# A-REIT FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

Ascendas Real Estate Investment Trust (A-REIT) is a real estate investment trust constituted by the Trust Deed entered into on 9 October 2002 between Ascendas Funds Management (S) Limited as the Manager of A-REIT and HSBC Institutional Trust Services (Singapore) Limited as the Trustee of A-REIT, as amended and restated.

Units in A-REIT were allotted in November 2002 based on a prospectus dated 5 November 2002. These units were subsequently listed on the Singapore Exchange Securities Trading Limited on 19 November 2002.

A-REIT and its subsidiaries (the "Group") have a diversified portfolio of 103 properties in Singapore and 2 properties in China, with a tenant base of over 1,200 customers across the following segments: Business & Science Park, Hi-Specs Industrial, Light Industrial, Logistics & Distribution Centres and Warehouse Retail Facilities.

The Group results include the consolidation of a 100% interest in Ascendas ZPark (S) Pte. Ltd ("AZ Park"). and its subsidiary, Ascendas Hi-Tech Development (Beijing) Co., Limited ("AHTDBC"), which was acquired on 3 October 2011; and a 100% interest in Shanghai (JQ) Investment Holdings Pte. Ltd. ("SHJQ") and its subsidiary, A-REIT Shanghai Realty Co, Ltd. ("ASRC"), which was acquired on 12 July 2013. The commentaries below are based on the Group results unless otherwise stated.

## SUMMARY OF A-REIT GROUP RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

| | Group | | |
|---|---|---|---|
| | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
| Gross revenue | **302,617** | **285,284** | **6.1%** |
| Net property income | **215,093** | **204,035** | **5.4%** |
| Total amount available for distribution: | **171,632** | **155,607** | **10.3%** |
| - from operations | 169,072 | 154,623 | 9.3% |
| - tax-exempt income (Note a) | 1,858 | - | nm |
| - from capital (Note b) | 702 | 984 | (28.7%) |
| | Cents per Unit | | |
| **Distribution per Unit ("DPU")** | FY13/14 | FY12/13 | Increase / (Decrease) % |
| For the quarter from 1 July to 30 September (Note c) | **3.60** | **3.53** | **2.0%** |
| - from operations | 3.52 | 3.53 | **(0.3%)** |
| - tax-exempt income | 0.05 | - | nm |
| - from capital | 0.03 | - | nm |
| For the six months from 1 April to 30 September (Note c) | 7.15 | 7.06 | 1.3% |
| - from operations | 7.05 | 7.01 | 0.6% |
| - tax-exempt income | 0.07 | - | nm |
| - from capital | 0.03 | 0.05 | (40.0%) |

**Footnotes**

(a) This includes a distribution of finance lease interest income (net of Singapore corporate tax) received from a tenant. It also includes the first distribution of incentive payment (net of Singapore corporate tax) received as income support for AHTDBC in relation to the property in Beijing ("Z- Link"), for the period from October 2011 to March 2013. The intention is to distribute such income (net of Singapore corporate tax) semi-annually, together with the capital distribution relating to the net income from its subsidiary, AHTDBC (see note (b) below). A-REIT is entitled to receive such incentive income up to September 2016, subject to certain conditions and an aggregate of not exceeding $2.3 million (net of Singapore corporate tax). Incentive income received from April 2013 to March 2014 will be distributed in the following financial year, on a semi-annual basis. As tax has been withheld on this income, the distribution is exempt from tax in the hands of the Unitholders, save for Unitholders who are holding the units as trading assets.

(b) The capital distribution in FY13/14 relates to the first distributable net income from its subsidiary, AHTDBC, for the period from 3 October 2011 (date of acquisition) to 31 December 2012 (AHTDBC's financial year-end). Income can be distributed after its annual audited financial statements had been filed and corporate taxes paid. The intention is to distribute such net income semi-annually after relevant adjustments such as withholding tax payable. It is deemed to be capital distribution from a tax perspective as this income has yet to be remitted to A-REIT in Singapore as at 30 September 2013. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets.

The capital distribution in FY12/13 was related to a distribution which was classified as capital distribution from a tax perspective, equivalent to the amount of interest income (net of Singapore corporate tax) from a finance lease with a tenant. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets. In 2Q FY12/13, the Inland Revenue Authority of Singapore ("IRAS") had ruled that the income received from the finance lease with the tenant qualified for tax transparency treatment. Thus, the income from the finance lease with the tenant which was distributed was classified as distribution from operations and not as capital distribution since 2Q FY12/13.

(c) As at book closure date, none of the S$300 million collateral loan with maturity date on 1 February 2017 is converted into A-REIT's Units. For more details on the collateral loan, please refer to Para 1(b)(i)(n) on Page 13 and Para 1(d)(ii) on Page 19.

## DISTRIBUTION DETAILS

| Distribution period | 1 July 2013 to 30 September 2013 | | |
|---|---|---|---|
| Distribution Type | Taxable income | Tax-exempt income | Capital income |
| Distribution amount per unit (cents) | 3.52 | 0.05 | 0.03 |
| Book closure date | 24 October 2013 | | |
| Payment date | 25 November 2013 | | |

# 1(a) Statement of total return together with a comparative statement for the corresponding period of the immediate preceding financial year

## 1(a)(ii) Statement of total return (1H FY13/14 vs 1H FY12/13)

| | Group | | | Trust | | |
|---|---|---|---|---|---|---|
| | 01/04/13 to 30/09/13 (Note a) S$'000 | 01/04/12 to 30/09/12 (Note a) S$'000 | Increase / (Decrease) % | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
| **Gross revenue** | 302,617 | 285,284 | 6.1% | 299,387 | 282,446 | 6.0% |
| Property services fees | (9,873) | (9,598) | 2.9% | (9,836) | (9,432) | 4.3% |
| Property tax | (21,595) | (18,078) | 19.5% | (21,420) | (17,908) | 19.6% |
| Other property operating expenses | (56,056) | (53,573) | 4.6% | (55,093) | (53,072) | 3.8% |
| **Property operating expenses** | (87,524) | (81,249) | 7.7% | (86,349) | (80,412) | 7.4% |
| **Net property income** | 215,093 | 204,035 | 5.4% | 213,038 | 202,034 | 5.4% |
| Management fees (Note b) | (17,666) | (16,533) | 6.9% | (17,666) | (16,533) | 6.9% |
| Trust expenses | (2,705) | (2,807) | (3.6%) | (2,613) | (2,700) | (3.2%) |
| Finance income (Note c) | 37,855 | 12,270 | nm | 37,795 | 12,181 | nm |
| Finance costs (Note d) | (34,306) | (66,839) | (48.7%) | (33,879) | (66,127) | (48.8%) |
| Foreign exchange gain/(loss) (Note e) | 6,093 | (8,996) | (167.7%) | 6,687 | (8,928) | (174.9%) |
| Gain on disposal of investment property (Note f) | 7,205 | - | nm | 7,205 | - | nm |
| **Non property expenses** | (3,524) | (82,905) | (95.7%) | (2,471) | (82,107) | (97.0%) |
| **Net income** | 211,569 | 121,130 | 74.7% | 210,567 | 119,927 | 75.6% |
| Net change in fair value of financial derivatives (Note g) | (4,716) | 13,948 | (133.8%) | (4,716) | 13,948 | (133.8%) |
| **Total return for the period before income tax expense** | 206,853 | 135,078 | 53.1% | 205,851 | 133,875 | 53.8% |
| Income tax (expense)/credit (Note h) | (818) | 1,418 | (157.7%) | (579) | 1,624 | (135.7%) |
| **Total return for the period after income tax expense** | 206,035 | 136,496 | 50.9% | 205,272 | 135,499 | 51.5% |
| Net effect of non (taxable income)/tax deductible expenses and other adjustments (Note i) | (35,727) | 19,111 | nm | (34,964) | 20,108 | nm |
| **Income available for distribution** | 170,308 | 155,607 | 9.4% | 170,308 | 155,607 | 9.4% |
| Comprising: | | | | | | |
| - Taxable income | 169,072 | 154,623 | 9.3% | 169,072 | 154,623 | 9.3% |
| - Tax-exempt income (Note j) | 1,236 | - | nm | 1,236 | - | nm |
| - Distribution from capital (Note k) | - | 984 | nm | - | 984 | nm |
| Income available for distribution | 170,308 | 155,607 | 9.4% | 170,308 | 155,607 | 9.4% |
| Tax-exempt income (prior periods) (Note l) | 622 | - | nm | 622 | - | nm |
| Distribution from capital (prior periods) (Note m) | 702 | - | nm | 702 | - | nm |
| **Total amount available for distribution** | 171,632 | 155,607 | 10.3% | 171,632 | 155,607 | 10.3% |

The following items have been included in arriving at net income:

| | 01/04/13 to 30/09/13 (Note a) S$'000 | 01/04/12 to 30/09/12 (Note a) S$'000 | Increase / (Decrease) % | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
|---|---|---|---|---|---|---|
| Gross rental income | 269,816 | 257,686 | 4.7% | 266,607 | 254,860 | 4.6% |
| Other income (Note n) | 32,801 | 27,598 | 18.9% | 32,780 | 27,586 | 18.8% |
| Allowance for impairment loss on doubtful receivables | (75) | (199) | (62.3%) | (75) | (199) | (62.3%) |
| Depreciation of plant and equipment | (345) | (413) | (16.5%) | (343) | (413) | (16.9%) |

Note: nm denotes “not meaningful

**Footnotes**

(a) The Group had 105 properties and 102 properties as at 30 September 2013 and 30 September 2012 respectively. The Group completed (i) the development of a build-to-suit investment property at Nepal Hill (Unilever Four Acres Singapore) in April 2013, (ii) acquisition of shares in SHJQ, which holds the property, A-REIT City@Jinqiao, via its subsidiary in China, ASRC, in July 2013 and (iii) development of Nexus@one-north, a business park property located at Fusionopolis, Singapore, in September 2013.

(b) With effect from 19 November 2007, the Manager has elected to receive 20% of the base management fees in units and the other 80% in cash. Management fees increased in line with higher Deposited Property value contributed mainly by the acquisition of The Galen at the end of FY12/13, fair value gain on investment properties in FY12/13, completion of Unilever Four Acres Singapore, acquisition of A-REIT City@Jinqiao and completion of Nexus@one-north.

(c) Finance income comprises interest income from interest rate swaps, convertible bonds and bank deposits. In 1H FY13/14, finance income included a fair value gain on convertible bonds of $19.4 million (1H FY12/13: $7.6 million) and fair value gain on collateral loan of $13.2 million (1H FY12/13: $30.9 million loss included in finance costs (see note (d) below). The convertible bonds and collateral loan (with embedded derivatives) have been designated at fair value through profit or loss in accordance with FRS 39, where changes in fair value therein are recognised in the Statement of Total Return as finance income or finance costs.

