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| 宝泽 AIMS<br>AIMS APAC REIT | **AIMS APAC REIT<br>UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT<br>THIRD QUARTER ENDED 31 DECEMBER 2019<br>("3Q FY2020")** |

**Introduction**

AIMS APAC REIT (formerly known as AIMS AMP Capital Industrial REIT) ("AA REIT" or the "Trust") is a real estate investment trust which was listed on the Main Board of the SGX-ST on 19 April 2007. AA REIT is externally managed by AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial REIT Management Limited) (the "Manager"). The principal investment objective of the Manager is to invest in a diversified portfolio of income-producing real estate assets located in Singapore and throughout the Asia-Pacific region that is used for industrial purposes, including, but not limited to warehousing and distribution activities, business park activities and manufacturing activities. The Manager's key objectives are to deliver stable distributions to Unitholders and to provide long-term capital growth.

The Group[1] has a portfolio of 27 industrial properties, 25 of which are located throughout Singapore, one industrial property located in Gold Coast, Queensland, Australia and one business park property located in Macquarie Park, New South Wales ("NSW"), Australia[2].

**Summary of AIMS APAC REIT Group results**

| | Note | 3Q FY2020 | 2Q FY2020 | +/(-) | 3Q FY2019 | +/(-) | YTD FY2020 | YTD FY2019 | +/(-) |
|---|---|---|---|---|---|---|---|---|---|
| | | S$'000 | S$'000 | % | S$'000 | % | S$'000 | S$'000 | % |
| Gross revenue | (a) | 29,458 | 30,595 | (3.7) | 29,819 | (1.2) | 90,642 | 88,160 | 2.8 |
| Net property income | (a) | 23,110 | 22,490 | 2.8 | 19,447 | 18.8 | 68,541 | 58,170 | 17.8 |
| Share of profits of joint venture (net of tax) | (a) | 47,367 | 6,035 | >100.0 | 3,471 | >100.0 | 56,776 | 10,359 | >100.0 |
| Distributions to Unitholders | (b) | 17,586 | 17,422 | 0.9 | 17,218 | 2.1 | 52,379 | 51,496 | 1.7 |
| Distribution per Unit ("DPU") (cents) | | 2.50 | 2.50 | - | 2.50 | - | 7.50 | 7.50 | - |

**Notes:**

(a) Please refer to section 8 on "Review of the performance" for explanation of the variances.

(b) The Manager resolved to distribute S$17.6 million for 3Q FY2020, comprising (i) taxable income of S$16.2 million from Singapore operations; and (ii) tax-exempt income distribution of S$1.0 million and capital distribution of S$0.4 million from distributions remitted from the Group's investment in Optus Centre, Macquarie Park, NSW, Australia and Boardriders Asia Pacific HQ in Gold Coast, Queensland, Australia. AA REIT's distribution policy is to distribute at least 90.0% of the Trust's Singapore taxable income for the full financial year. For 3Q FY2020, the Manager has resolved to

[1] The Group comprises AIMS APAC REIT, its wholly-owned subsidiaries and its interest in a joint venture.

[2] AA REIT has a 49.0% interest in Optus Centre located in Macquarie Park, NSW, Australia.

distribute 99.6% of the Singapore taxable income available for distribution to the Unitholders. Please refer to details in section 1(a)(ii) for the distribution statement.

**Distribution and Books Closure Date**

| | | |
|---|---|---|
| Distribution | For 1 October 2019 to 31 December 2019 | |
| Distribution Type | (a) Taxable Income<br>(b) Tax-Exempt Income<br>(c) Capital Distribution[3] | |
| Distribution Rate | (a) Taxable Income Distribution:<br>(b) Tax-Exempt Income Distribution:<br>(c) Capital Distribution[3]: | 2.30 cents per Unit<br>0.15 cents per Unit<br>0.05 cents per Unit<br>2.50 cents per Unit |
| Books Closure Date | 10 February 2020 | |
| Payment Date | 26 March 2020 | |

