE AND NOMINATING AND REMUNERATION COMMITTEE (for FY2018)

Directors' attendance at Board, Audit & Risk Committee and Nominating and Remuneration Committee meetings for the period from 01 September 2017 to 31 August 2018.

Name of Director	Board	Audit & Risk Committee	Nominating & Remuneration Committee
Leong Horn Kee (Board Chairman) (Appointed on 10 June 2013)	5 out of 5	–	2 out of 2
Soon Tit Koon (Audit & Risk Committee Chairman) (Appointed on 10 June 2013)	5 out of 5	4 out of 4	2 out of 2
David Chia Chay Poh (Nominating & Remuneration Committee Chairman) (Appointed on 10 June 2013)	5 out of 5	4 out of 4	2 out of 2
Rachel Eng Yaag Ngee (Appointed on 1 December 2015; stepped down on 26 September 2018)	5 out of 5	4 out of 4	2 out of 2
Ng Yat Chung (Appointed on 1 August 2017)	5 out of 5	–	2 out of 2
Anthony Mallek (Appointed on 1 March 2013)	5 out of 5	–	2 out of 2
Ginney Lim May Ling (Appointed on 10 June 2013)	5 out of 5	–	2 out of 2

Corporate Governance

Additional Information

Interested Person Transactions

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

In particular, the following procedures are in place:

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

The interested person transactions undertaken by the Manager in FY2018 which are subject to disclosure requirements under the SGX-ST Listing Manual can be found on page 148 of this Annual Report.

CONFLICTS OF INTEREST

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

- (a) The Manager will not manage any other real estate investment trust ("REIT") which invests in the same types of properties as SPH REIT.
- (b) All key executive officers work exclusively for the Manager and do not hold executive positions in other entities.
- (c) At least one-third of the Board comprises independent directors. The Chairman of the Board is an independent director.
- (d) All resolutions in writing of the Directors in relation to matters concerning SPH REIT must be approved by at least a majority of the Directors, including at least one independent Director.

Corporate Governance

- (e) In respect of matters in which the Sponsor (SPH) and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. For such matters, the quorum must comprise a majority of the independent directors of the Manager and must exclude nominee directors of the Sponsor and/or its subsidiaries. The Manager and the Property Manager (SPH Retail Property Management Services Pte Ltd) are indirect wholly-owned subsidiaries of the Sponsor.
- (f) There is a separation of the roles of CEO and Chairman to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.
- (g) Directors disclose promptly all interests in a transaction or proposed transaction to fellow Board members.
- (h) The independence of each Director is reviewed upon appointment, and thereafter annually. A Director who has no relationship with the Manager, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment is considered independent.
- (i) The ARC comprises three independent directors. Its Chairman is independent.
- (j) All matters relating to interested person transactions are conducted in accordance with the procedures set out in the section on 'Interested Person Transactions'.

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

FEES PAYABLE TO THE MANAGER

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

The Manager is entitled to the following fees:

Base Fee

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

Corporate Governance

Performance Fee

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

Acquisition Fee

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

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

Divestment Fee

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

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

Financial Statements

For the financial year ended 31 August 2018

Contents

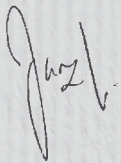
99	Report of the Trustee
100	Statement by the Manager
101	Independent Auditors' Report
105	Statement of Financial Position
106	Statement of Total Return
107	Distribution Statement
108	Statement of Changes in Unitholders' Funds
109	Statement of Cash Flows
110	Portfolio Statement
112	Notes to the Financial Statements

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 supplemented by the First Supplemental Deed on 7 November 2016 and Second Supplemental Deed on 6 January 2017 between the Manager and the Trustee in each annual accounting year and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the financial year covered by these financial statements, set out on pages 105 to 145 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



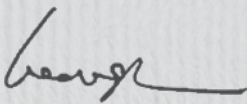
Jane Lim
Director

Singapore
11 October 2018

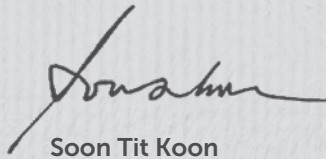
Statement by the Manager

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 105 to 145, 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 2018, 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



Soon Tit Koon
Director

Singapore
11 October 2018

Independent Auditors' Report

To the Unitholders of SPH REIT

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

Opinion

We have audited the financial statements of SPH REIT (the "Trust"), which comprise the Statement of Financial Position and Portfolio Statement of the Trust as at 31 August 2018, the Statement of Total Return, Distribution Statement, 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 105 to 145.

In our opinion, the accompanying financial statements of the Trust present fairly, in all material respects, the financial position and portfolio holdings of the Trust as at 31 August 2018 and the total return, distributable income, changes in unitholders' funds and cash flows of the Trust for the year then ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties

(Refer to Note 5 and 22(f) to the financial statements)

Risk:

Investment properties represent the single largest category of assets on the balance sheet, at S\$3.4 billion as at 31 August 2018.

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

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

Independent Auditors' Report

To the Unitholders of SPH REIT

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

Our response:

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

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

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

Our findings:

The valuer is a member of recognised professional bodies for valuers and have confirmed their own independence in carrying out their work.

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

Other information

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

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

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

Independent Auditors' Report

To the Unitholders of SPH REIT

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

Responsibilities of the Manager for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' Report

To the Unitholders of SPH REIT

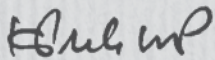
(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 9 July 2013)

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lee Sze Yeng.