(d) Finance costs comprise interest expenses on loans, interest rate swaps and amortised costs of establishing debt facilities (including the Medium Term Notes (“MTN”), Transferrable Loan Facilities, Committed Revolving Credit Facilities) and accretion adjustments for refundable security deposits. The lower finance costs was mainly due to the fair value loss on collateral loan of $30.9 million recognised in 1H FY12/13 (1H FY13/14: gain of $13.2 million included in finance income (see note (c) above).

(e) Foreign exchange gain/(loss) mainly relates to the translation of the Trust’s JPY-denominated MTN. Foreign exchange gain in 1H FY13/14 was mainly due to the weakening of JPY spot exchange rate against SGD. Cross currency swaps relating to the JPY-denominated MTN were entered into to hedge against the foreign exchange exposure.

(f) This relates to the gain arising from the divestment of investment property located at 6 Pioneer Walk, which was completed in June 2013.

(g) Net change in fair value of financial derivatives in 1H FY13/14 was made up of a $5.0 million fair value loss (1H FY12/13: $1.3 million) on interest rate swaps, and a fair value gain on cross currency swaps of $0.3 million (1H FY12/13: $15.2 million). Fair value gain on cross currency swaps in 1H FY13/14 was mainly due to the strengthening of JPY forward exchange rates against SGD. For further details, please refer to Note (n) on Pages 13 and 14.

(h) Income tax expense in 1H FY13/14 includes income tax expense relating to AHTDBC, income tax provided on interest income earned from investment in convertible bonds, finance lease interest income received from a tenant and incentive payment received as income support for AHTDBC in relation to Z- Link. Income tax expense in 1H FY12/13 was mainly related to deferred tax in respect of temporary differences between the tax base of the finance lease receivable and its carrying amount for financial reporting purposes, income tax expenses incurred in China relating to AHTDBC and income tax provided on interest income earned from investment in convertible bonds. During 2Q FY12/13, IRAS issued a tax ruling to A-REIT which granted tax transparency status to both the principal and interest income amount from a finance lease with a tenant. Accordingly, the deferred tax liability of $1.9 million that was previously accrued on the finance lease receivable was reversed in 2Q FY12/13.

(i) Net effect of non (taxable income)/tax deductible expenses and other adjustments comprises:

| | Group | | | Trust | | |
|---|---|---|---|---|---|---|
| | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 | Increase / (Decrease) % | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
| Management fees paid/payable in units | 3,533 | 3,307 | 6.8% | 3,533 | 3,307 | 6.8% |
| Trustee fee | 1,063 | 994 | 6.9% | 1,063 | 994 | 6.9% |
| Net change in fair value of financial derivatives | 4,716 | (13,948) | (133.8%) | 4,716 | (13,948) | (133.8%) |
| Other net non (taxable income)/tax deductible expenses and other adjustments (Note A) | (37,589) | 20,827 | nm | (37,589) | 20,827 | nm |
| Transfer to general reserve | (80) | (60) | 33.3% | - | - | - |
| Unrealised foreign exchange (gain)/loss | (6,093) | 8,996 | (167.7%) | (6,687) | 8,928 | (174.9%) |
| Distributable income from subsidiaries not yet received, not distributed (Note B) | (1,277) | (1,005) | 27.1% | - | - | - |
| Net effect of (non taxable income)/tax deductible expenses and other adjustments | (35,727) | 19,111 | nm | (34,964) | 20,108 | nm |

Note: nm denotes “not meaningful

A. Other net non (taxable income)/tax deductible expenses and other adjustments include mainly set-up costs on loan facilities, commitment fee paid on undrawn committed credit facilities, net change in fair value of collateral loan and convertible bonds, accretion adjustments for refundable security deposits and gain arising from the divestment of investment property.

B. This relates to net income from AHTDBC and ASRC, which has yet to be received by A-REIT as at 30 September 2013. The intention is to distribute such net income, after relevant adjustments such as withholding tax payable, semi-annually.

(j) This relates to a distribution of finance lease interest income (net of Singapore corporate tax) received from a tenant. As tax has been withheld on this income, the distribution is exempt from tax in the hands of the Unitholders, save for Unitholders who are holding the units as trading assets.

(k) The capital distribution in FY12/13 was related to a distribution which was classified as capital distribution from a tax perspective, equivalent to the amount of interest income (net of Singapore corporate tax) in relation to a finance lease entered into with a tenant. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets. In 2Q FY12/13, IRAS had ruled that the income received from the finance lease with the tenant qualified for tax transparency treatment.

(l) This relates to the first distribution of incentive payment (net of Singapore corporate tax) received as income support for AHTDBC in relation to Z- Link, for the period from October 2011 to March 2013. The intention is to distribute such income (net of Singapore corporate tax) semi-annually, together with the capital distribution relating to the net income from its subsidiary, AHTDBC (see note (m) below). A-REIT is entitled to receive such incentive income up to September 2016, subject to certain conditions and an aggregate of not exceeding $2.3 million (net of Singapore corporate tax). Incentive income received from April 2013 to March 2014 will be distributed in the following financial year, on a semi-annual basis. As tax has been withheld on this income, the distribution is exempt from tax in the hands of the Unitholders. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets.

(m) The capital distribution in FY13/14 relates to the first distributable net income from its subsidiary, AHTDBC, for the period from 3 October 2011 (date of acquisition) to 31 December 2012 (AHTDBC's financial year-end). Income can be distributed after its annual audited financial statements had been filed and corporate taxes paid. The intention is to distribute such net income semi-annually after relevant adjustments such as withholding tax payable. It is deemed to be capital distribution from a tax perspective as this income has yet to be remitted to A-REIT in Singapore as at 30 September 2013. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets.

(n) Other income includes revenue from utilities charges, interest income from finance lease receivables, car park revenue and liquidated damages.

Gross revenue increased by 6.1% mainly due to the recognition of rental income earned from The Galen, which was acquired at the end of FY12/13 and finance lease interest income received from a tenant. In addition, positive rental reversion contributed to the increase in gross revenue. In 1H FY13/14, gross revenue included $0.6 million (DPU impact of 0.02 cents) of licence fees charged to telecommunication companies for the installation of antennas, base station and equipment in A-REIT properties. Infocomm Development Authority of Singapore had implemented a change in the Code of Practice for Info-communication Facilities in Buildings (COPIF 2013) which provides that no charges or rent shall be collected from the telecommunication companies with effect from 1 May 2013.

The increase in property tax of 19.5% was mainly contributed by The Galen that was acquired at the end of FY12/13 as well as the upward revision in annual value of Kim Chuan Telecommunications Complex and 38 Kim Chuan Road. Changes in lease structure arising from conversion of properties from single-tenanted to multi-tenanted had also contributed to the higher property tax in 1H FY13/14. In 1H FY13/14, property tax expense included vacancy refund of $1.1 million, with a DPU impact of 0.05 cents. Following IRAS's announcement on the removal of the property tax refund concession on unoccupied buildings with effect from 1 Jan 2014, vacancy refund will not be available from 4Q FY13/14 onwards.

The acquisition of The Galen, completion of Nexus@one north, acquisition of shares in SHJQ which holds the property A-REIT City@Jinqiao via its subsidiary in China, ASRC and changes in lease structure of certain properties had also given rise to higher other property expenses in 1H FY13/14. For most of the single-tenanted properties, the properties are maintained by the tenants in which expenses such as land rent, property tax, and/or maintenance & conservancy costs may be borne by the tenants. Increase in these expenses were, however, offset by lower utilities charges primarily in the Hi-Specs Industrial segment due to more efficient use of energy as a result of the completion of chiller upgrading at Corporation Place and lower pre-committed utilities rates at certain properties.

Non property expenses were lower in 1H FY13/14 mainly due to:

(i) higher finance income which included a fair value gain on collateral loan of $13.2 million (1H FY12/13: $30.9 million loss included in finance costs) and a fair value gain on convertible bonds of $19.4 million (1H FY12/13: $7.6 million);
(ii) foreign exchange gain on translation of the Trust's JPY-denominated MTN of $6.7 million (1H FY12/13: $8.9 million loss); and
(iii) gain arising from the divestment of investment property located at 6 Pioneer Walk, which was completed in June 2013.

offset by:

(iv) higher management fees (see Note (b) on Page 4)

## 1 (a)(ii) Statement of total return (2Q FY13/14 vs 2Q FY12/13)

| | Group | | | Trust | | |
|---|---|---|---|---|---|---|
| | 01/07/13 to 30/09/13 (Note a) S$'000 | 01/07/12 to 30/09/12 (Note a) S$'000 | Increase / (Decrease) % | 01/07/13 to 30/09/13 S$'000 | 01/07/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
| **Gross revenue** | 151,692 | 143,324 | 5.8% | 149,906 | 141,923 | 5.6% |
| Property services fees | (4,930) | (4,775) | 3.2% | (4,977) | (4,693) | 6.1% |
| Property tax | (10,796) | (9,127) | 18.3% | (10,707) | (9,043) | 18.4% |
| Other property operating expenses | (28,844) | (26,499) | 8.8% | (28,013) | (26,190) | 7.0% |
| **Property operating expenses** | (44,570) | (40,401) | 10.3% | (43,697) | (39,926) | 9.4% |
| **Net property income** | 107,122 | 102,923 | 4.1% | 106,209 | 101,997 | 4.1% |
| Management fees (Note b) | (8,976) | (8,335) | 7.7% | (8,976) | (8,335) | 7.7% |
| Trust expenses | (1,229) | (1,369) | (10.2%) | (1,159) | (1,301) | (10.9%) |
| Finance income (Note c) | 11,895 | 7,339 | 62.1% | 11,873 | 7,321 | 62.2% |
| Finance costs (Note d) | (27,196) | (41,992) | (35.2%) | (26,975) | (41,581) | (35.1%) |
| Foreign exchange (loss)/gain (Note e) | (1,818) | 3,255 | (155.9%) | (1,151) | 3,334 | (134.5%) |
| **Non property expenses** | (27,324) | (41,102) | (33.5%) | (26,388) | (40,562) | (34.9%) |
| **Net income** | 79,798 | 61,821 | 29.1% | 79,821 | 61,435 | 29.9% |
| Net change in fair value of financial derivatives (Note f) | (4,367) | (3,732) | 17.0% | (4,367) | (3,732) | 17.0% |
| **Total return for the period before income tax expense** | 75,431 | 58,089 | 29.9% | 75,454 | 57,703 | 30.8% |
| Income tax (expense)/credit (Note g) | (490) | 1,857 | (126.4%) | (328) | 1,909 | (117.2%) |
| **Total return for the period after income tax expense** | 74,941 | 59,946 | 25.0% | 75,126 | 59,612 | 26.0% |
| Net effect of non tax deductible expenses and other adjustments (Note h) | 10,174 | 19,131 | (46.8%) | 9,989 | 19,465 | (48.7%) |
| **Income available for distribution** | 85,115 | 79,077 | 7.6% | 85,115 | 79,077 | 7.6% |
| Comprising: | | | | | | |
| - Taxable income | 84,403 | 79,077 | 6.7% | 84,403 | 79,077 | 6.7% |
| - Tax-exempt income (Note i) | 712 | - | nm | 712 | - | nm |
| Income available for distribution | 85,115 | 79,077 | 7.6% | 85,115 | 79,077 | 7.6% |
| Tax-exempt income (prior periods) (Note j) | 622 | - | nm | 622 | - | nm |
| Distribution from capital (prior periods) (Note k) | 702 | - | nm | 702 | - | nm |
| **Total amount available for distribution** | 86,439 | 79,077 | 9.3% | 86,439 | 79,077 | 9.3% |