**1 (a)(i) Consolidated Statements of Total Return**

| | Note | Group 3Q FY2020 S$'000 | Group 3Q FY2019 S$'000 | +/(-) % | Group YTD FY2020 S$'000 | Group YTD FY2019 S$'000 | +/(-) % |
|---|---|---|---|---|---|---|---|
| Gross revenue | (a) | 29,458 | 29,819 | (1.2) | 90,642 | 88,160 | 2.8 |
| Property operating expenses | (a),(b) | (6,348) | (10,372) | (38.8) | (22,101) | (29,990) | (26.3) |
| **Net property income** | (a) | 23,110 | 19,447 | 18.8 | 68,541 | 58,170 | 17.8 |
| Foreign exchange gain/(loss) | (c) | 2 | (105) | >(100.0) | (80) | (189) | (57.7) |
| Interest and other income | | 104 | 46 | >100.0 | 180 | 125 | 44.0 |
| Borrowing costs | (a) | (4,926) | (4,677) | 5.3 | (14,159) | (14,081) | 0.6 |
| Borrowing costs on lease liabilities | (a),(b) | (772) | - | NM | (2,349) | - | NM |
| Manager's management fees | (a) | (1,969) | (1,861) | 5.8 | (5,723) | (5,556) | 3.0 |
| Other trust expenses | (a) | (594) | (536) | 10.8 | (1,756) | (1,557) | 12.8 |
| Non-property expenses | | (8,261) | (7,074) | 16.8 | (23,987) | (21,194) | 13.2 |
| **Net income before joint venture's profits** | | 14,955 | 12,314 | 21.4 | 44,654 | 36,912 | 21.0 |
| Share of profits of joint venture (net of tax) | (d) | 47,367 | 3,471 | >100.0 | 56,776 | 10,359 | >100.0 |
| **Net income** | | 62,322 | 15,785 | >100.0 | 101,430 | 47,271 | >100.0 |
| Net change in fair value of investment properties and investment property under development | (b),(e) | (1,394) | - | NM | (17,155) | 1,811 | >(100.0) |
| Net change in fair value of derivative financial instruments | (f) | 847 | (1,702) | >(100.0) | (1,834) | (2,809) | (34.7) |
| **Total return before income tax** | | 61,775 | 14,083 | >100.0 | 82,441 | 46,273 | 78.2 |
| Income tax expense | (g) | (7,766) | (160) | >100.0 | (8,161) | (807) | >100.0 |
| **Total return after income tax** | | 54,009 | 13,923 | >100.0 | 74,280 | 45,466 | 63.4 |

[3] This relates to the tax deferred component arising from the distributions remitted from the Group's investments in Australia.

NM: not meaningful.

**Notes:**

(a) Please refer to section 8 on "Review of the performance" for explanation of the variances.

(b) AA REIT's operating lease arrangements relate to land rent payments to JTC Corporation and CapitaLand Singapore (BP&C) Pte. Ltd. (formerly known as Ascendas Land (Singapore) Pte Ltd) for certain properties in its portfolio. On 1 April 2019, AA REIT adopted FRS 116 *Leases* ("FRS 116") which introduces a single, on-balance sheet lease accounting model for lessees and requires AA REIT to recognise right-of-use ("ROU") assets representing its right to use the underlying properties and lease liabilities representing its obligation to make lease payments. Using the modified retrospective approach, AA REIT did not adjust its comparatives for the effects arising from the adoption of the new standard. The ROU assets and liabilities are derived from discounting the future land rent payments over the respective lease terms by applying a single discount rate to the portfolio of property leases. The ROU assets are included within "Investment properties" and "Investment property under development" in the Statements of Financial Position.

As at 1 April 2019, AA REIT recognised ROU assets of S$94.4 million and lease liabilities of the same amount for its leases previously classified as operating leases. Lease liabilities increase with the accretion of imputed interest expense computed using the effective interest rate method and decrease as land rent payments are made. Fair value changes on ROU assets are recorded to ensure that the carrying values of ROU assets and lease liabilities are equal at all times. As at 31 December 2019, the carrying values of the ROU assets and lease liabilities were S$91.3 million.

