

A-REIT's Total Amount Available for Distribution for 1Q FY15/16 grew by 5.6% y-o-y to S\$92.5 million

Highlights:

1. 1Q FY15/16 Distribution per Unit ("DPU") grew by 5.5% y-o-y to 3.841 cents. For illustrative purpose, after including a proforma adjustment⁽⁴⁾ for 1Q FY14/15, DPU would have grown by 4.4%.
2. Portfolio occupancy as at 30 June 2015 improved to 88.8% from 87.7% a quarter ago
3. Achieved average positive rental reversion of 6.6% for the portfolio in 1Q FY15/16

Summary of A-REIT's Group Results (For the financial periods ended 30 June)

	1Q FY15/16	1Q FY14/15	Variance	For illustrative purpose ⁽⁴⁾	
				1Q FY14/15 ⁽⁴⁾ (incl China)	Variance
Number of Properties	105 ⁽¹⁾	105	-	105	-
Gross revenue (S\$ million)	180.5	163.2	+10.6%	163.2	+10.6%
Net property income (S\$ million)	124.3	116.3	+6.9%	116.3	+6.9%
Total amount available for distribution (S\$ million)	92.5	87.6	+5.6%	88.5	+4.5%
DPU for the 1 st quarter (cents) ⁽²⁾⁽³⁾	3.841	3.640	+5.5%	3.680	+4.4%

Notes:

- (1) A-REIT has 103 properties in Singapore (including BBR Building which is expected to be divested in 2Q FY15/16) and 2 properties in China. The land titles of both The Aries and The Gemini have been amalgamated subsequent to the completion of asset enhancement works for Sparkle, a link block connecting the two buildings. A-REIT will be reporting both buildings as a single property going forward.
- (2) As at the date of this announcement, none of the S\$300 million Exchangeable Collateralised Securities with maturity date on 1 February 2017 had been converted into A-REIT's Units. As at 30 June 2015, 2,407,746,767 Units are in issue, compared to 2,404,060,171 Units in 30 June 2014.
- (3) With effect from 1 April 2014, A-REIT adopted a semi-annual distribution frequency, with distributions being made for the quarters ending 30 September and 31 March in each year.
- (4) With effect from 1 April 2015, A-REIT recognises the distribution of China's net income on a quarterly basis instead of semi-annually. Distribution will continue to be paid semi-annually. For illustrative purpose only, the amount available for distribution from China's net income in 1Q FY14/15 would have been S\$0.9 million higher, resulting in a DPU impact of 0.040 cents.

22 July 2015, Singapore – The Board of Directors of Ascendas Funds Management (S) Limited (the “Manager”), the Manager of Ascendas Real Estate Investment Trust (“A-REIT”), is pleased to report that for 1Q FY15/16, A-REIT’s total amount available for distribution grew 5.6% year-on year (“y-o-y”) to S\$92.5 million.

Chief Executive Officer and Executive Director of the Manager, Mr Tan Ser Ping said, “In the first quarter of the new financial year, A-REIT achieved a 5.5% growth in distribution per unit, underpinned by higher occupancy as well as positive rental reversion on lease renewals. Our new acquisitions, Aperia, Hyflux Innovation Centre and The Kendall contributed to the strong performance, reaffirming our track record of value-adding investments.”

A Well Diversified and Resilient Portfolio

As at 30 June 2015, A-REIT continues to have a portfolio of long and short term leases (21.8% and 78.2% by property value respectively) with a weighted average lease to expiry of about 3.7 years. Long-term leases are typically the result of sale-and-leaseback or built-to-suit arrangements and these have stepped rental escalation, of which 32.7% of such leases incorporate CPI-based adjustment with a floor. Such leases provide stability and predictability in earnings while short term leases are typically of three-year duration where rental rates are marked-to-market upon renewal.

Occupancy rates for the overall portfolio and multi-tenant buildings improved to 88.8% (Mar 2015: 87.7%) and 84.7% (Mar 2015: 83.0%) respectively. This was mainly attributable to higher occupancies at 40 Penjuru Lane, 9 Changi South Street 3 and Aperia.

At 40 Penjuru Lane, occupancy improved to 70.9% from 56.1% in the previous quarter and at 9 Changi South Street 3, occupancy rose to 79.7% from 61.6%. 40 Penjuru Lane and 9 Changi South Street 3 were previously single-tenant buildings that were converted to multi-tenant buildings. Aperia, a new integrated development, which was completed less than a year ago, has since secured 84.7% committed occupancy.