The following items have been included in arriving at net income:

| | 01/07/13 to 30/09/13 (Note a) S$'000 | 01/07/12 to 30/09/12 (Note a) S$'000 | Increase / (Decrease) % | 01/07/13 to 30/09/13 S$'000 | 01/07/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
|---|---|---|---|---|---|---|
| Gross rental income | 135,102 | 129,188 | 4.6% | 133,328 | 127,793 | 4.3% |
| Other income (Note l) | 16,590 | 14,136 | 17.4% | 16,578 | 14,130 | 17.3% |
| Allowance for impairment loss on doubtful receivables | (55) | (78) | (29.5%) | (55) | (78) | (29.5%) |
| Depreciation of plant and equipment | (173) | (189) | (8.5%) | (171) | (189) | (9.5%) |

Note: nm denotes “not meaningful

**Footnotes**

(a) The Group had 105 properties and 102 properties as at 30 September 2013 and 30 September 2012 respectively. For 2Q FY13/14, the Group completed (i) acquisition of shares in SHJQ, which holds the property, A-REIT City@Jinqiao, via its subsidiary in China, ASRC, in July 2013 and (ii) development of Nexus@one-north, a business park property located at Fusionopolis, Singapore, in September 2013.

(b) With effect from 19 November 2007, the Manager has elected to receive 20% of the base management fees in units and the other 80% in cash. Management fees increased in line with higher Deposited Property value contributed mainly by the acquisition of The Galen at the end of FY12/13, fair value gain on investment properties in FY12/13, completion of Unilever Four Acres Singapore, acquisition of A-REIT City@Jinqiao and completion of Nexus@one-north.

(c) Finance income comprises interest income from interest rate swaps, convertible bonds and bank deposits. In 2Q FY13/14, finance income included a fair value gain on convertible bonds of $9.2 million (2Q FY12/13: $5.0 million). The convertible bonds have been designated at fair value through profit or loss in accordance with FRS 39, where changes in fair value therein are recognised in the Statement of Total Return as finance income or finance costs.

(d) Finance costs comprise interest expenses on loans, interest rate swaps and amortised costs of establishing debt facilities (including the Medium Term Notes (“MTN”), Transferrable Loan Facilities, Committed Revolving Credit Facilities) and accretion adjustments for refundable security deposits. In 2Q FY13/14, finance costs included a fair value loss on collateral loan of $10.5 million (2Q FY12/13: $23.9 million). The collateral loan (with embedded derivatives) have been designated at fair value through profit or loss in accordance with FRS 39, where changes in fair value therein are recognised in the Statement of Total Return as finance income or finance costs.

(e) Foreign exchange (loss)/gain mainly relates to the translation of the Trust’s JPY-denominated MTN. Foreign exchange loss in 2Q FY13/14 was mainly due to the strengthening of JPY spot exchange rate against SGD. Cross currency swaps relating to the JPY-denominated MTN were entered into to hedge against the foreign exchange exposure.

(f) Net change in fair value of financial derivatives in 2Q FY13/14 was made up of a $4.6 million fair value loss (2Q FY12/13: $1.1 million) on interest rate swaps, and a fair value gain on cross currency swaps of $0.2 million (2Q FY12/13: $2.6 million loss). Fair value gain on cross currency swaps in 2Q FY13/14 was mainly due to the strengthening of JPY forward exchange rates against SGD. For further details, please refer to Note (n) on Pages 13 and 14.

(g) Income tax expense in 2Q FY13/14 included income tax expense relating to AHTDBC, income tax provided on interest income earned from investment in convertible bonds, finance lease interest income received from a tenant and incentive payment received as income support for AHTDBC in relation to Z- Link. Income tax expense in 2Q FY12/13 was mainly related to deferred tax in respect of temporary differences between the tax base of the finance lease receivable and its carrying amount for financial reporting purposes, income tax expenses incurred in China relating to AHTDBC and income tax provided on interest income earned from investment in convertible bonds. During 2Q FY12/13, IRAS issued a tax ruling to A-REIT which granted tax transparency status to both the principal and interest income amount from a finance lease with a tenant. Accordingly, the deferred tax liability of $1.9 million that was previously accrued on the finance lease receivable was reversed in 2Q FY12/13.

(h) Net effect of non tax deductible expenses and other adjustments comprises:

| | Group | | | Trust | | |
|---|---|---|---|---|---|---|
| | 01/07/13 to 30/09/13 S$'000 | 01/07/12 to 30/09/12 S$'000 | Increase / (Decrease) % | 01/07/13 to 30/09/13 S$'000 | 01/07/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
| Management fees paid/payable in units | 1,794 | 1,667 | 7.6% | 1,794 | 1,667 | 7.6% |
| Trustee fee | 541 | 501 | 8.0% | 541 | 501 | 8.0% |
| Net change in fair value of financial derivatives | 4,367 | 3,732 | 17.0% | 4,367 | 3,732 | 17.0% |
| Other net non tax deductible expenses and other adjustments (Note A) | 2,136 | 16,899 | (87.4%) | 2,136 | 16,899 | (87.4%) |
| Transfer to general reserve | (48) | (22) | 118.2% | - | - | - |
| Unrealised foreign exchange loss/(gain) | 1,818 | (3,255) | (155.9%) | 1,151 | (3,334) | (134.5%) |
| Distributable income from subsidiaries not yet received, not distributed (Note B) | (434) | (391) | 11.0% | - | - | - |
| Net effect of non tax deductible expenses and other adjustments | 10,174 | 19,131 | (46.8%) | 9,989 | 19,465 | (48.7%) |

A. Other net non tax deductible expenses and other adjustments include mainly set-up costs on loan facilities, commitment fee paid on undrawn committed credit facilities, net change in fair value of collateral loan and convertible bonds and accretion adjustments for refundable security deposits.

B. This relates to net income from AHTDBC and ASRC, which has yet to be received by A-REIT as at 30 September 2013. The intention is to distribute such net income, after relevant adjustments such as withholding tax payable, semi-annually.

(i) This relates to a distribution of finance lease interest income (net of Singapore corporate tax) received from a tenant. As tax has been withheld on this income, the distribution is exempt from tax in the hands of the Unitholders, save for Unitholders who are holding the units as trading assets.

(j) This relates to the first distribution of incentive payment (net of Singapore corporate tax) received as income support for AHTDBC in relation to Z- Link, for the period from October 2011 to March 2013. The intention is to distribute such income (net of Singapore corporate tax) semi-annually, together with the capital distribution relating to the net income from its subsidiary, AHTDBC (see note (k) below). A-REIT is entitled to receive such incentive income up to September 2016, subject to certain conditions and an aggregate of not exceeding $2.3 million (net of Singapore corporate tax). Incentive income received from April 2013 to March 2014 will be distributed in the following financial year, on a semi-annual basis. As tax has been withheld on this income, the distribution is exempt from tax in the hands of the Unitholders, save for Unitholders who are holding the units as trading assets.

(k) The capital distribution in 2Q FY13/14 relates to the first distributable net income from its subsidiary, AHTDBC, for the period from 3 October 2011 (date of acquisition) to 31 December 2012 (AHTDBC's financial year-end). Income can be distributed after its annual audited financial statements had been filed and corporate taxes paid. The intention is to distribute such net income semi-annually after relevant adjustments such as withholding tax payable. It is deemed to be capital distribution from a tax perspective as this income has yet to be remitted to A-REIT in Singapore as at 30 September 2013. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets.

(l) Other income includes revenue from utilities charges, interest income from finance lease receivables, car park revenue and liquidated damages.

Gross revenue increased by 5.8% mainly due to the recognition of rental income earned from The Galen, which was acquired at the end of FY12/13 and finance lease interest income received from a tenant. In addition, positive rental reversion contributed to the increase in gross revenue.

The increase in property tax of 18.3% was mainly contributed by The Galen that was acquired at the end of FY12/13 as well as the upward revision in annual value of Kim Chuan Telecommunications Complex and 38 Kim Chuan Road. Changes in lease structure arising from conversion of properties from single-tenanted to multi-tenanted had also contributed to the higher property tax in 2Q FY13/14.

The acquisition of The Galen and changes in lease structure of certain properties had also given rise to higher other property expenses in 2Q FY13/14. For most of the single-tenanted properties, the properties are maintained by the tenants in which expenses such as land rent, property tax, and/or maintenance & conservancy costs may be borne by the tenants. These increase in expenses were, however, offset by lower utilities charges primarily in the Hi-Specs Industrial segment due to more efficient use of energy as a result of the completion of chiller upgrading at Corporation Place and lower pre-committed utilities rates at certain properties.