Prior to the adoption of FRS 116, the land rent payments were included within "Property operating expenses" in arriving at the "Net property income" in the Consolidated Statements of Total Return and formed part of "Cash flows from operating activities" in the Consolidated Statement of Cash Flows. With the adoption of FRS 116, these payments are reclassified as (i) "Borrowing costs on lease liabilities" based on the imputed interest expense computed using the effective interest rate method and (ii) "Net change in fair value of investment properties and investment property under development" in the Consolidated Statements of Total Return. In the Consolidated Statement of Cash Flows, the land rent payments are reflected as "Repayment of lease liabilities" within "Cash flows from financing activities". For YTD FY2020, AA REIT recognised borrowing costs on lease liabilities of S$2.3 million (net of interest expense capitalised) and changes in fair value of ROU assets of S$4.0 million in the Consolidated Statements of Total Return.

In line with a circular issued by the Monetary Authority of Singapore dated 26 November 2018 on the exclusion of on-balance sheet operating lease liabilities from REITs' Aggregate Leverage for operating leases entered into before 1 January 2019, AA REIT's ROU assets and lease liabilities have been excluded from the computation of the Aggregate Leverage. As at 31 December 2019, AA REIT's Aggregate Leverage was 35.2% (31 March 2019: 33.7%). In addition, the adoption of FRS 116 has no impact on the taxable income and distributable income of AA REIT.

(c) The foreign exchange gain/(loss) mainly relates to the exchange differences on the Trust's Australian distribution income and Australian Dollar cash and cash equivalents.

(d) The share of profits of joint venture (net of tax) comprised contribution from the Group's 49.0% interest in Optus Centre. The higher contribution in 3Q FY2020 was mainly due to the share of revaluation surplus recognised from the valuation

of the underlying property. Following the execution of a new agreement for lease with the existing master tenant, Optus Administration Pty Limited in November 2019, the independent valuation of the underlying property was carried out by Knight Frank NSW Valuations & Advisory Pty Ltd and the property was valued at A$570.0 million (equivalent to approximately S$538.8 million) (30 September 2019: A$475.0 million (equivalent to approximately S$443.2 million)).

(e) The net change in fair value of investment properties and investment property under development for 3Q FY2020 arose mainly due to the fair value adjustments of ROU assets included in investment properties and investment property under development as at 31 December 2019, in accordance with FRS 116. The net change in fair value of investment properties and investment property under development is a non-tax chargeable/deductible item and has no impact on the taxable income and distributable income to the Unitholders.

(f) This relates to changes in fair value due to the revaluation of certain interest rate swap contracts in accordance with FRS 109. Please refer to note (f) of section 1(b)(i) for further details of the swap contracts. The net change in fair value of derivative financial instruments is a non-tax chargeable/deductible item and has no impact on the taxable income and distributable income to the Unitholders.

(g) Income tax expense relates to withholding tax paid/payable by the Trust on the distribution from Australia, income tax payable by the Trust's wholly-owned subsidiary, AACI REIT MTN Pte. Ltd. ("AACI REIT MTN") as well as provision for deferred tax liabilities for the Trust's investments in Australia. The increase in income tax expense is in relation to the deferred income tax expense recognised on the share of revaluation surplus on Optus Centre (see note 1(b)(i)(j)).

**1(a)(ii) Distribution Statement**

| | Note | Group 3Q FY2020 S$'000 | Group 3Q FY2019 S$'000 | +/(-) % | Group YTD FY2020 S$'000 | Group YTD FY2019 S$'000 | +/(-) % |
|---|---|---|---|---|---|---|---|
| Total return before income tax | | 61,775 | 14,083 | >100.0 | 82,441 | 46,273 | 78.2 |
| Net effect of tax adjustments | (a) | 1,565 | 4,408 | (64.5) | 19,841 | 8,096 | >100.0 |
| Other adjustments | (b) | (47,091) | (2,361) | >100.0 | (52,383) | (6,606) | >100.0 |
| Amount available for distribution from Singapore taxable income | | 16,249 | 16,130 | 0.7 | 49,899 | 47,763 | 4.5 |
| Distribution from Singapore taxable income | (c) | 16,179 | 15,841 | 2.1 | 48,883 | 47,308 | 3.3 |
| Distribution from tax-exempt income | (d) | 1,055 | 895 | 17.9 | 2,761 | 2,198 | 25.6 |
| Capital distribution | (e) | 352 | 482 | (27.0) | 735 | 1,990 | (63.1) |
| Distributions to Unitholders | | 17,586 | 17,218 | 2.1 | 52,379 | 51,496 | 1.7 |