KPMG LLP

Public Accountants and Chartered Accountants

Singapore

11 October 2018

Statement of Financial Position

As at 31 August 2018

	Note	2018 S\$'000	2017 S\$'000
Non-current assets			
Plant and equipment	4	682	843
Investment properties	5	3,368,300	3,278,000
		3,368,982	3,278,843
Current assets			
Intangible asset	6	–	1,500
Trade and other receivables	7	3,087	3,353
Cash and cash equivalents	8	35,965	63,005
		39,052	67,858
Total assets		3,408,034	3,346,701
Non-current liabilities			
Borrowings	9	683,261	528,004
Derivative financial instruments	10	2,814	7,365
Trade and other payables	11	32,622	30,147
		718,697	565,516
Current liabilities			
Borrowings	9	209,813	319,423
Derivative financial instruments	10	–	621
Trade and other payables	11	40,577	40,081
		250,390	360,125
Total liabilities		969,087	925,641
Net assets attributable to Unitholders		2,438,947	2,421,060
Represented by:			
Unitholders' funds		2,438,947	2,421,060
Units in issue ('000)	13	2,571,845	2,556,106
Net asset value per unit (\$)		0.95	0.95

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

Statement of Total Return

For the financial year ended 31 August 2018

	Note	2018 S\$'000	2017 S\$'000
Gross revenue	15	211,802	212,756
Property operating expenses	16	(45,806)	(44,668)
Net property income		165,996	168,088
Income support		624	1,186
Amortisation of intangible asset	6	(624)	(1,186)
Write down of intangible asset	6	(876)	(4,349)
Manager's management fees	17	(16,688)	(16,708)
Trustee's fees		(487)	(483)
Other trust expenses	18	(1,133)	(1,096)
Finance income		778	744
Finance costs	19	(24,506)	(23,944)
Net income		123,084	122,252
Fair value change on investment properties	5	14,772	34,904
Total return for the year before taxes and distribution		137,856	157,156
Less: income tax	20	–	–
Total return for the year after taxes and before distribution		137,856	157,156
Earnings per unit (cents)			
Basic and diluted	21	5.36	6.14

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

Distribution Statement

For the financial year ended 31 August 2018

	2018 S\$'000	2017 S\$'000
Income available for distribution to Unitholders at beginning of the year	38,304	37,916
Net income	123,084	122,252
Add: Net tax adjustments (Note A)	19,226	18,976
Total income available for distribution to Unitholders for the year	180,614	179,144
Distribution to Unitholders		
– Distribution of 1.41 cents per unit for the period from 1 June 2016 to 31 August 2016	–	(35,909)
– Distribution of 1.34 cents per unit for the period from 1 September 2016 to 30 November 2016	–	(34,182)
– Distribution of 1.40 cents per unit for the period from 1 December 2016 to 28 February 2017	–	(35,743)
– Distribution of 1.37 cents per unit for the period from 1 March 2017 to 31 May 2017	–	(35,006)
– Distribution of 1.42 cents per unit for the period from 1 June 2017 to 31 August 2017	(36,297)	–
– Distribution of 1.34 cents per unit for the period from 1 September 2017 to 30 November 2017	(34,380)	–
– Distribution of 1.40 cents per unit for the period from 1 December 2017 to 28 February 2018	(35,947)	–
– Distribution of 1.37 cents per unit for the period from 1 March 2018 to 31 May 2018	(35,205)	–
	(141,829)	(140,840)
Income available for distribution to Unitholders at end of the year	38,785	38,304

Note A – Net tax adjustments

Non-tax deductible items:

– Manager's management fees	16,688	14,308
– Trustee's fees	487	483
– Amortisation of intangible asset	624	1,186
– Amortisation of upfront fee for loan facility	1,552	1,540
– Other items	(125)	1,459
Net tax adjustments	19,226	18,976

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

Statement of Changes in Unitholders' Funds

For the financial year ended 31 August 2018

	2018 S\$'000	2017 S\$'000
Balance as at beginning of year	2,421,060	2,388,532
Operations		
Total return for the year	137,856	157,156
Hedging reserve		
Effective portion of changes in fair value of cash flow hedges [Note 12]	5,172	1,904
Unitholders' transactions		
Distribution to unitholders	(141,829)	(140,840)
Manager's fee paid/payable in units	16,688	14,308
	(125,141)	(126,532)
Balance as at end of year	2,438,947	2,421,060

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

Statement of Cash Flows

For the financial year ended 31 August 2018

	2018 S\$'000	2017 S\$'000
Cash flows from operating activities		
Total return for the year	137,856	157,156
Adjustments for:		
Fair value change on investment properties	(14,772)	(34,904)
Manager's fee paid/payable in units	16,688	14,308
Depreciation of plant and equipment	212	211
Finance income	(778)	(744)
Finance costs	24,506	23,944
Amortisation of intangible asset	624	1,186
Write down of intangible asset	876	4,349
Straight-line rental adjustments	(251)	–
Operating cash flow before working capital changes	164,961	165,506
Changes in operating assets and liabilities		
Trade and other receivables	478	2,475
Trade and other payables	(599)	(2,781)
Net cash from operating activities	164,840	165,200
Cash flows from investing activities		
Acquisition of investment property	(65,081)	–
Additions to investment properties	(6,911)	(7,027)
Purchase of plant and equipment	(24)	(45)
Interest received	817	803
Net cash used in investing activities	(71,199)	(6,269)
Cash flows from financing activities		
Payment of transaction costs related to borrowing	(860)	(18)
Proceeds from bank loan (net of transaction costs)	44,933	–
Distribution to unitholders	(141,829)	(140,840)
Interest paid	(22,925)	(22,450)
Net cash used in financing activities	(120,681)	(163,308)
Net decrease in cash and cash equivalents	(27,040)	(4,377)
Cash and cash equivalents at beginning of the year	63,005	67,382
Cash and cash equivalents at end of the year	35,965	63,005