Non property expenses were lower in 2Q FY13/14 mainly due to:

(i) higher finance income which included a fair value gain on convertible bonds of $9.2 million (2Q FY12/13: $5.0 million); and

(ii) lower finance costs which included a fair value loss on collateral loan of $10.5 million (2Q FY12/13: $23.9 million).

offset by:

(iii) foreign exchange loss on translation of the Trust's JPY-denominated MTN of $1.2 million (2Q FY12/13: $3.3 million gain); and

(iv) higher management fees (see Note (b) on Page 8)

## 1 (b)(i) Balance sheet, together with comparatives as at the end of the immediate preceding financial year

| | Group | | Trust | |
|---|---|---|---|---|
| | 30/09/13 S$'000 | 31/03/13 S$'000 | 30/09/13 S$'000 | 31/03/13 S$'000 |
| **Non-current assets** | | | | |
| Investment properties (Note a) | 6,760,304 | 6,447,054 | 6,566,009 | 6,378,190 |
| Investment properties under development (Note b) | - | 151,916 | - | 151,916 |
| Investment in debt securities (Note c) | 206,698 | 145,535 | 206,698 | 145,535 |
| Plant and equipment | 730 | 992 | 647 | 990 |
| Finance lease receivable (Note d) | 94,368 | 63,370 | 94,368 | 63,370 |
| Interest in subsidiaries (Note e) | - | - | 166,506 | 48,918 |
| Other assets (Note f) | - | 33,070 | - | 33,070 |
| Derivative assets (Note g) | 1,998 | 12,259 | 1,998 | 12,259 |
| | **7,064,098** | **6,854,196** | **7,036,226** | **6,834,248** |
| **Current assets** | | | | |
| Finance lease receivable | 987 | 1,901 | 987 | 1,901 |
| Trade and other receivables (Note h) | 52,271 | 47,301 | 51,147 | 46,653 |
| Other assets (Note f) | - | 36,040 | - | 36,040 |
| Derivative assets (Note g) | 1,458 | 64 | 1,458 | 64 |
| Property held for sale (Note i) | 32,500 | - | 32,500 | - |
| Cash and cash equivalents | 26,147 | 19,525 | 18,072 | 12,544 |
| | **113,363** | **104,831** | **104,164** | **97,202** |
| **Current liabilities** | | | | |
| Trade and other payables (Note j) | 150,720 | 134,647 | 141,854 | 132,981 |
| Security deposits (Note k) | 63,108 | 69,667 | 61,782 | 68,394 |
| Derivative liabilities (Note l) | 3,037 | 885 | 3,037 | 885 |
| Short term borrowings (Note m) | 394,827 | 109,710 | 394,827 | 109,710 |
| Term loan (Note n) | 394,902 | - | 394,902 | - |
| Medium term notes (Note n) | - | 124,965 | - | 124,965 |
| Provision for taxation (Note o) | 1,178 | 759 | 1,018 | 478 |
| | **1,007,772** | **440,633** | **997,420** | **437,413** |
| **Non-current liabilities** | | | | |
| Security deposits (Note k) | 19,592 | 4,617 | 19,323 | 4,617 |
| Derivative liabilities (Note l) | 83,673 | 105,879 | 83,673 | 105,879 |
| Medium term notes (Note n) | 449,647 | 456,202 | 449,647 | 456,202 |
| Collateral loan (Note n) | 346,302 | 359,517 | 346,302 | 359,517 |
| Term loans (Note n) | 534,805 | 928,671 | 520,749 | 914,920 |
| Deferred tax liabilities | 2,409 | 2,359 | - | - |
| | **1,436,428** | **1,857,245** | **1,419,694** | **1,841,135** |
| **Net assets** | **4,733,261** | **4,661,149** | **4,723,276** | **4,652,902** |
| **Represented by:** | | | | |
| **Unitholders' funds** | **4,733,261** | **4,661,149** | **4,723,276** | **4,652,902** |

| **Gross borrowings** | 30/09/13 S$'000 | 31/03/13 S$'000 | 30/09/13 S$'000 | 31/03/13 S$'000 |
|---|---|---|---|---|
| **Secured borrowings** | | | | |
| Amount repayable after one year | 346,302 | 754,517 | 346,302 | 754,517 |
| Amount repayable within one year | 395,000 | - | 395,000 | - |
| **Unsecured borrowings** | | | | |
| Amount repayable after one year | 990,719 | 997,080 | 976,664 | 983,328 |
| Amount repayable within one year | 397,000 | 235,000 | 397,000 | 235,000 |
| | 2,129,021 | 1,986,597 | 2,114,966 | 1,972,845 |

**Footnotes**

(a) The increase in value of investment properties was mainly due the acquisition of shares in SHJQ, which holds the property, A-REIT City@Jinqiao, via its subsidiary in China, ASRC, completion of the development of Nexus@one-north and Unilever Four Acres Singapore, and asset enhancement works at 1 Changi Business Park Avenue 1, 31 International Business Park, Techplace II, Techpoint, Techlink, Logistech, 31 Ubi Road 1, Corporation Place, 10 Toh Guan Road and 5 Toh Guan Road East, offset by the divestment of a property at 6 Pioneer Walk, which was completed in June 2013 and the reclassification of Block 5006 of Techplace II to Property held for sale (see note (i) below).

(b) Investment properties under development as at 31 March 2013 was related to the Fusionopolis project (Nexus@one-north) which had been completed in September 2013.

(c) Investment in debt securities relates to an investment in convertible bonds (the “CB”) that is issued by PLC8 Development Pte Ltd (the "Issuer") and due in June 2015. A-REIT had subscribed for an additional amount of $41.75 million convertible bonds in 1H FY13/14. An increase in the fair value of the convertible bonds also contributed to the increase in investment in debt securities.

The Issuer is the developer of an integrated industrial mixed use property on a 60-year leasehold land parcel at Kallang Avenue, Singapore (the “Property”). The CB carries a coupon of 2% per annum and is secured over the assets of the Issuer but ranked after the security given by the Issuer to secure bank financing for the development of the Property.

(d) The increase in finance lease receivable was due to the transfer of a build-to-suit investment property from other assets upon completion of its development and commencement of the lease to a tenant. The lease from the build-to-suit investment property is classified as finance lease receivable in accordance with FRS 17.

(e) Interest in subsidiaries relates to A-REIT’s investment in Ascendas ZPark (S) Pte. Ltd. and its subsidiary, AHTDBC; and Shanghai (JQ) Investment Holdings Pte. Ltd and its subsidiary, ASRC.

(f) Other assets decreased due to the transfer of a build-to-suit investment property to finance lease receivable upon the completion of its development and commencement of the lease to a tenant in April 2013.

(g) The decrease in derivative assets was mainly due to an unfavourable change in the fair value of floating rate interest rate swaps.

(h) The increase in trade and other receivables was mainly due to higher interest income receivable on investment in convertible bonds.

(i) Property held for sale relates to Block 5006 of Techplace II, which is pending for the issuance of a separate certificate of titles by Singapore Land Authority. Completion of the divestment is expected to be in the second half of FY13/14, at the agreed price of S$38 million.

(j) The trade and other payables balance as at 30 September 2013 was higher due to an increase in accrued asset enhancement costs and development costs.

(k) The increase in security deposits was in line with the rising business volume brought about by increased occupancy in certain properties and new properties, namely, Nexus@one-north and A-REIT City@Jinqiao.

(l) Derivatives liabilities decreased mainly due to a favourable change in the fair value of certain interest rate swaps.

(m) The increase in short term borrowings was mainly to finance the costs of asset enhancement works and development costs.

(n) **Details of borrowings & collateral**

*Term loans*
A term loan of S$395 million (Commercial Mortgage Backed Securities) granted by a special purpose company, Emerald Assets Limited ("Emerald"), will mature on 14 May 2014. As collateral for the credit facilities granted by Emerald, the Trustee has granted in favour of Emerald the following:

(i) a mortgage over the 38 properties in the A-REIT portfolio;

(ii) an assignment and charge of the rental proceeds and tenancy agreements of the above mentioned properties;

(iii) an assignment of the insurance policies relating to the above mentioned properties; and

(iv) a fixed and floating charge over certain assets of A-REIT relating to the above mentioned properties.

*Collateral loan*
In March 2010, a collateral loan of S$300 million with final maturity date on 1 February 2017 was granted by a special purpose vehicle, Ruby Assets Pte. Ltd. ("Ruby"). To fund the collateral loan granted to A-REIT, Ruby had issued S$300 million Exchangeable Collateralised Securities ("ECS") which are exchangeable into new units of A-REIT ("Units") at an adjusted conversion price of $2.2189 per unit, subject to certain conditions, at any time on or after 6 May 2010 and have an expected maturity date of 1 February 2017. The Trustee has the option to pay cash in lieu of delivering the Units. There has been no conversion of any of the collateral loan since the date of issue.

As collateral for the loan granted by Ruby, the Trustee has granted in favour of Ruby the following:

(i) a mortgage over the 19 properties in the A-REIT portfolio;

(ii) an assignment and charge of the rental proceeds and tenancy agreements of the above mentioned properties;

(iii) an assignment of the insurance policies relating to the above mentioned properties; and

(iv) a fixed and floating charge over certain assets of A-REIT relating to the above mentioned properties.

*Medium Term Notes*
A-REIT established a S$1.0 billion Multicurrency Medium Term Note Programme ("MTN2009") in March 2009. $125.0 million MTN2009 Note had been fully repaid upon maturity in July 2013. As at the balance sheet date, S$502.1 million remained outstanding.

In addition, A-REIT has various bilateral banking credit facilities with varying degrees of utilisation as at the balance sheet date.

As at 30 September 2013, 58.2% of A-REIT Group's interest rate exposure was fixed with an overall weighted average tenure of 4.1 years remaining (after taking into consideration effects of the interest rate swaps). The overall weighted average cost of borrowings as at 30 September 2013 was 2.74% (including margins charged on the loans and amortised annual costs of the MTN, Transferrable Loan Facilities and Committed Revolving Credit Facilities). The outstanding interest rate swaps have terms from less than 1 year to less than 7 years. The effective hedge portion of changes in the fair value of interest rate swaps is recognised in the Statement of Movement in Unitholders' Funds. The fair value changes of the remaining interest rate swaps, changes in fair value of the collateral loan and cross currency swaps are recognised in the Statement of Total Return in accordance with FRS 39.

(o) Provision for taxation comprises mainly income tax payable from AHTDBC, income tax provided on interest income earned from the investment in convertible bonds, finance lease interest income received from a tenant and incentive payment received as income support for AHTDBC in relating to Z- Link.

## 1(c) Cash flow statement together with a comparative statement for the corresponding period of the immediate preceding financial year.

