

SGX-ST Announcement

For immediate release

12 May 2008

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Request for further information by Singapore Exchange Limited (“SGX”)

Singapore, 12 May 2008 – Allco (Singapore) Limited (“**Manager**”), the manager of Allco Commercial Real Estate Investment Trust (“**Allco REIT**”) (SGX: ALLC) has been requested by SGX, by an email dated 8 May 2008, to provide further information in relation to the Allco REIT financial statement announcement for the quarter ended 31 March 2008 (“**results announcement**”), which was released via SGXNET on 6 May 2008.

SGX has requested that such information be provided in an announcement to be released via SGXNET by 12 May 2008, by disclosing SGX’s questions and the Manager’s corresponding answers. These questions and answers are set out below.

Question:

- (a) We note on Pg 2 of the results announcement that “Other Property operating expenses” increased by 189% from S\$1.4m to S\$4.1m. In respect of the above, please provide the following information:-
- (i) Quantify the major expense items contributing to the increase; and
 - (ii) Elaborate on the reasons for the significant increase in “Other Property operating expenses”.

Answer:

- (a) (i) Please refer to the breakdown by major items contributing to the increase of the “Other Property operating expenses” as follows:-

Other Property Operating Expense (By major items)				
	1Q2008	1Q2007	Increase/ (Decrease)	Increase/ (Decrease)
	S\$’000	S\$’000	S\$’000	%
Property maintenance expenses	1,428	499	929	186.3%
Utilities	1,274	394	880	223.3%
Other professional fees	887	272	615	226.1%
Insurance	104	89	14	16.2%
Council rates	224	-	224	NM
Amortisation of leasing commission	91	-	91	NM
Other operating expenses	85	161	(76)	(47.0%)
Total	4,093	1,415	2,678	189.2%

(a) (ii) Please refer to the breakdown by properties contributing to the increase of the "Other Property operating expenses" as follows:-

Group level - Other Property Operating Expense (By Property)

	1Q2008	1Q2007	Increase/ (Decrease)	Increase/ (Decrease)
	S\$'000	S\$'000	S\$'000	%
China Square Central	10	-	10	NM
55 Market Street	266	132	134	101.2%
KeyPoint	733	-	733	NM
Central Park	1,586	1,283	303	23.6%
Centrelink Headquarters	375	-	375	NM
Cosmo Plaza	541	-	541	NM
Galleria Otemae Building	428	-	428	NM
Ebara Tecno-Serve Headquarters Building	51	-	51	NM
Azabu Aco Building	102	-	102	NM
Total	4,093	1,415	2,678	189.2%

With reference to the above tables, the increase in "Other Property operating expenses" in nearly all the major items as per the table shown in (i) above predominantly was due to:-

- the property operating expenses of the six additional properties (KeyPoint, Centrelink Headquarters, Cosmo Plaza, Galleria Otemae Building, Ebara Techno-Serve Headquarters Building and Azabu Aco Building) that Allco REIT acquired in the 2nd half of FY2007;
- 55 Market Street was not fully operational until 3Q2007 thus had lower costs in 1Q2007 compared to 1Q2008; and
- Central Park incurred higher tenant rechargeable expenses in 1Q2008 compared to 1Q2007. These are rechargeable to tenants and thus are reflected in gross revenue.

Question:

(b) We note on Pg 2 of the announcement that "Trust Expenses" increased by 121% from S\$1.6m to S\$3.6m. As disclosed on Pg 3 of the announcement, "Trust Expenses include management fees, trustee fees, audit fees and legal and other professional advisory fees." In view of the above, to provide the following information:-

- Quantify the major expense items contributing to the increase; and
- Elaborate on the reasons for the significant increase in "Trust Expenses".

Answer:

- (b) (i) Please refer to the breakdown by major items contributing to the increase in “Trust Expenses” as follows:-

Group level – Trust Expenses

	1Q2008	1Q2007	Increase/ (Decrease)	Increase/ (Decrease)
	S\$'000	S\$'000	S\$'000	%
Management fee	3,027	1,309	1,718	131.3%
Trustee's fee	226	67	158	235.5%
Audit fees	63	58	5	8.8%
Professional and legal fees	116	25	91	369.3%
Other expenses	184	177	8	4.6%
Total	3,615	1,635	1,981	121.1%

- (b) (ii) Management fee is computed based on a percentage of the value of real estate assets of the Group and the net property income from the properties, while the Trustee's fee is computed based on a percentage of the value of the real estate assets of the Group. The higher management and Trustee's fees in 1Q2008 compared to 1Q2007 was due mainly to higher total assets under management for the Group in 1Q2008 as a result of the additional six properties (KeyPoint, Centrelink Headquarters, Cosmo Plaza, Galleria Otemae Building, Ebara Techno-Serve Headquarters Building and Azabu Aco Building) that Allco REIT acquired in the 2nd half of FY2007. In addition, the management fee was further increased by the higher net property income contributed by these additional properties.

The higher professional and legal fees in 1Q2008 compared to 1Q2007 was due mainly to higher company secretarial fees and registration fees charged in 1Q2008 because of the increase in the number of Group entities set up to acquire and hold the additional properties.

Question:

- (c) We note on Pg 5 of the announcement that “Derivative financial instruments” increased from S\$4.3m to S\$17.5m. As disclosed on Pg 6 of the announcement, “the derivative financial instruments relate to the fair values of interest rate swaps transacted to manage interest rate risk, and the fair values of foreign currency swaps and forward contracts transacted to manage currency fluctuations on the foreign currency denominate income of the Group”.

In respect of the above, please quantify the breakdown of each major category of “Derivative financial instruments” and elaborate on the circumstances giving rise to the increase in ““Derivative financial instruments””.

Answer:

(c) Please refer to the breakdown of the “Derivative financial instruments” as follows:-

	Group	Group	Trust	Trust
	31/03/2008	31/12/2007	31/03/2008	31/12/2007
	S\$'000	S\$'000	S\$'000	S\$'000
Mark-to-market values of:-				
- Interest rates swaps	16,351	3,048	16,351	3,048
- Foreign currency swaps and forward contracts	1,104	1,204	1,104	1,204
Total	17,455	4,252	17,455	4,252

Fair value is used as an estimate of the mark-to-market value (“**MTM**”) of the derivative financial instruments held by Allco REIT which will be closely affected by the movements in interest rates and foreign currency markets (“**Markets**”) as determined at period end with respect to the current market value for an instrument of the same remaining term and quantum. In turn, the Markets are affected by the general conditions in the global financial and economic environments.

When the Markets are moving in favour of Allco REIT current interest rate and/or foreign currency positions, it will have a positive impact on the fair value of the derivative financial instruments held by Allco REIT. Similarly, when the Markets are moving against Allco REIT current interest rate and/or foreign currency positions, it will have an adverse impact on the fair value of the derivative financial instruments held by Allco REIT. Market movements against Allco REIT were the reason for the increase in the “Derivative financial instruments” shown on Pg 5 of the results announcement.

Nicholas McGrath
Chief Executive Officer
Allco (Singapore) Limited
(Company registration no. 200503404G)
As manager of Allco Commercial Real Estate Investment Trust

IMPORTANT NOTICE

This announcement may contain forward-looking statements that involve 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, changes in operating expenses, (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support 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.

The value of units of Allco REIT ("**Units**") and the income derived from them, if any, may fall or 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 should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This publication is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Allco REIT and the Manager is not necessarily indicative of the future performance of Allco REIT and the Manager.