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

Portfolio Statement

For the financial year ended 31 August 2018

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
The Rail Mall ¹	380 to 400 & 422 to 484 (Even Nos) Upper Bukit Timah Road, Singapore 678040 to 678050 & 678051 to 678087	Leasehold	99 years, commencing on 18 March 1947

Portfolio of investment properties

Other assets and liabilities (net)

Unitholders' funds

The carrying amount of the investment properties were based on independent valuations as at 31 August 2018 and 31 August 2017 conducted by Edmund Tie & Company (SEA) Pte Ltd ("ETC") and Jones Lang LaSalle Property Consultants Pte Ltd ("JLL") respectively. ETC has appropriate professional qualifications and experience in the locations and category of the properties being valued. The valuations of the investment properties were based on the discounted cash flow and capitalisation methods. The net change in fair value has been recognised in the Statement of Total Return.

¹ The acquisition of The Rail Mall was completed on 28 June 2018.

Portfolio Statement

For the financial year ended 31 August 2018

Remaining Term of Lease 31 August 2018	Occupancy Rate as at 31 August		At Valuation 31 August		Percentage of Unitholders' funds 31 August	
	2018 (%)	2017 (%)	2018 S\$'000	2017 S\$'000	2018 (%)	2017 (%)
94 years	99.6	100.0	2,719,000	2,695,000	111	111
91 years	100.0	100.0	586,000	583,000	24	24
28 years	94.8	–	63,300	–	3	–
			3,368,300	3,278,000	138	135
			(929,353)	(856,940)	(38)	(35)
			2,438,947	2,421,060	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 2018

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

1. GENERAL INFORMATION

SPH REIT (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 9 July 2013 supplemented by the First Supplemental Deed on 7 November 2016 and Second Supplemental Deed on 6 January 2017 (the "Trust Deed") between SPH REIT Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it in trust for the holders ("Unitholders") of units in the Trust (the "Units").

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

The principal activity of the Trust 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. The Management fees payable in units will be computed at the volume weighted average price for a unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the end date of the relevant financial quarter, to which such fees relate. The base fees are payable quarterly in arrears. The annual performance fees are payable annually in arrears.

Notes to the Financial Statements

For the financial year ended 31 August 2018

1. GENERAL INFORMATION (CONT'D)

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

For the period from 24 July 2013 (listing date) to 28 February 2017 and from 1 September 2017 to 31 August 2018, the Manager has elected to receive 100% of management fees in units.

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

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

(c) Property Manager's management fees

(i) Property management fees

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

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

The property management fees are payable to the Property Manager in the form of cash and/or units. For the period from 24 July 2013 (listing date) to 31 August 2018, the property management fees are paid in cash.

(ii) Project management fees

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

Notes to the Financial Statements

For the financial year ended 31 August 2018

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 following are the new or revised FRS that are relevant to the Trust:

- Amendments to FRS 7 *Statement of Cash Flows – Disclosure Initiative*

From 1 September 2017, as a result of the amendments to FRS 7, the Trust has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 August 2018 (see note 9). Comparative information has not been presented.

The adoption of the above new or amended FRS has not resulted in any substantial changes to the Trust's accounting policies nor has any significant impact on these financial statements.

The Trust's financial statements are prepared on a going concern basis. As at 31 August 2018, the net current liabilities are primarily due to certain bank loans due on 2019. The Trust is in the process of reviewing refinancing options for the loans. Refer to note 9 – Borrowings.

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

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

(b) Functional and presentation currency

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

(c) Currency translation

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the 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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investment properties

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

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

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

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

(e) Plant and equipment

(i) Measurement

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

(ii) Depreciation

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

Plant and equipment	3 – 10 years
---------------------	--------------

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each 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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Plant and equipment (Cont'd)

(iii) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the 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.

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

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (Cont'd)

(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.

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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 twelve months, and as a current asset or liability if the remaining expected life of the hedged item is less than twelve months.

(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 derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of total return.

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Fair value estimation of financial assets and liabilities

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

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

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

(k) Impairment of non-financial assets

- Intangible asset
- Plant and equipment

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income taxes (Cont'd)

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

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

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

A "Qualifying Unitholder" is a Unitholder who is:

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

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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 twelve months after the reporting date, in which case they are presented as non-current liabilities.

Notes to the Financial Statements

For the financial year ended 31 August 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Trade and other payables

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

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

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

(s) Provisions

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

(t) Operating leases – as a lessor

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

(u) Segment reporting

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

Information about assumptions and estimation uncertainties 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).