## 1 (c)(ii) Cash flow statement (1H FY13/14 vs 1H FY12/13)

| | Group | |
|---|---|---|
| | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 |
| **Cash flows from operating activities** | | |
| Net income | 211,569 | 121,130 |
| **Adjustments for** | | |
| Allowance for impairment loss on doubtful receivables | 75 | 199 |
| Management fees paid/payable in units | 3,533 | 3,307 |
| Depreciation of plant and equipment | 345 | 413 |
| Finance income | (37,855) | (12,270) |
| Finance costs | 34,306 | 66,839 |
| Foreign exchange (gain)/loss | (6,093) | 8,996 |
| Gain on disposal of investment property | (7,205) | - |
| **Operating income before working capital changes** | 198,675 | 188,614 |
| **Changes in working capital** | | |
| Trade and other receivables | (2,419) | (2,585) |
| Trade and other payables | 11,947 | (1,658) |
| **Cash generated from operating activities** | 208,203 | 184,371 |
| Income tax paid | (406) | (269) |
| **Net cash from operating activities** | 207,797 | 184,102 |
| **Cash flows from investing activities** | | |
| Payment for investment properties and other assets under development | (36,155) | (21,378) |
| Purchase of plant and equipment | (50) | (7) |
| Payment for capital improvement on investment properties | (53,601) | (23,391) |
| Deposits received | - | 200 |
| Acquisiton of subsidiary, net of cash acquired | (11,117) | - |
| Proceeds from sale of investment property | 32,000 | - |
| Investment in debt securities | (41,750) | (10,000) |
| Interest received | 3,740 | 3,351 |
| **Net cash used in investing activities** | (106,933) | (51,225) |
| **Cash flows from financing activities** | | |
| Equity issue costs paid | (130) | (1,959) |
| Proceeds from issue of units | - | 298,500 |
| Distributions paid to Unitholders | (154,335) | (149,341) |
| Finance costs paid | (34,592) | (36,260) |
| Transaction costs paid in respect of borrowings | - | (1,177) |
| Proceeds from borrowings | 408,000 | 288,066 |
| Repayment of borrowings | (313,329) | (532,306) |
| **Net cash used in financing activities** | (94,386) | (134,477) |
| **Net increase/(decrease) in cash and cash equivalents** | 6,478 | (1,600) |
| **Cash and cash equivalents at beginning of the financial period** | 19,525 | 19,589 |
| **Effect of exchange rate changes on cash balances** | 144 | (279) |
| **Cash and cash equivalents at end of the financial period** | 26,147 | 17,710 |

## 1 (c)(ii) Cash flow statement (2Q FY13/14 vs 2Q FY12/13)

| | Group | |
|---|---|---|
| | 01/07/13 to 30/09/13 | 01/07/12 to 30/09/12 |
| | S$'000 | S$'000 |
| **Cash flows from operating activities** | | |
| Net income | 79,798 | 61,821 |
| **Adjustments for** | | |
| Allowance for impairment loss on doubtful receivables | 55 | 78 |
| Management fees paid/payable in units | 1,794 | 1,667 |
| Depreciation of plant and equipment | 173 | 189 |
| Finance income | (11,895) | (7,339) |
| Finance costs | 27,196 | 41,992 |
| Foreign exchange loss/(gain) | 1,818 | (3,255) |
| **Operating income before working capital changes** | 98,939 | 95,153 |
| **Changes in working capital** | | |
| Trade and other receivables | (372) | 1,063 |
| Trade and other payables | 18,946 | (2,319) |
| **Cash generated from operating activities** | 117,513 | 93,897 |
| Income tax paid | (185) | (133) |
| **Net cash from operating activities** | 117,328 | 93,764 |
| **Cash flows from investing activities** | | |
| Payment for investment properties and other assets under development | (16,133) | (6,347) |
| Purchase of plant and equipment | (50) | - |
| Payment for capital improvement on investment properties | (29,800) | (13,338) |
| Deposits received | - | 200 |
| Acquisiton of subsidiary, net of cash acquired | (11,117) | - |
| Investment in debt securities | (16,750) | (10,000) |
| Interest received | 2,591 | 2,260 |
| **Net cash used in investing activities** | (71,259) | (27,225) |
| **Cash flows from financing activities** | | |
| Distributions paid to Unitholders | (85,231) | (40,276) |
| Finance costs paid | (19,762) | (21,848) |
| Proceeds from borrowings | 272,000 | 56,389 |
| Repayment of borrowings | (212,329) | (65,406) |
| **Net cash used in financing activities** | (45,322) | (71,141) |
| **Net increase/(decrease) in cash and cash equivalents** | 747 | (4,602) |
| **Cash and cash equivalents at beginning of the period** | 25,495 | 22,638 |
| **Effect of exchange rate changes on cash balances** | (95) | (326) |
| **Cash and cash equivalents at end of the financial period** | 26,147 | 17,710 |

## 1 (d)(i) Statement of movement in unitholders' funds (1H FY13/14 vs 1H FY12/13)

| | Group | | Trust | |
|---|---|---|---|---|
| | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 | 01/04/13 to 30/09/13 S$'000 | 01/04/12 to 30/09/12 S$'000 |
| **Balance at beginning of the financial period** | 4,661,149 | 3,917,456 | 4,652,902 | 3,917,003 |
| **Operations** | | | | |
| Net income (Note a) | 211,569 | 121,130 | 210,567 | 119,927 |
| Net change in fair value of financial derivatives | (4,716) | 13,948 | (4,716) | 13,948 |
| Income tax expense | (818) | 1,418 | (579) | 1,624 |
| **Net increase in net assets resulting from operations** | 206,035 | 136,496 | 205,272 | 135,499 |
| **Hedging transactions** | | | | |
| Effective portion of changes in fair value of financial derivatives (Note b) | 11,933 | 3,689 | 11,933 | 3,689 |
| Changes in fair value of financial derivatives transferred to the Statement of Total Return (Note c) | 3,971 | - | 3,971 | - |
| **Net increase in net assets resulting from hedging transactions** | 15,904 | 3,689 | 15,904 | 3,689 |
| **Movement in foreign currency translation reserve (Note d)** | 975 | (1,271) | - | - |
| **Unitholders' transactions** | | | | |
| New units issued | - | 298,500 | - | 298,500 |
| Acquisition fees (IPT acquisition) paid in units | - | 1,830 | - | 1,830 |
| Management fees paid/payable in units | 3,533 | 3,307 | 3,533 | 3,307 |
| Equity issue costs | - | (2,008) | - | (2,008) |
| Distributions to Unitholders | (154,335) | (149,341) | (154,335) | (149,341) |
| **Net (decrease)/increase in net assets resulting from Unitholders' transactions** | (150,802) | 152,288 | (150,802) | 152,288 |
| **Balance at end of the financial period** | 4,733,261 | 4,208,658 | 4,723,276 | 4,208,479 |

**Footnotes**

(a) Included in net income is the gain arising from the divestment of investment property located at 6 Pioneer Walk, which was completed in June 2013 of $7.2 million.

(b) In 1H FY13/14 and 1H FY12/13, the forward interest rates at the end of the period were higher than those at the beginning of the period. Hence, the aggregate fair values of the interest rate swaps registered a favourable change as compared to the beginning of the period.

(c) This relates to the transfer of fair value loss on interest rate swaps from the hedging reserves to the Statement of Total Return in accordance with FRS39.

(d) This amount was related to the foreign exchange translation differences arising from translation of the financial statements of AHTDBC and ASRC.

## Statement of movement in unitholders' funds (2Q FY13/14 vs 2Q FY12/13)

| | Group | | Trust | |
|---|---|---|---|---|
| | 01/07/13 to 30/09/13 S$'000 | 01/07/12 to 30/09/12 S$'000 | 01/07/13 to 30/09/13 S$'000 | 01/07/12 to 30/09/12 S$'000 |
| **Balance at beginning of financial period** | 4,737,374 | 4,184,844 | 4,726,263 | 4,183,518 |
| **Operations** | | | | |
| Net income | 79,798 | 61,821 | 79,821 | 61,435 |
| Net change in fair value of financial derivatives | (4,367) | (3,732) | (4,367) | (3,732) |
| Income tax expense | (490) | 1,857 | (328) | 1,909 |
| **Net increase in net assets resulting from operations** | 74,941 | 59,946 | 75,126 | 59,612 |
| **Hedging transactions** | | | | |
| Effective portion of changes in fair value of financial derivatives (Note a) | 1,353 | 3,958 | 1,353 | 3,958 |
| Changes in fair value of financial derivatives transferred to the Statement of Total Return (Note b) | 3,971 | - | 3,971 | - |
| **Net increase in net assets resulting from hedging transactions** | 5,324 | 3,958 | 5,324 | 3,958 |
| **Movement in foreign currency translation reserve (Note c)** | (941) | (1,481) | - | - |
| **Unitholders' transactions** | | | | |
| Management fees paid/payable in units | 1,794 | 1,667 | 1,794 | 1,667 |
| Distributions to Unitholders | (85,231) | (40,276) | (85,231) | (40,276) |
| **Net decrease in net assets resulting from Unitholders' transactions** | (83,437) | (38,609) | (83,437) | (38,609) |
| **Balance at end of the financial period** | 4,733,261 | 4,208,658 | 4,723,276 | 4,208,479 |

**Footnotes**

(a) In both 2Q FY13/14 and 2Q FY12/13, the forward interest rates at the end of the period were higher than those at the beginning of the period. Hence, the aggregate fair values of the interest rate swaps registered a favourable change as compared to the beginning of the period.

(b) This relates to the transfer of fair value loss on interest rate swaps from the hedging reserves to the Statement of Total Return in accordance with FRS39.

(c) This amount was related to the foreign exchange translation differences arising from translation of the financial statements of AHTDBC and ASRC.

## 1 (d)(ii) Details of any changes in the units (1H FY13/14 vs 1H FY12/13)

| | Trust | |
|---|---|---|
| | 01/04/13 to 30/09/13 Units | 01/04/12 to 30/09/12 Units |
| **Units issued:** | | |
| **At beginning of the financial period** | 2,398,946,090 | 2,085,077,194 |
| Issue of new units: | | |
| - Issued pursuant to equity raising in May 2012 | - | 150,000,000 |
| - Acquisition fees (IPT acquisition) paid in units | 462,860 | 898,247 |
| - Management fees paid in units | 1,462,927 | 1,577,127 |
| **At end of the financial period** | **2,400,871,877** | **2,237,552,568** |
| **Units to be issued:** | | |
| Management fees payable in units | 1,015,437 | 921,632 |
| **Units issued and issuable at end of the financial period** | **2,401,887,314** | **2,238,474,200** |

## Details of any changes in the units (2Q FY13/14 vs 2Q FY12/13)

| | Trust | |
|---|---|---|
| | 01/07/13 to 30/09/13 Units | 01/07/12 to 30/09/12 Units |
| **Units issued:** | | |
| **At beginning of the financial period** | 2,400,871,877 | 2,237,552,568 |
| **At end of the financial period** | **2,400,871,877** | **2,237,552,568** |
| **Units to be issued:** | | |
| Management fees payable in units | 1,015,437 | 921,632 |
| **Units issued and issuable at end of the financial period** | **2,401,887,314** | **2,238,474,200** |

A collateral loan of S$300 million with maturity date on 1 February 2017 was granted by Ruby Assets Pte. Ltd. Please refer to Note (n) on Page 13 for further details of the collateral loan.

The collateral loan is exchangeable into fully paid units representing undivided interests in A-REIT at any time on or after 6 May 2010 at an adjusted conversion price of $2.2189 per unit, subject to adjustment upon the occurrence of certain events.

There has been no conversion of any of the collateral loan since the date of issue.

Assuming the collateral loan is fully converted based on the adjusted conversion price of $2.2189 per unit, the number of new units to be issued would be 135,202,127 representing 5.6% of the total number of A-REIT Units in issue as at 30 September 2013.

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

The figures have not been audited but have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements ("SSRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Please see attached review report.