In China, occupancy at A-REIT City @Jinqiao (Shanghai) has improved to 58.1% as at 30 June 2015 with another 2.1% of net lettable area (“NLA”) pre-committed. We continue to see interest from local Chinese companies for business space at A-REIT City @Jinqiao. Ascendas-Z-link remains 100% occupied.

Positive rental reversion was achieved across all segments of the portfolio. A weighted average rental reversion of 6.6% was achieved for leases renewed in 1Q FY15/16. Weighted average lease term of new leases signed in 1Q FY15/16 was 3.6 years.

The top 10 tenants accounted for not more than 19.2% of A-REIT's total portfolio income. With around 1,420 tenants in a portfolio of 103¹ properties in Singapore and two in China, A-REIT is well-diversified in terms of rental income where no single property accounts for more than 5.6% of A-REIT's monthly gross revenue.

At the beginning of FY15/16, about 18.1% of A-REIT's property income was due for renewal, of which 3.8% were leases of single-tenant buildings and 14.3% were leases of multi-tenant buildings. The Manager proactively negotiated and secured renewal commitments for expiring leases during the past quarter. As at 30 June 2015, leases for about 14.0% of A-REIT's property income were due for renewal (comprising 3.5% of single-tenant buildings tenancies and 10.5% of multi-tenant buildings tenancies).

Disciplined and Yield Accretive Investments

The Manager continues to focus on improving returns from existing buildings via asset enhancement projects. In 1Q FY15/16, the Manager completed the amenities block, Sparkle, which links The Aries and The Gemini in Singapore Science Park II, for S\$17.2 million. The additional amenities space will enhance vibrancy in the Park, benefit existing tenants and improve marketability of the properties within Singapore Science Park II.

The extension block of DBS Asia Hub was completed in April 2015. The additional space of 7,081 sqm (gross floor area) caters to DBS Bank's increasing business space requirements in Changi Business Park. The entire block is leased to DBS Bank until July 2020 to coincide with the lease expiry of DBS Asia Hub.

During the quarter, the Manager embarked on three new asset enhancement initiatives at Acer Building, Cintech I to IV and Honeywell Building with an estimated total value of S\$27.6

¹ A-REIT has 103 properties in Singapore (including BBR Building which is expected to be divested in 2Q FY15/16). The land titles of both The Aries and The Gemini have been amalgamated subsequent to the completion of asset enhancement works for Sparkle, a link block connecting the two buildings. A-REIT will be reporting both buildings as a single property going forward.

million. These new additions, together with three other on-going asset enhancement projects and a logistics development project in Jiashan, China, amount to approximately S\$125.3 million.

Details of the asset enhancement/development works are in **Annex A**.

Divestment

During 1Q FY15/16, the Manager completed the divestment of 26 Senoko Way to JTC Corporation for S\$24.8 million. In May 2015, the Manager also announced the divestment of BBR Building to BBR Holdings (S) Ltd for S\$13.9 million. This divestment is expected to complete in 2Q FY15/16 and realise capital gains of S\$6.8m over the original cost of investment. The Manager will continue to selectively divest properties that have reached a stage which offers limited scope for further income growth and to recycle capital and optimise A-REIT's portfolio.

Proactive Capital Management

A-REIT's aggregate leverage was 34.7% as at 30 June 2015. With debt headroom of around S\$1.5 billion before its aggregate leverage reaches 45%, A-REIT is well-positioned to seize investment opportunities when they arise.

Weighted average all-in borrowing cost is approximately 2.8%. About 69.5% of A-REIT's interest rate risk exposure is hedged with a weighted average duration of 3.6 years remaining.

The proportion of unencumbered investment properties remained relatively unchanged at 86.2% (86.1% as at 31 March 2015), and the weighted average tenure of debt outstanding is 3.8 years.

Outlook for FY15/16

With 11.2% vacant space in A-REIT's portfolio, there could be potential upside when some of the space is leased, the speed of which will largely depend on prevailing market conditions. In addition, the average passing rental rates of most of the leases in our portfolio due for renewal in FY15/16 are still below market spot rental rates; hence, moderate positive rental reversion can be expected when such leases are renewed.