Notes to the Financial Statements

For the financial year ended 31 August 2018

4. PLANT AND EQUIPMENT

	2018 S\$'000	2017 S\$'000
Cost		
Beginning of financial year	1,522	1,447
Additions	51	105
Disposals/Write-offs	–	(30)
End of financial year	1,573	1,522
Accumulated depreciation		
Beginning of financial year	679	497
Depreciation charge	212	211
Disposals/Write-offs	–	(29)
End of financial year	891	679
Net book value		
Beginning of financial year	843	950
End of financial year	682	843

5. INVESTMENT PROPERTIES

	2018 S\$'000	2017 S\$'000
Beginning of financial year	3,278,000	3,230,000
Acquisition of investment property ¹	65,955	–
Additions	9,573	13,096
Fair value change	14,772	34,904
End of financial year	3,368,300	3,278,000

¹ Included acquisition fees and acquisition related expenses of S\$2.717 million.

The fair value of the investment properties as at the reporting date was stated based on independent professional valuations by Edmund Tie & Company (SEA) Pte Ltd (2017: Jones Lang LaSelle Property Consultants Pte. Ltd.). In determining the fair value, the valuers have used discounted cash flow analysis and capitalisation approach. The discounted cash flow analysis involves an assessment of the annual net income streams over an assumed investment horizon and discounting these net income streams with an internal rate of return. The capitalisation approach estimates the gross rent income at a mature sustainable basis from which total expenses have been deducted and net income capitalised at an appropriate rate. Details of valuation techniques and inputs used are disclosed in Note 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\$2,719 million (2017: S\$2,695 million), is mortgaged to banks as security for the term loan [Note 9].

Notes to the Financial Statements

For the financial year ended 31 August 2018

6. INTANGIBLE ASSET

	2018 S\$'000	2017 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	16,000	10,465
Amortisation	624	1,186
Write down of intangible asset	876	4,349
End of financial year	17,500	16,000
Carrying amounts		
Beginning of financial year	1,500	7,035
End of financial year	–	1,500

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

The income support was provided for five years from listing date on 24 July 2013 and ended on 23 July 2018. The total amount drawn for the five years was S\$12.2 million. The write down of intangible asset in 2018 and 2017 arose due to a lower amount of income support drawdown as a result of better performance of The Clementi Mall.

7. TRADE AND OTHER RECEIVABLES

	2018 S\$'000	2017 S\$'000
Trade receivables from non-related parties	1,416	2,257
Amount owing by related parties	540	319
Other receivables	756	549
Deposits	179	65
Accrued interest	14	53
Prepayments	182	110
	3,087	3,353

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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

8. CASH AND CASH EQUIVALENTS

	2018 S\$'000	2017 S\$'000
Cash held as fixed bank deposit	18,000	50,000
Cash and bank balances	17,965	13,005
	35,965	63,005

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 2.22% (2017: 0% to 0.93%) 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 1.16% to 1.83% (2017: 0.48% to 1.60%) per annum.

9. BORROWINGS

	2018 S\$'000	2017 S\$'000
Secured term loan	895,000	850,000
Less: Unamortised transaction costs	(1,926)	(2,573)
	893,074	847,427
Borrowing repayable:		
Within 1 year	209,813	319,423
Between 1 – 5 years	683,261	528,004
	893,074	847,427

SPH REIT's secured term loan amounted to S\$895 million (2017: S\$850 million). As at the reporting date, the amount of S\$893.1 million (2017: S\$847.4 million) represented the loan stated at amortised cost. The loan has various repayment dates, of which S\$210 million is repayable in July 2019, S\$280 million in July 2020, S\$45 million in June 2021, S\$170 million in July 2021, S\$135 million in March 2022 and S\$55 million in July 2022.

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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

9. BORROWINGS (CONT'D)

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 2018, fixed rate loan and loans hedged with interest rate swaps amounted to S\$625 million (2017: S\$730 million). The fixed interest rates were from 1.44% to 2.65% (2017: 1.44% to 2.65%) 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 was 2.85% (2017: 2.82%) per annum.

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

	Borrowings S\$'000	Trade and other payables S\$'000	Total S\$'000
Beginning of financial year	847,427	70,228	917,655
Changes from financing cash flows			
Payment of transaction costs related to borrowing	(838)	–	(838)
Proceeds from bank loans (net of transaction costs)	44,933	–	44,933
Interest paid	–	(22,925)	(22,925)
Total changes from financing activities	44,095	(22,925)	21,170
Other changes			
Liability-related			
Finance costs	–	22,936	22,936
Amortisation of transaction costs	1,552	–	1,552
Changes in working capital	–	2,960	2,960
End of financial year	893,074	73,199	966,273

Notes to the Financial Statements

For the financial year ended 31 August 2018

10. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount S\$'000	Fair value amount* S\$'000
2018		
Non-current liabilities		
Cash flow hedge		
– Interest-rate swaps	375,000	(2,814)
2017		
Non-current liabilities		
Cash flow hedge		
– Interest-rate swaps	280,000	(7,365)
Current liabilities		
Cash flow hedge		
– Interest-rate swaps	170,000	(621)

The notional principal amounts of the outstanding interest rate swap contracts and their corresponding fair values as at 31 August 2018 are:

	2018 S\$'000	2017 S\$'000
Notional due:		
Within 1 year	–	170,000
Between 1 – 5 years	375,000	280,000
Total	375,000	450,000