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

On 1 April 2013, the Group adopted the revised Statement of Recommended Accounting Practice 7 (2012) *"Reporting Framework for Units Trusts"* issued by the Institute of Singapore Chartered Accountants which has no significant impact to the financial statements of the Group.

Except for the above, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial year compared with the audited financial statements for the financial year ended 31 March 2013.

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

There are no significant changes in the accounting policies and methods of computation.

## 6. Earnings per Unit ("EPU") and Distribution per Unit ("DPU") for the financial period

| | Group | | Trust | |
|---|---|---|---|---|
| **6.1 EPU for 2Q FY13/14 compared to 1Q FY13/14** | 2Q FY13/14 01/07/13 to 30/09/13 | 1Q FY13/14 01/04/13 to 30/06/13 | 2Q FY13/14 01/07/13 to 30/09/13 | 1Q FY13/14 01/04/13 to 30/06/13 |
| **Basic EPU (Note a)** | | | | |
| Weighted average number of units | 2,400,882,914 | 2,399,524,967 | 2,400,882,914 | 2,399,524,967 |
| Earnings per unit in cents (EPU) | 3.12 | 5.46 | 3.13 | 5.42 |
| **Dilutive EPU (Note b)** | | | | |
| Weighted average number of units | 2,400,882,914 | 2,534,727,094 | 2,400,882,914 | 2,534,727,094 |
| Earnings per unit in cents (Dilutive EPU) | 3.12 | 4.29 | 3.13 | 4.25 |

| | Group | | Trust | |
|---|---|---|---|---|
| **6.2 EPU for 2Q FY13/14 compared to 2Q FY12/13** | 2Q FY13/14 01/07/13 to 30/09/13 | 2Q FY12/13 01/07/12 to 30/09/12 | 2Q FY13/14 01/07/13 to 30/09/13 | 2Q FY12/13 01/07/12 to 30/09/12 |
| **Basic EPU (Note a)** | | | | |
| Weighted average number of units | 2,400,882,914 | 2,237,562,585 | 2,400,882,914 | 2,237,562,585 |
| Earnings per unit in cents (EPU) | 3.12 | 2.68 | 3.13 | 2.66 |
| **Dilutive EPU (Note b)** | | | | |
| Weighted average number of units | 2,400,882,914 | 2,237,562,585 | 2,400,882,914 | 2,237,562,585 |
| Earnings per unit in cents (Dilutive EPU) | 3.12 | 2.68 | 3.13 | 2.66 |

| | Group | | Trust | |
|---|---|---|---|---|
| **6.3 EPU for 1H FY13/14 compared to 1H FY12/13** | 1H FY13/14 01/04/13 to 30/09/13 | 1H FY12/13 01/04/12 to 30/09/12 | 1H FY13/14 01/04/13 to 30/09/13 | 1H FY12/13 01/04/12 to 30/09/12 |
| **Basic EPU (Note a)** | | | | |
| Weighted average number of units | 2,400,206,233 | 2,201,537,719 | 2,400,206,233 | 2,201,537,719 |
| Earnings per unit in cents (EPU) | 8.58 | 6.20 | 8.55 | 6.15 |
| **Dilutive EPU (Note b)** | | | | |
| Weighted average number of units | 2,535,408,360 | 2,201,537,719 | 2,535,408,360 | 2,201,537,719 |
| Earnings per unit in cents (Dilutive EPU) | 7.70 | 6.20 | 7.67 | 6.15 |

**Footnotes**

(a) The EPU has been calculated using total return for the period and the weighted average number of units issued and issuable during the period.

(b) For 1H FY13/14 and 1Q FY13/14, the dilutive EPU were computed on the basis that the collateral loan was converted at the beginning of the period. For 2Q FY13/14, 2Q FY12/13 and 1H FY12/13, the collateral loan was anti-dilutive and were excluded from the calculation of dilutive EPU.

Dilutive EPU is determined by adjusting the total return for the period and the weighted average number of units issued and issuable during that period for the effects of all potential dilutive units. Potential units shall be treated as dilutive when, and only when, their conversion to A-REIT Units would decrease earnings per unit or increase loss per unit. The disclosure of dilutive EPU is in relation to the issuance of collateral loan which has a convertible option to redeem the loan in A-REIT Units.

For 1H FY13/14 and 1Q FY13/14, the dilutive EPU was computed based on the adjusted total return and the adjusted weighted average number of units. The adjusted total return for the period was derived by adding back the interest expense on collateral loan of $2,407,000 and $1,197,000 respectively and deducting the gain on collateral loan of $13,215,000 and $23,673,000 respectively from the total return for the period after income tax. The adjusted weighted average number of units took into account the potential dilutive units of 135,202,127 (see para 1(d)(ii) on Page 19).

| | Group | | Trust | |
|---|---|---|---|---|
| **6.3 DPU for 2Q FY13/14 compared to 1Q FY13/14** | 2Q FY13/14 01/07/13 to 30/09/13 | 1Q FY13/14 01/04/13 to 30/06/13 | 2Q FY13/14 01/07/13 to 30/09/13 | 1Q FY13/14 01/04/13 to 30/06/13 |
| Number of units in issue | 2,400,871,877 | 2,400,871,877 | 2,400,871,877 | 2,400,871,877 |
| Distribution per unit in cents (Note a) | 3.60 | 3.55 | 3.60 | 3.55 |

| | Group | | Trust | |
|---|---|---|---|---|
| **6.4 DPU for 2Q FY13/14 compared to 2Q FY12/13** | 2Q FY13/14 01/07/13 to 30/09/13 | 2Q FY12/13 01/07/12 to 30/09/12 | 2Q FY13/14 01/07/13 to 30/09/13 | 2Q FY12/13 01/07/12 to 30/09/12 |
| Number of units in issue | 2,400,871,877 | 2,237,552,568 | 2,400,871,877 | 2,237,552,568 |
| Distribution per unit in cents (Note a) | 3.60 | 3.53 | 3.60 | 3.53 |

| | Group | | Trust | |
|---|---|---|---|---|
| **6.6 DPU for 1H FY13/14 compared to 1H FY12/13** | 1H FY13/14 01/04/13 to 30/09/13 | 1H FY12/13 01/04/12 to 30/09/12 | 1H FY13/14 01/04/13 to 30/09/13 | 1H FY12/13 01/04/12 to 30/09/12 |
| Number of units in issue | 2,400,871,877 | 2,237,552,568 | 2,400,871,877 | 2,237,552,568 |
| Distribution per unit in cents (Note a) | 7.15 | 7.06 | 7.15 | 7.06 |

**Footnotes**

(a) As at book closure date, none of the S$300 million collateral loan is converted into A-REIT Units.

## 7. Net asset value per unit based on units issued and issuable at the end of the period

| | Group | | Trust | |
|---|---|---|---|---|
| | 30/09/13 cents | 31/03/13 cents | 30/09/13 cents | 31/03/13 cents |
| Net asset value per unit | 197.1 | 194.2 | 196.6 | 193.8 |
| Adjusted net asset value per unit (Note a) | 189.9 | 191.3 | 189.5 | 191.0 |

**Footnote**

(a) The adjusted net asset value per unit excludes the amount to be distributed for the relevant period after the balance sheet date.

## 8. Review of Performance

### Review of Performance 2Q FY13/14 vs 2Q FY12/13

| | Group | | |
|---|---|---|---|
| | 2Q FY13/14 01/07/13 to 30/09/13 S$'000 | 2Q FY12/13 01/07/12 to 30/09/12 S$'000 | Increase / (Decrease) % |
| Gross revenue | 151,692 | 143,324 | 5.8% |
| Property operating expenses | (44,570) | (40,401) | 10.3% |
| Net property income | 107,122 | 102,923 | 4.1% |
| Non property expenses | (10,205) | (9,704) | 5.2% |
| Net finance costs | (15,301) | (34,653) | (55.8%) |
| Foreign exchange (loss)/gain | (1,818) | 3,255 | (155.9%) |
| | (27,324) | (41,102) | (33.5%) |
| Net income | 79,798 | 61,821 | 29.1% |
| Net change in fair value of financial derivatives | (4,367) | (3,732) | 17.0% |
| Total return for the period before income tax expense | 75,431 | 58,089 | 29.9% |
| Income tax expense/(credit) | (490) | 1,857 | (126.4%) |
| Total return for the period after income tax expense | 74,941 | 59,946 | 25.0% |
| Net effect of non tax deductible expenses and other adjustments | 10,174 | 19,131 | (46.8%) |
| Income available for distribution | 85,115 | 79,077 | 7.6% |
| Comprising: | | | |
| - Taxable income | 84,403 | 79,077 | 6.7% |
| - Tax-exempt income (Note a) | 712 | - | nm |
| Income available for distribution | 85,115 | 79,077 | 7.6% |
| Tax-exempt income (prior periods) (Note b) | 622 | - | nm |
| Distribution from capital (prior periods) (Note c) | 702 | - | nm |
| Total amount available for distribution | 86,439 | 79,077 | 9.3% |
| Earnings per unit (cents) | 3.12 | 2.68 | 16.4% |
| Distribution per unit (cents) | 3.60 | 3.53 | 2.0% |

Note: nm denotes “not meaningful

**Footnote**

(a) This relates to a distribution of finance lease interest income (net of Singapore corporate tax) received from a tenant. As tax has been withheld on this income, the distribution is exempt from tax in the hands of the Unitholders, save for Unitholders who are holding the units as trading assets.

(b) This relates to the first distribution of incentive payment (net of Singapore corporate tax) received as income support for AHTDBC in relation to Z- Link, for the period from October 2011 to March 2013. The intention is to distribute such income (net of Singapore corporate tax) semi-annually, together with the capital distribution relating to the net income from its subsidiary, AHTDBC (see note (c) below). A-REIT is entitled to receive such incentive income up to September 2016, subject to certain conditions and an aggregate of not exceeding $2.3 million (net of Singapore corporate tax). Incentive income received from April 2013 to March 2014 will be distributed in the following financial year, on a semi-annual basis. As tax has been withheld on this income, the distribution is exempt from tax in the hands of the Unitholders, save for Unitholders who are holding the units as trading assets.

(c) The capital distribution in 2Q FY13/14 relates to the first distributable net income from its subsidiary, AHTDBC, for the period from 3 October 2011 (date of acquisition) to 31 December 2012 (AHTDBC's financial year-end). Income can be distributed after its annual audited financial statements had been filed and corporate taxes paid. The intention is to distribute such net income semi-annually after relevant adjustments such as withholding tax payable. It is deemed to be capital distribution from a tax perspective as this income has yet to be remitted to A-REIT in Singapore as at 30 September 2013. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets.

Gross revenue increased by 5.8% mainly due to the recognition of rental income earned from The Galen, which was acquired at the end of FY12/13 and finance lease interest income received from a tenant. In addition, positive rental reversion contributed to the increase in gross revenue.