However, the industrial property market conditions are expected to remain challenging. With significant new supply and more stringent government regulations, there may be pressure on occupancy growth. The Manager will continue to improve and reposition A-REIT's assets to serve the needs of current and prospective tenants. Simultaneously, A-REIT will evaluate and seek growth opportunities in developed and mature markets to deliver stable distributions to and maintain capital stability for our Unitholders.

In China, the Manager will adopt a cautious approach while seeking opportunities in the business park and logistics segments. Over the longer term, demand for high quality business and logistics space should be strong as the Chinese Government reforms the economy towards a more sustainable growth driven by domestic consumption and private demand.

Barring any unforeseen events and any weakening of the economic environment, the Manager expects A-REIT to maintain a stable performance for the balance of the financial year ending 31 March 2016.

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Annex A:

On-going Asset Enhancement Works: S\$101.6 million

	Asset Enhancement Works	Value (S\$m)	Estimated Completion	Committed Period
1	Acer Building (NEW)	10.7	2Q 2016	FY15/16
2	Cintech I to IV (NEW)	12.7	1Q 2016	FY15/16
3	2 Senoko South Road	12.1	4Q 2015	FY14/15
4	40 Penjuru Lane (formerly C&P Logistics Hub)	35.7	4Q 2015	FY13/14
5	Techlink & Techview	26.2	4Q 2015	FY13/14
6	Honeywell Building (NEW)	4.2	3Q 2015	FY15/16
	TOTAL	101.6		

1) Acer Building (NEW) for S\$10.7 million

Acer Building is well located within International Business Park and Jurong Lake District, which has been earmarked as a major regional centre in the western part of Singapore. The enhancement works will improve and upgrade existing building specifications. Restrooms, corridors, lift lobbies and lift interiors will be upgraded and a covered link way will be built to improve accessibility to the nearest bus stop. The façade of the building will also be enhanced to allow more natural lighting into the building. There will be a new central drop-off to improve our tenants' experience. The enhancement work is expected to complete by 2Q 2016.

2) Cintech I to IV (NEW) for S\$12.7 million

The four Cintech buildings are located within Singapore Science Park I and were acquired from Ascendas Group in 2012. The asset enhancement works will enhance the properties' marketability and improve our tenants' experience within and around the properties. Drop-off points, lift lobbies, lift interiors and restrooms will be upgraded and new sheltered walkways will be built to connect the four buildings to the bus stop along AYE, Science Park Drive and The Rutherford. The enhancement works are expected to complete by 1Q 2016.

3) 2 Senoko South Road for S\$12.1 million

Well-located within JTC's designated Food Zone in Senoko area, 2 Senoko South Road will be converted from the existing single-tenant food factory into a multi-tenant light industrial food building. The proposed works will involve the reconfiguration of floor layout, installation of mechanical ventilation for sub-divided units, new loading/unloading bays, new cargo lifts, toilets etc. Post-enhancement, 2 Senoko South Road will be well positioned to cater to tenants looking for units with good specifications for their food production, processing, storage and central kitchen activities.

4) 40 Penjuru Lane (formerly C&P Logistics Hub) for S\$35.7 million

40 Penjuru Lane is located in the Jurong Industrial Area and was acquired on a sale-and-leaseback basis in 2004. The enhancement work includes building a new 4-storey warehouse block with gross floor area ("GFA") of 24,111 sqm over the existing vacant open container yard. This new block will be connected to the existing 40 feet vehicular ramp and driveways, greatly improving the utilisation of the premises. The asset enhancement works are expected to complete by 4Q 2015.

5) Techlink and Techview for S\$26.2 million

Techlink and Techview are multi-tenant High-Specs industrial properties located within the Kaki Bukit Industrial Estate. GFA at Techlink will be increased by 1,820 sqm, creating prime space for showrooms on level 1 and more business space on level 2 and 3. Techview, which is well-located next to the upcoming Kaki Bukit MRT station, will be upgraded with amenities such as walkway to the new MRT station, new food court and upgraded lifts and toilets to enhance the marketability of the building. The completion date of the asset enhancement works is estimated to be in 4Q 2015.