* 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 2018

11. TRADE AND OTHER PAYABLES

	2018	2017
	S\$'000	S\$'000
Non-current		
Deposits received	32,622	30,147
Current		
Trade payable to non-related parties	347	383
Amount owing to related parties	2,373	2,614
Other payables	7,458	9,507
Accrued expense	6,600	6,342
Interest payable	2,509	2,499
Deposits received	18,572	16,723
Collections in advance	2,718	2,013
	40,577	40,081

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

12. HEDGING RESERVE

	2018	2017
	S\$'000	S\$'000
Beginning of financial year	7,986	9,890
Fair value change	(1,422)	3,620
Transferred to finance costs	(3,750)	(5,524)
End of financial year	2,814	7,986

Notes to the Financial Statements

For the financial year ended 31 August 2018

13. UNITS IN ISSUE

	2018 '000	2017 '000
Units in issue		
Beginning of financial year	2,556,106	2,546,703
Issue of new units:		
– Manager's fee paid in units	15,739	9,403
End of financial year	2,571,845	2,556,106

During the financial year, the Trust issued 15,739,303 (2017: 9,402,702) new units at the issue price range of S\$0.9756 to S\$1.0377 (2017: S\$0.9468 to S\$0.9882 per unit), in respect of the payment of management fees to the Manager in units. The issue prices were determined based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for the last 10 business days of the relevant quarter on which the fees accrued.

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

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

The restrictions of a Unitholder include the following:

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

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

Notes to the Financial Statements

For the financial year ended 31 August 2018

14. CAPITAL AND OTHER COMMITMENTS

(a) Commitments for capital expenditure

	2018	2017
	S\$'000	S\$'000
Authorised and contracted for – Investment properties	1,205	3,475

(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:

	2018	2017
	S\$'000	S\$'000
Within 1 year	187,868	184,029
Between 1 – 5 years	199,760	228,493
	387,628	412,522

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

	2018	2017
	S\$'000	S\$'000
Rental income	202,498	203,644
Car park income	6,305	6,462
Other income	2,999	2,650
	211,802	212,756

Notes to the Financial Statements

For the financial year ended 31 August 2018

16. PROPERTY OPERATING EXPENSES

	2018	2017
	S\$'000	S\$'000
Property tax	19,027	18,368
Maintenance and utilities	11,480	10,507
Property management fees	8,590	8,674
Marketing	3,579	4,135
Staff cost	2,626	2,511
Others	504	473
	45,806	44,668

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

17. MANAGER'S MANAGEMENT FEES

	2018	2017
	S\$'000	S\$'000
Base fee	8,401	8,304
Performance fee	8,287	8,404
	16,688	16,708

18. OTHER TRUST EXPENSES

	2018	2017
	S\$'000	S\$'000
Trust's auditors		
– audit fees	181	178
– non-audit fees	55	70
Valuation expense	75	68
Consultancy and other professional fees	391	278
Other expenses	431	502
	1,133	1,096

Notes to the Financial Statements

For the financial year ended 31 August 2018

19. FINANCE COSTS

	2018 S\$'000	2017 S\$'000
Interest on borrowing	22,936	22,386
Amortisation of upfront fee for loan facility	1,552	1,540
Other financial expenses	18	18
	24,506	23,944

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:

	2018 S\$'000	2017 S\$'000
Total return for the year	137,856	157,156
Tax calculated at tax rate of 17%	23,436	26,717
Expenses not deductible for tax purposes	3,268	3,226
Income not subject to tax due to tax transparency	(24,193)	(24,009)
Fair value change on investment properties	(2,511)	(5,934)
	-	-

21. EARNINGS PER UNIT

Basic and diluted Earnings per Unit are based on:

	2018	2017
Total return for the year after tax (S\$'000)	137,856	157,156
Weighted average number of Units ('000)	2,571,862	2,557,160
Basic and diluted Earnings per Unit (cents)	5.36	6.14

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

Notes to the Financial Statements

For the financial year ended 31 August 2018

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 measures 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.

Movements in interest rates will therefore have an impact on the Trust. If the interest rate change by 0.50% (2017: 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
2018				
Borrowings	(1,350)	1,350	–	–
Interest rate swap	–	–	3,829	(3,896)
	(1,350)	1,350	3,829	(3,896)
2017				
Borrowings	(600)	600	–	–
Interest rate swap	–	–	4,263	(4,343)
	(600)	600	4,263	(4,343)

Notes to the Financial Statements

For the financial year ended 31 August 2018

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(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 2018 and 31 August 2017, 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.

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

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

	2018	2017
	S\$'000	S\$'000
Past due 1 to 30 days	1,094	1,427
Past due 31 to 60 days	21	68
Past due 61 to 90 days	67	470
Past due over 90 days	234	292
	1,416	2,257

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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(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
2018				
Net-settled interest rate swap	(2,209)	(866)	35	–
Trade and other payables	(37,859)	(17,499)	(15,123)	–
Borrowing	(231,051)	(296,379)	(416,869)	–
	(271,119)	(314,744)	(431,957)	–
2017				
Net-settled interest rate swap	(4,446)	(2,450)	(1,548)	–
Trade and other payables	(38,068)	(9,195)	(20,952)	–
Borrowing	(335,926)	(135,710)	(415,456)	–
	(378,440)	(147,355)	(437,956)	–

Notes to the Financial Statements

For the financial year ended 31 August 2018

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the 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
2018					
Financial Liabilities					
Interest rate swaps	2,814	–	2,814	–	(2,814)
2017					
Financial Liabilities					
Interest rate swaps	7,986	–	7,986	–	(7,986)

(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 45% of the fund's deposited property.