The 10.3% increase in property operating expenses was mainly contributed by:

(i) expenses from The Galen which was acquired at the end of FY12/13;
(ii) higher maintenance and conservancy costs at certain other properties mainly due to the increase in term contracts costs; and
(iii) higher property tax at certain other properties mainly from upward revision in annual value of 38 Kim Chuan Road and Kim Chuan Telecommunication Complex. In addition, changes in lease structure arising from conversion of properties from single-tenanted to multi-tenanted had contributed to the higher property tax in 2Q FY13/14.

Offset by:

(iv) lower utilities charges in 2Q FY13/14 primarily in the Hi-Specs Industrial segment due to more efficient use of energy as a result of the completion of chiller upgrading at Corporation Place and lower pre-committed utilities rates in certain properties.

Net finance costs were lower in 2Q FY13/14 mainly due to the lower fair value loss on collateral loan of $10.5 million (2Q FY12/13: $23.9 million), higher fair value gain on convertible bonds of $9.2 million (2Q FY12/13: $5.0 million), and higher interest income from interest rate swaps and convertible bonds.

Foreign exchange (loss)/gain mainly relates to the translation of the Trust's JPY-denominated MTN. Foreign exchange loss in 2Q FY13/14 was mainly due to the strengthening of JPY spot exchange rate against SGD. Cross currency swaps relating to the JPY-denominated MTN were entered into to hedge against the foreign exchange exposure.

Net change in fair value of financial derivatives in 2Q FY13/14 was made up of a $4.6 million fair value loss on interest rates swaps (2Q FY12/13: $1.1 million) and a fair value gain on cross currency swaps of $0.2 million (2Q FY12/13: $2.6 million loss). Fair value gain on cross currency swaps in 2Q FY13/14 was mainly due to the strengthening of the JPY forward exchange rates against SGD.

Income tax expense in 2Q FY13/14 was higher mainly because income tax in 2Q FY12/13 included provision of deferred tax on finance lease receivable which was subsequently reversed in 2Q FY12/13 after IRAS ruled that the income received from the finance lease with the tenant qualified for tax transparency treatment. This was offset by a provision of income tax on both finance lease interest income and income tax provided on higher interest income earned from investment in convertible bonds in 2Q FY13/14.

Net effect of non tax deductible expenses and other adjustments were lower in 2Q FY13/14 mainly due to:
(i) lower fair value loss on collateral loan of $10.5 million (2Q FY12/13: $23.9 million);
(ii) higher fair value gain on convertible bonds of $9.2 million (2Q FY12/13: $5.0 million); and
(iii) foreign exchange loss arose mainly from the translation of the Trust's JPY-denominated MTN of $1.2 million as compared to foreign exchange gain of $3.3 million in 2Q FY12/13

offset by:
(iv) higher net fair value loss on financial derivatives of $4.4 million (2Q FY12/13: $3.7 million).

Total amount available for distribution was 9.3% higher than 2Q FY12/13 mainly due to higher net property income, tax-exempt income from finance lease interest income received from a tenant, 50% of incentive payment received as income support for AHTDBC in relation to Z- Link, for the period from October 2011 to March 2013 and capital distribution of the net income from its subsidiary, AHTDBC, for the period from 3 October 2011 to 31 December 2012.

## Review of Performance 2Q FY13/14 vs 1Q FY13/14

| | Group | | |
|---|---|---|---|
| | 2Q FY13/14 01/07/13 to 30/09/13 S$'000 | 1Q FY13/14 01/04/13 to 30/06/13 S$'000 | Increase / (Decrease) % |
| Gross revenue | 151,692 | 150,925 | 0.5% |
| Property operating expenses | (44,570) | (42,954) | 3.8% |
| Net property income | 107,122 | 107,971 | (0.8%) |
| Non property expenses | (10,205) | (10,166) | 0.4% |
| Net finance (costs)/income | (15,301) | 18,850 | (181.2%) |
| Foreign exchange (loss)/gain | (1,818) | 7,911 | (123.0%) |
| Gain on disposal of investment property | - | 7,205 | nm |
| | (27,324) | 23,800 | (214.8%) |
| Net income | 79,798 | 131,771 | (39.4%) |
| Net change in fair value of financial derivatives | (4,367) | (349) | nm |
| Total return for the period before income tax expense | 75,431 | 131,422 | (42.6%) |
| Income tax expenses | (490) | (328) | 49.4% |
| Total return for the period after income tax expense | 74,941 | 131,094 | (42.8%) |
| Net effect of non tax deductible expenses/(taxable income) and other adjustments | 10,174 | (45,901) | (122.2%) |
| Income available for distribution | 85,115 | 85,193 | (0.1%) |
| Comprising: | | | |
| - Taxable income | 84,403 | 84,669 | (0.3%) |
| - Tax-exempt income (Note a) | 712 | 524 | 35.9% |
| Income available for distribution | 85,115 | 85,193 | (0.1%) |
| Tax-exempt income (prior periods) (Note b) | 622 | - | nm |
| Distribution from capital (prior periods) (Note c) | 702 | - | nm |
| Total amount available for distribution | 86,439 | 85,193 | 1.5% |
| Earnings per unit (cents) | 3.12 | 5.46 | (42.9%) |
| Distribution per unit (cents) | 3.60 | 3.55 | 1.4% |

Note: nm denotes "not meaningful"

(a) This relates to a distribution of finance lease interest income (net of Singapore corporate tax) received from a tenant. As tax has been withheld on this income, the distribution is exempt from tax in the hands of unitholders, save for Unitholders who are holding the units as trading assets.

(b) This relates to the first distribution of incentive payment (net of Singapore corporate tax) received as income support for AHTDBC in relation to Z- Link, for the period from October 2011 to March 2013. The intention is to distribute such income (net of Singapore corporate tax) semi-annually, together with the capital distribution relating to the net income from its subsidiary, AHTDBC (see note (c) below). A-REIT is entitled to receive such incentive income up to September 2016, subject to certain conditions and an aggregate of not exceeding $2.3 million (net of Singapore corporate tax). Incentive income received from April 2013 to March 2014 will be distributed in the following financial year, on a semi-annual basis. As tax has been withheld on this income, the distribution is exempt from tax in the hands of unitholders, save for Unitholders who are holding the units as trading assets.

(c) The capital distribution in FY13/14 relates to the first distributable net income from its subsidiary, AHTDBC, for the period from 3 October 2011 (date of acquisition) to 31 December 2012 (AHTDBC's financial year-end). Income can be distributed after its annual audited financial statements had been filed and corporate taxes paid. The intention is to distribute such net income semi-annually after relevant adjustments such as withholding tax payable. It is deemed to be capital distribution from a tax perspective as this income has yet to be remitted to A-REIT in Singapore as at 30 September 2013. Such distribution is not taxable in the hands of Unitholders, save for Unitholders who are holding the units as trading assets.

Revenue in 2Q FY13/14 was higher than 1Q FY13/14 by 0.5% mainly due to higher occupancy rate achieved in 2Q FY13/14 for the property located at 10 Toh Guan Road.

Property operating expenses was higher in 2Q FY13/14 by 3.8% mainly due to completion of new development properties and acquisitions since April 2013 and changes in lease structure arising from conversion of properties from single-tenanted to multi-tenanted.

The net finance costs in 2Q FY13/14 as compared to net finance income in 1Q FY13/14 was mainly due to a fair value loss on collateral loan of $10.5 million as compared to fair value gain of $23.6 million in 1Q FY13/14, and lower fair value gain on convertible bonds of $9.2 million in 2Q FY13/14 as compared to $10.2 million in 1Q FY13/14.

Foreign exchange (loss)/gain mainly relates to the translation of the Trust's JPY-denominated MTN. Foreign exchange loss in 2Q FY13/14 was due to the strengthening of JPY spot exchange rate against SGD. Cross currency swaps relating to the JPY-denominated MTN were entered into to hedge against the foreign exchange exposure.

The gain on disposal of investment property relates to the gain arising from the divestment of investment property located at 6 Pioneer Walk which was completed in June 2013.

Net change in fair value of financial derivatives in 2Q FY13/14 was made up of a fair value loss on interest rate swaps of $4.6 million (1Q FY13/14: $0.4 million loss), and a $0.2 million fair value gain (1Q FY13/14: $0.03 million gain) on cross currency swaps. Fair value gain on cross currency swaps was mainly due to the strengthening of the JPY forward exchange rates against SGD.

Higher income tax expense for 2Q FY13/14 mainly due to higher profits from AHTDBC and higher finance lease interest income earned from a tenant.

The net non tax deductible expense and other adjustments in 2Q FY13/14 as compared to the net non taxable income and other adjustments in 1Q FY13/14 was mainly due to:

(i) fair value loss on collateral loan of $10.5 million as compared to fair value gain of $23.6 million in 1Q FY13/14;

(ii) lower fair value gain on convertible bonds of $9.2 million in 2Q FY13/14 (1Q FY13/14: $10.2 million);

(iii) higher net fair value loss on financial derivatives of $4.4 million in 2Q FY13/14 (1Q FY13/14: $0.3 million);

(iv) foreign exchange loss which arose mainly from the translation of the Trust's JPY-denominated MTN of $1.2 million (1Q FY13/14: $7.9 million); and

(v) gain on divestment of investment property of $7.2 million in 1Q FY13/14.

## 9. Variance between forecast and the actual results

A-REIT has not made any forecast.

## 10. Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

**Singapore**

According to the Ministry of Trade and Industry's (MTI) advance estimates, the Singapore economy grew by 5.1% on a y-o-y basis in 3Q 2013, compared to 4.2% in the previous quarter. On a q-o-q seasonally-adjusted annualised basis, the economy contracted by 1.0%, compared to the 16.9% expansion in the previous quarter. The manufacturing sector grew 4.5% y-o-y, higher than the 1.3% growth in the preceding quarter. Growth was mainly supported by the transport engineering and electronics clusters.

Singapore's manufacturing sector expanded in September 2013 at the same pace as the prior month, with the Purchasing Manager's Index (PMI) holding steady at 50.5 points for two consecutive months. The PMI for the electronics sector fell to 50.3 in September 2013 from 51.3 in August 2013. The Singapore Institute of Purchasing & Materials Management reported that the PMI stayed above the 50-point level because of continued expansion in new orders, higher level of production output and overall inventory of finished goods has continued to contract.

Singapore's non-oil domestic exports (Nodx) declined by 6.2% in August 2013. Electronic exports fell 9.2% y-o-y, largely due to shrinking sales of integrated circuits and disk media products, while non-electronic Nodx contracted 4.7%, led by pharmaceuticals, structures of ships & boats and aromatic chemicals. Exports to all of the 10 major markets, except China and Hong Kong decreased in August 2013.