6) Honeywell (NEW) for S\$4.2 million

Honeywell Building is a 6-storey business park building located within Changi Business Park. The asset enhancement works will improve and upgrade the existing building specifications and conditions to enhance the property's competitiveness and marketability. The enhancements include upgrading the main entrance foyer and drop-off point, lift lobby, restrooms, common corridors and mechanical and electrical equipment. The enhancement is expected to complete in 3Q 2015.

On-going Development Project: S\$23.7 million

	Development	Value (S\$m)	Estimated Completion	Committed Period
1	Jiashan Logistics Facility	23.7	1Q 2016	FY14/15
	TOTAL	23.7		

1) Jiashan Logistics Facility (Shanghai) for S\$23.7 million

The Manager is developing a single-storey modern logistics facility with GFA of approximately 35,244 sqm in Jiashan, at the south-western border of Shanghai, China. The total cost of the development, including the cost of the land is approximately RMB105.2 million (or approximately S\$23.7 million). The land has an area of 57,513 sqm and lease tenure of 50 years. The rapid rise of e-commerce businesses and robust domestic consumption has driven demand for modern logistics facilities in China. The development is expected to complete in 1Q 2016.

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About A-REIT (www.a-reit.com)

A-REIT is Singapore's first and largest listed business space and industrial real estate investment trust. It has a diversified portfolio of 103 properties in Singapore, comprising business and science park properties, hi-specs industrial properties, light industrial properties, logistics and distribution centres, integrated development, amenities and retail properties and 2 business park properties in China. As at 30 June 2015, total assets amount to about S\$8.2 billion. These properties house a tenant base of around 1,420 international and local companies from a wide range of industries and activities, including research and development, life sciences, information technology, engineering, light manufacturing, logistics service providers, electronics, telecommunications, manufacturing services and back-room office support in service industries. Major tenants include SingTel, Siemens, Honeywell, Zuellig Pharma, Citibank N.A., OSIM International, DBS Bank, Federal Express, Baidu, Inc., Johnson & Johnson, RSH, Infineon Technologies, Cold Storage and Hyflux.

A-REIT is listed in several indices. These include the FTSE Straits Times Index (with effect from 4 June 2014), the Morgan Stanley Capital International, Inc (MSCI) Index, the European Public Real Estate Association/National Association of Real Estate Investment Trusts (EPRA/NAREIT) Global Real Estate Index and Global Property Research (GPR) Asia 250. A-REIT has an issuer rating of "A3" by Moody's Investor Services.

A-REIT is managed by Ascendas Funds Management (S) Limited (in its capacity as manager of A-REIT), a wholly-owned subsidiary of the Singapore-based Ascendas Group and a member of the Ascendas-Singbridge Group.

About Ascendas Group (www.ascendas.com)

A member of Ascendas-Singbridge group, Ascendas is Asia's leading provider of business space solutions with more than 30 years of experience and Assets under Management exceeding S\$16 billion. Ascendas has a global clientele of over 2,400 customers in 25 cities across 10 countries including Singapore, China, India, Malaysia, South Korea and Vietnam.

Ascendas provides end-to-end real estate solutions, assisting companies across the entire real estate process. Ascendas specialises in masterplanning, developing, managing and marketing IT parks, industrial & logistics parks, business parks, science parks, office and retail spaces. Leveraging on its track record and experience, Ascendas has introduced new business space concepts such as integrated communities and solutions, which seamlessly combine high-quality business, lifestyle, retail and hospitality spaces to create conducive human-centric work-live-play-learn environments. Its flagship projects include the Singapore Science Park and Changi City at Changi Business Park in Singapore, International Tech Park Bangalore in India and Ascendas-Xinsu in Suzhou Industrial Park, China.

In November 2002, Ascendas launched Singapore's first business space trust, Ascendas Real Estate Investment Trust (A-REIT), and in August 2007, Ascendas India Trust (a-iTrust) was listed as the first Indian property trust in Asia. In July 2012, Ascendas listed Ascendas Hospitality Trust (A-HTRUST), which comprises a portfolio of quality hotels in Australia, China, Japan and Singapore. Besides managing listed real estate funds, Ascendas also manages a series of private funds with commercial and industrial assets across Asia.

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Important Notice

The value of A-REIT's Units ("**Units**") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of A-REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of A-REIT is not necessarily indicative of the future performance of A-REIT.

This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support A-REIT's future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

Any discrepancies in the figures included herein between the listed amounts and total thereof are due to rounding.