As at reporting date, the Trust has a gearing of 26.3% (2017: 25.4%), and is in compliance with the Aggregate Leverage limit of 45% (2017: 45%).

Notes to the Financial Statements

For the financial year ended 31 August 2018

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(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
2018				
Assets				
Investment properties	–	–	3,368,300	3,368,300
Liabilities				
Derivative financial instruments	–	(2,814)	–	(2,814)
2017				
Assets				
Investment properties	–	–	3,278,000	3,278,000
Liabilities				
Derivative financial instruments	–	(7,986)	–	(7,986)

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.

Notes to the Financial Statements

For the financial year ended 31 August 2018

22. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Fair value measurements (Cont'd)

Fair value hierarchy (Cont'd)

<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 6.50% – 8.00% (2017: 7.50%)	Significant reduction in the capitalisation rate, discount rate and/or terminal yield in isolation would result in a significantly higher fair value of the investment properties
		Terminal Yield 4.00% – 6.50% (2017: 4.00% – 5.05%)	
	Income capitalisation	Capitalisation rate 3.75% to 6.00% (2017: 3.75% to 4.80%)	

Key unobservable inputs correspond to:

- Discount rate, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class;
- Terminal yield reflects the uncertainty, functional/economic obsolescence and the risk associated with the investment properties; and
- Capitalisation rate correspond to a rate of return on investment properties based on the expected income that the property will generate.

Movement in Level 3 financial instruments for the financial year is as shown in investment properties [Note 5].

Fair value

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

Notes to the Financial Statements

For the financial year ended 31 August 2018

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
2018				
Assets				
Trade and other receivables excluding non-financial instruments	2,905	–	–	2,905
Cash and cash equivalents	35,965	–	–	35,965
	38,870	–	–	38,870
Liabilities				
Trade and other payables excluding non-financial instruments	–	–	(70,481)	(70,481)
Borrowing	–	–	(893,074)	(893,074)
Derivative financial instruments	–	(2,814)	–	(2,814)
	–	(2,814)	(963,555)	(966,369)
2017				
Assets				
Trade and other receivables excluding non-financial instruments	3,243	–	–	3,243
Cash and cash equivalents	63,005	–	–	63,005
	66,248	–	–	66,248
Liabilities				
Trade and other payables excluding non-financial instruments	–	–	(68,215)	(68,215)
Borrowing	–	–	(847,427)	(847,427)
Derivative financial instruments	–	(7,986)	–	(7,986)
	–	(7,986)	(915,642)	(923,628)

Notes to the Financial Statements

For the financial year ended 31 August 2018

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:

	2018	2017
	S\$'000	S\$'000
Manager's management fees paid to a related company	16,688	16,708
Manager's acquisition fees paid to a related company	632	–
Property management fees paid/payable to a related company	8,590	8,674
Income support received/receivable from related company	624	1,186
Trustee's fees paid/payable to the Trustee	487	483
Staff reimbursements paid/payable to a related company	2,622	2,487
Rental and other income received/receivable from related companies	1,411	1,531
Other expenses paid/payable to related companies	1,074	1,324

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 2018

24. OPERATING SEGMENTS (CONT'D)

	Paragon S\$'000	The Clementi Mall S\$'000	The Rail Mall ¹ S\$'000	Total S\$'000
2018				
Result				
Gross revenue	169,461	41,499	842	211,802
Property operating expenses	(34,438)	(11,212)	(156)	(45,806)
Segment net property income	135,023	30,287	686	165,996
Income support	–	624	–	624
Amortisation of intangible asset	–	(624)	–	(624)
Write down of intangible asset	–	(876)	–	(876)
	135,023	29,411	686	165,120
Unallocated amounts:				
Manager's management fees				(16,688)
Trustee's fee				(487)
Other trust expenses				(1,133)
Finance income				778
Finance costs				(24,506)
Net Income				123,084
Fair value change on investment properties	16,984	443	(2,655)	14,772
Total return for the year before taxes and distribution				137,856
Less: income tax				–
Total return for the year after taxes and before distribution				137,856
Segment assets	2,719,631	586,051	63,300	3,368,982
Segment assets includes:				
– Plant and equipment	631	51	–	682
– Investment properties	2,719,000	586,000	63,300	3,368,300
Unallocated assets				39,052
Total assets				3,408,034
Segment liabilities	40,331	9,873	990	51,194
Unallocated liabilities:				
– Borrowing				893,074
– Others				24,819
Total liabilities				969,087
Other information				
Additions to:				
– Plant and equipment	11	40	–	51
– Investment properties	7,017	2,556	–	9,573
Acquisition of investment property	–	–	65,955	65,955
Depreciation of plant and equipment	(194)	(18)	–	(212)

¹ The Rail Mall was acquired on 28 June 2018. Total acquisition cost of S\$65.9 million included acquisition fees and acquisition related expenses (Note 5).