URA industrial property price index decreased 0.6% in 2Q 2013, reversing a 4.5% growth in 1Q 2013. Industrial property rental index registered a 0.1% decline in 2Q 2013 reversing a 0.4% increase in 1Q 2013. According to the CBRE 3Q 2013 Market View, ground floor rental rates for factory space softened to S$1.90 psf per month in 3Q 2013 (from S$1.94 psf per month in 2Q 2013), while warehouse space witnessed healthy demand with rental increasing to S$1.83 psf per month in 3Q 2013 (from S$1.79 psf per month in 2Q 2013). Median rental rate for business park space in 2Q 2013 stands at S$3.90 psf per month (1Q 2013: S$4.05 psf per month).

The vacancy rate of factory space increased from 7.0% at the end of Q1 2013 to 7.6% at the end of 2Q 2013. Vacancy for warehouse space remained stable in 2Q 2013 at 7.2%. Business park vacancy increased to 19.1% in 2Q 2013 from 17.2% in 1Q 2013.

**China**

According to the National Bureau of Statistics, the China Purchasing Managers' Index edged up to 51.1 in September 2013 from 51.0 in August 2013 and the HSBC China Manufacturing PMI inched up to 50.2 in September 2013 from 50.1 in August 2013.

For the period from January to August 2013, China's import and export totaled US$ 2,704 billion with a y-o-y growth of 8.3%. China's export was US$ 1,429 billion, and its import was US$ 1,275 billion, up by 9.2% and 7.3% respectively, with trade surplus of US$ 963 billion. The International Monetary Fund (IMF) has cut its 2013 growth forecast for China to 7.6% from 7.75% in May 2013. Beijing's new leadership has stressed the need to retool the economy's growth model to one that is more consumer-led to improve sustainability. Beijing has stepped up efforts to head off a sharp economic slowdown by quickening railway investment and public housing construction and introducing measures to help smaller companies. Beijing has set a 7.5 per cent growth target for the economy this year.

**Outlook for the financial year ending 31 March 2014**

A-REIT had 21.4% of its revenue due for renewal at the beginning of FY13/14. As a result of its proactive portfolio management, this has been reduced to 10.5% at the end of 2Q FY13/14, thereby increasing the income stability of A-REIT. Furthermore, A-REIT's portfolio weighted average lease to expiry of about 3.9 years will provide sustainable and predictable earnings.

For the balance of the financial year, the passing rent of leases due for renewal is still below market spot rent and hence, positive rental reversion can be expected when these leases are renewed. Occupancy in selected properties may soften in the coming quarters; however, there could also be potential upside as the current portfolio vacancy of 9.9% is being leased out.

Barring any unforeseen event and any weakening of the economic environment, the Manager expects A-REIT to deliver a comparable performance with the previous financial year.

# 11. Distributions

**(a) Current financial period**

| | |
|---|---|
| Any distributions declared for the current financial period : | Yes |
| Name of distribution : | 43rd distribution for the period 1 July 2013 to 30 September 2013 |
| Distribution Type : | Taxable income / Tax-exempt income / Capital income |
| Distribution Rate : | Taxable income - 3.52 cents per unit<br>Tax-exempt income - 0.05 cents per unit<br>Capital income - 0.03 cents per unit |
| Par value of units : | Not applicable |
| Tax Rate : | <u>Taxable income distribution</u><br>Individuals who receive such distribution as investment income (excluding income received through partnership) will be exempted from tax.<br>Qualifying corporate investors will receive pre-tax distributions and pay tax on the distributions at their own marginal rate subsequently.<br>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt where the distributions received are returned to the respective CPF and SRS accounts.<br>Qualifying foreign non-individual investor will receive their distributions after deduction of tax at the rate of 10%.<br>All other investors will receive their distributions after deduction of tax at the rate of 17%.<br><u>Tax-exempt Income distribution</u><br>Tax-exempt income distribution is exempt from tax in the hands of all Unitholders, regardless of their nationality, corporate identity or tax residence status. Unitholders are not entitled to tax credits for any taxes paid by the trustee of A-REIT on the income of A-REIT against their Singapore income tax liability.<br><u>Capital Distribution</u><br>Distributions out of capital are not taxable in the hands of all Unitholders provided that the Units are not held as trading assets. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain arising from a subsequent disposal of the Units. If the amount exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders. |
| Book closure date : | 24 October 2013 |
| Date payable : | 25 November 2013 |

**(b) Corresponding period of the immediately preceding year**

| | | |
|---|---|---|
| (i) | Any distributions declared for the previous corresponding financial period : | Yes |
| | Name of distribution : | 38th distribution for the period 1 July 2012 to 30 September 2012 |
| | Distribution Type : | Income |
| | Distribution Rate : | Taxable income - 3.53 cents per unit |
| | Par value of units : | Not applicable |
| | Tax Rate : | <u>Taxable income distribution</u><br>Individuals who receive such distribution as investment income (excluding income received through partnership) will be exempted from tax.<br>Qualifying corporate investors will receive pre-tax distributions and pay tax on the distributions at their own marginal rate subsequently.<br>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt where the distributions received are returned to the respective CPF and SRS accounts.<br>Qualifying foreign non-individual investor will receive their distributions after deduction of tax at the rate of 10%.<br>All other investors will receive their distributions after deduction of tax at the rate of 17%. |
| | Book closure date : | 25 October 2012 |
| | Date payable : | 27 November 2012 |

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

Not applicable.

## 13. If the Group has obtained a general mandate from unitholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

A-REIT has not obtained a general mandate from unitholders for interested parties transactions.

## 14. Certificate pursuant to Paragraph 7.3 of the Property Funds Guidelines

The Manager hereby certifies that in relation to the distribution to the Unitholders of A-REIT for the financial quarter ended 30 September 2013:

The Manager is satisfied on reasonable grounds that, immediately after making the distribution, A-REIT will be able to fulfill, from its deposited property, its liabilities as and when they fall due.

A-REIT's current distribution policy is to distribute 100% of its distributable income to Unitholders, other than gains on the sale of properties that are determined by IRAS to be trading gains, and unrealised surplus on revaluation of investment properties and investment properties under development. Distributions are usually made on a quarterly basis at the discretion of the Manager. However in the case of its overseas subsidiaries, income from these subsidiaries will be distributed, after relevant adjustments (if any) such as withholding tax payable, at the discretion of the Manager.

## 15. DIRECTORS CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Board of Directors has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these financial results to be false or misleading in any material aspect.

## 16. USE OF PROCEEDS FROM PRIVATE PLACEMENTS

### (i) Gross proceeds of $298.5 million from Private Placement in May 2012

| Announced use of proceeds | Announced use of proceeds ($'million) | Actual use of proceeds ($'million) | Balance of proceeds ($'million) (Note a) |
|---|---|---|---|
| To fund the asset enhancement initiative at 9 Changi South Street 3 | 14.6 | 14.6 | - |
| To fund the asset enhancement initiative at Techplace II | 42.4 | 37.2 | 5.2 |
| To fund the development of Nexus@one-north | 68.0 | 68.0 | - |
| To fund the development of Unilever Four Acres Singapore | 32.3 | 32.3 | - |
| To fund the forward purchase of A-REIT City@Jinqiao | 90.0 | 90.0 | - |
| To pay issue expenses incurred by A-REIT in relation to the Private Placement | 4.7 | 4.7 | - |
| For general corporate and working capital purposes | 46.5 | 32.5 (Note b) | 14.0 |
| **Total** | 298.5 | 279.3 | 19.2 |

**Footnote**

(a) $19.2 million had been used to repay outstanding borrowings, pending the deployment of such funds for their intended use.

(b) $32.5 million had been used to partly fund capital expenditures at Xilin Districentre Building D, 31 Ubi Road 1, 1 Changi Business Park Avenue1 and 31 International Business Park, Techpoint, 5 Toh Guan East Road, Logistech and Techquest.

(ii) **Gross proceeds of $406.4 million from Private Placement in March 2013**

| Announced use of proceeds | Announced use of proceeds ($'million) | Actual use of proceeds ($'million) | Balance of proceeds ($'million) (Note a) |
|---|---|---|---|
| To fund acquisition of The Galen | 126.0 | 126.0 | - |
| To partly fund the potential acquisition of an integrated industrial mixed use property (comprising business space and white commercial space) at Kallang Avenue | 270.0 | - | 270.0 |
| To pay issue expenses incurred by A-REIT in relation to the Private Placement | 5.8 | 5.8 | - |
| For general corporate and working capital purposes | 4.6 | 0.6 (Note b) | 4.0 |
| **Total** | $406.4 | $132.4 | $274.0 |

**Footnote**

(a) $274.0 million had been used to repay outstanding borrowings, pending the deployment of such funds for their intended use.
(b) $0.6 million had been used for the transaction costs on acquisition of The Galen.



By order of the Board
Ascendas Funds Management (S) Limited

**Mary Judith de Souza**
**Company Secretary**
**16 October 2013**

KPMG

**KPMG LLP**
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

The Board of Directors
Ascendas Funds Management (S) Limited
(in its capacity as Manager of
Ascendas Real Estate Investment Trust)
61 Science Park Road
#02-18 The Galen
Singapore Science Park II
Singapore 117525

16 October 2013

Dear Sirs

**Ascendas Real Estate Investment Trust and its subsidiaries**
**Review of Interim Financial Information for the 6-month period ended 30 September 2013**

***Introduction***

We have reviewed the accompanying interim financial information (the "Interim Financial Information") of Ascendas Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") for the six-month period ended 30 September 2013. The Interim Financial Information comprises the following:

- Balance sheets of the Trust and the Group as at 30 September 2013;
- Portfolio statement of the Group as at 30 September 2013;
- Statements of total return of the Trust and the Group for the three-month and six-month periods ended 30 September 2013;
- Distribution statements of the Trust and the Group for the three-month and six-month periods ended 30 September 2013;
- Statements of movements in unitholders' funds of the Trust and the Group for three-month and six-month periods ended 30 September 2013;
- Statement of cash flows of the Group for the six-month period ended 30 September 2013; and
- Certain explanatory notes to the above Interim Financial Information.

Ascendas Funds Management (S) Limited, the Manager of the Trust, is responsible for the preparation and presentation of this Interim Financial Information in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 (2012) *Reporting Framework for Unit Trusts* relevant to interim financial information issued by the Institute of Singapore Chartered Accountants. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

***Scope of Review***

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with the recommendations of the RAP 7 (2012) relevant to interim financial information issued by the Institute of Singapore Chartered Accountants.

***Restriction of Use***

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the interim financial information for the purpose of assisting the Trust to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited Listing Manual and for no other purpose. Our report is included in the Trust's announcement of its interim financial information for the information of its unitholders. We do not assume responsibility to anyone other than the Trust for our work, for our report, or for the conclusions we have reached in our report.

Yours faithfully

KPMG LLP

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*
Singapore