Notes to the Financial Statements

For the financial year ended 31 August 2018

24. OPERATING SEGMENTS (CONT'D)

	Paragon S\$'000	The Clementi Mall S\$'000	Total S\$'000
2017			
Result			
Gross revenue	173,077	39,679	212,756
Property operating expenses	(34,804)	(9,864)	(44,668)
Segment net property income	138,273	29,815	168,088
Income support	–	1,186	1,186
Amortisation of intangible asset	–	(1,186)	(1,186)
Write down of intangible asset	–	(4,349)	(4,349)
	138,273	25,466	163,739
Unallocated amounts:			
Manager's management fees			(16,708)
Trustee's fee			(483)
Other trust expenses			(1,096)
Finance income			744
Finance costs			(23,944)
Net Income			122,252
Fair value change on investment properties	30,531	4,373	34,904
Total return for the year before taxes and distribution			157,156
Less: income tax			–
Total return for the year after taxes and before distribution			157,156
Segment assets	2,695,813	584,530	3,280,343
Segment assets includes:			
– Plant and equipment	813	30	843
– Investment properties	2,695,000	583,000	3,278,000
– Intangible asset	–	1,500	1,500
Unallocated assets			66,358
Total assets			3,346,701
Segment liabilities	37,249	9,621	46,870
Unallocated liabilities:			
– Borrowing			847,427
– Others			31,344
Total liabilities			925,641
Other information			
Additions to:			
– Plant and equipment	89	16	105
– Investment properties	8,469	4,627	13,096
Depreciation of plant and equipment	(194)	(17)	(211)

Notes to the Financial Statements

For the financial year ended 31 August 2018

25. FINANCIAL RATIOS

	2018	2017
	%	%
Ratio of expenses to weighted average net assets value ¹		
– including performance component of Manager's management fees	0.75	0.76
– excluding performance component of Manager's management fees	0.41	0.41
Total operating expenses to net asset value ²	2.58	2.56
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 2018 and 31 August 2017, 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, 2018 or later periods for which the Trust has not early adopted.

For those new standards and amendments and interpretations to existing standards that are expected to have an effect on the financial statements of the Trust in future financial periods, the Trust is currently assessing the transition options and the potential impact on the financial statements. The Trust does not plan to adopt these standards early.

Applicable to the Trust's accounting periods beginning September 1, 2018

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces all existing revenue recognition requirements. It 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.

The Trust does not expect significant changes to the basis of revenue recognition for its rental revenue. Transition adjustments are not expected to be material on its financial statements.

Notes to the Financial Statements

For the financial year ended 31 August 2018

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

FRS 109 Financial Instruments

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

The Trust's assessment of the three elements of FRS 109 is as described below.

Classification and measurement – The Trust does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

For financial assets currently held at fair value, the Trust expects to continue measuring most of these assets at fair value under FRS 109.

Impairment – The Trust plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. The Trust is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements.

Hedge accounting – The Trust expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

The Trust plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

Applicable to the Trust's accounting periods beginning September 1, 2019

FRS 116 Leases

FRS 116 replaces existing lease accounting guidance. It 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. The accounting for lessors will not change significantly.

The Trust does not expect the adoption of FRS116 to have a significant impact on its financial statements.

27. SUBSEQUENT EVENT

Subsequent to the reporting date, the Manager announced a distribution of 1.43 cents per unit, for the quarter from 1 June 2018 to 31 August 2018.

28. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements were authorised for issue by the Manager and the Trustee on 11 October 2018.

Statistics of Unitholdings

As at 10 October 2018

Issued and Fully Paid-Up Units
2,571,845,315 units (voting rights: 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	4	0.01	51	0.00
100 – 1,000	8,540	27.93	8,469,212	0.33
1,001 – 10,000	18,193	59.49	71,770,501	2.79
10,001 – 1,000,000	3,809	12.46	201,949,535	7.85
1,000,001 AND ABOVE	34	0.11	2,289,656,016	89.03
Total	30,580	100.00	2,571,845,315	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	TIMES PROPERTIES PRIVATE LIMITED	1,264,679,500	49.17
2	TPR HOLDINGS PTE LTD	486,017,500	18.90
3	DBS NOMINEES (PRIVATE) LIMITED	206,347,967	8.02
4	CITIBANK NOMINEES SINGAPORE PTE LTD	70,342,552	2.74
5	NTUC FAIRPRICE CO-OPERATIVE LTD	67,213,000	2.61
6	RAFFLES NOMINEES (PTE) LIMITED	59,328,818	2.31
7	SPH REIT MANAGEMENT PTE LTD	38,790,288	1.51
8	LEE FOUNDATION STATES OF MALAYA	17,500,000	0.68
9	DBSN SERVICES PTE. LTD.	15,455,771	0.60
10	HSBC (SINGAPORE) NOMINEES PTE LTD	13,853,495	0.54
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,269,600	0.20
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,099,600	0.20
13	UOB KAY HIAN PRIVATE LIMITED	3,280,800	0.13
14	OCBC SECURITIES PRIVATE LIMITED	3,193,600	0.12
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,660,001	0.10
16	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,302,000	0.09
17	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,275,600	0.09
18	LOW KIM HONG	2,000,000	0.08
19	SINGAPORE REINSURANCE CORPORATION LTD - SIF GENERAL	1,949,000	0.08
20	DB NOMINEES (SINGAPORE) PTE LTD	1,938,982	0.08
	Total	2,269,498,074	88.25

Statistics of Unitholdings

As at 10 October 2018

SUBSTANTIAL UNITHOLDERS

No.	Name of Company	Direct Interest	Deemed Interest	% of Total Issued Units
1	Singapore Press Holdings Ltd ¹	–	1,789,487,288	69.580
2	Times Properties Private Limited ²	1,264,679,500	524,807,788	69.580
3	TPR Holdings Pte Ltd	486,017,500	–	18.898
4	NTUC Enterprise Co-operative Limited ³	–	134,426,000	5.226
5	National Trades Union Congress ⁴	–	134,426,000	5.226
6	Singapore Labour Foundation ⁴	–	134,426,000	5.226

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 38,790,288 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 38,790,288 units held by SPH REIT Management Pte Ltd. TPR Holdings Pte Ltd and SPH REIT Management Pte Ltd are both wholly-owned subsidiaries of Times Properties Private Limited.

³ NTUC Enterprise Co-operative Limited is deemed to be interested in 67,213,000 units held by NTUC FairPrice Co-operative Limited and 67,213,000 units in NTUC Income Insurance Co-operative Limited. NTUC Enterprise Co-operative Limited is entitled to control the exercise of more than 30% of the votes in each of NTUC Fairprice Co-operative Limited and NTUC Income Insurance Co-operative Limited.

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

DIRECTORS' UNITHOLDINGS IN SPH REIT

(As at 21 September 2018)

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

FREE FLOAT

Approximately 25.15% of the units in SPH REIT is held by the public and Rule 723 of SGX Listing Manual has been complied with.

Interested Person Transactions

The transactions entered into with interested persons during the financial year ended 31 August 2018, 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 2018	Year Ended 31 August 2017
Singapore Press Holdings Ltd and its subsidiaries or associates		
– Manager's management fees	16,688	16,708
– Manager's acquisition fees	632	–
– Property management/project management fees and reimbursable	11,682	11,705
– Income support	624	1,186
– Rental income	714	729
– Other Income	524	738
DBS Trustee Limited		
– Trustee's fees	487	483

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 2018, SPH REIT issued 15,739,303 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 Fifth Annual General Meeting of the holders of units of SPH REIT (the "**SPH REIT**", and the holders of units of SPH REIT, "**Unitholders**") will be held at The Auditorium, 1000 Toa Payoh North, News Centre, 1st Storey, Annexe Block, Singapore 318994 on Friday, November 30, 2018 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, 2018 together with the Auditors' Report thereon. (*Ordinary Resolution 1*)
2. To re-appoint KPMG LLP as the Auditors of SPH REIT to hold office until the conclusion of the next Annual General Meeting of SPH REIT, and to authorise the Manager to fix their remuneration. (*Ordinary Resolution 2*)

SPECIAL BUSINESS

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

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

provided that:

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

Notice of Annual General Meeting

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

(Please see Explanatory Note 1)

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

Lim Wai Pun
Khor Siew Kim
Company Secretaries

Singapore,
8 November 2018

Notice of Annual General Meeting

EXPLANATORY NOTES:

1. *Ordinary Resolution 3*

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

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

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

NOTES

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

"relevant intermediary" means

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or

Notice of Annual General Meeting

- (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.
- 3. The proxy form must be lodged at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not later than 27 November 2018 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 8 November 2018.

Refreshment after Annual General Meeting

Coffee, tea and water will be served after the Annual General Meeting.

I/We _____ of
(Name and identification number)

(Address)

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifth 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, 30 November 2018 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
1.	To receive and adopt the Report of DBS Trustee Limited, as trustee of SPH REIT (the "Trustee"), the statement by SPH REIT Management Pte. Ltd., as manager of SPH REIT (the "Manager"), and the Audited Financial Statements of SPH REIT for the financial year ended 31 August 2018 together with the Auditors' Report thereon. (Ordinary Resolution 1)		
2.	To re-appoint KPMG LLP as the Auditors of SPH REIT to hold office until the conclusion of the next Annual General Meeting of SPH REIT, and to authorise the Manager to fix their remuneration. (Ordinary Resolution 2)		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments. (Ordinary Resolution 3)		

Dated this _____ day of _____ 2018

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

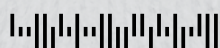
Total number of Units held

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

(Up to 26 September 2018)

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

Ms Hoo Sheau Farn

(From 26 September 2018)

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

Mr Ng Yat Chung

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

Mr Anthony Mallek

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

Ms Ginney Lim May Ling

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

AUDIT & RISK COMMITTEE

Mr Soon Tit Koon

Chairman

Mr David Chia Chay Poh

Ms Rachel Eng Yaag Ngee

(Up to 26 September 2018)

Ms Hoo Sheau Farn

(From 26 September 2018)

NOMINATING & REMUNERATION COMMITTEE

Mr David Chia Chay Poh

Chairman

Dr Leong Horn Kee

Mr Soon Tit Koon

Ms Rachel Eng Yaag Ngee

(Up to 26 September 2018)

Ms Hoo Sheau Farn

(From 26 September 2018)

Mr Ng Yat Chung

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

(Up to 28 September 2018)

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 is printed on environmentally-friendly paper.

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SPH REIT MANAGEMENT PTE. LTD.

(As Manager of SPH REIT)

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ANNUAL REPORT 2018