**Notes:**

(a) Net effect of tax adjustments

| | Group 3Q FY2020 S$'000 | Group 3Q FY2019 S$'000 | +/(-) % | Group YTD FY2020 S$'000 | Group YTD FY2019 S$'000 | +/(-) % |
|---|---|---|---|---|---|---|
| Amortisation and write-off of borrowing transaction costs | 198 | 184 | 7.6 | 557 | 610 | (8.7) |
| Foreign exchange (gain)/loss | (6) | 109 | >(100.0) | 126 | 200 | (37.0) |
| Manager's management fees in Units | 985 | 1,118 | (11.9) | 2,862 | 3,147 | (9.1) |
| Land rent paid/payable on investment properties | (2,084) | - | NM | (6,239) | - | NM |
| Borrowing costs on lease liabilities | 772 | - | NM | 2,349 | - | NM |
| Net change in fair value of investment properties and investment property under development | 1,358 | - | NM | 14,383 | (1,811) | >(100.0) |
| Net change in fair value of derivative financial instruments | (847) | 1,702 | >(100.0) | 1,834 | 2,809 | (34.7) |
| Net tax adjustment on foreign sourced income | 1,035 | 736 | 40.6 | 2,772 | 1,988 | 39.4 |
| Temporary differences and other tax adjustments | 154 | 559 | (72.5) | 1,197 | 1,153 | 3.8 |
| Net effect of tax adjustments | 1,565 | 4,408 | (64.5) | 19,841 | 8,096 | >100.0 |

NM: not meaningful.

(b) Other adjustments comprised primarily the net accounting results of the Trust's subsidiaries.

(c) The Trust's distribution policy is to distribute at least 90.0% of the Trust's Singapore taxable income for the full financial year. For 3Q FY2020, the Manager has resolved to distribute 99.6% of the Singapore taxable income available for distribution to the Unitholders.

(d) This relates to tax-exempt income arising from the distributions remitted from the Group's investments in Australia.

(e) This relates to the tax deferred component arising from the distributions remitted from the Group's investments in Australia.

**1(b)(i) Statements of Financial Position as at 31 December 2019 vs. 31 March 2019**

| | Note | Group 31 Dec 2019 S$'000 | Group 31 Mar 2019 S$'000 | +/(-) % | Trust 31 Dec 2019 S$'000 | Trust 31 Mar 2019 S$'000 | +/(-) % |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Investment properties | (a) | 1,319,051 | 1,202,300 | 9.7 | 1,282,458 | 1,202,300 | 6.7 |
| Investment property under development | (b) | 49,844 | 32,700 | 52.4 | 49,844 | 32,700 | 52.4 |
| Subsidiaries | (c) | - | - | - | 107,393 | 87,339 | 23.0 |
| Joint venture | (d) | 271,544 | 221,806 | 22.4 | - | - | - |
| Trade and other receivables | (e) | 3,007 | 3,646 | (17.5) | 3,007 | 3,646 | (17.5) |
| Derivative financial instruments | (f) | - | 371 | (100.0) | - | 371 | (100.0) |
| | | 1,643,446 | 1,460,823 | 12.5 | 1,442,702 | 1,326,356 | 8.8 |
| **Current assets** | | | | | | | |
| Derivative financial instruments | (f) | - | 9 | (100.0) | - | 9 | (100.0) |
| Trade and other receivables | (e) | 4,806 | 5,878 | (18.2) | 4,298 | 5,310 | (19.1) |
| Cash and cash equivalents | (g) | 21,771 | 18,091 | 20.3 | 19,686 | 16,792 | 17.2 |
| | | 26,577 | 23,978 | 10.8 | 23,984 | 22,111 | 8.5 |
| **Total assets** | | **1,670,023** | **1,484,801** | 12.5 | **1,466,686** | **1,348,467** | 8.8 |
| **Non-current liabilities** | | | | | | | |
| Trade and other payables | (h) | 12,047 | 11,506 | 4.7 | 12,047 | 11,506 | 4.7 |
| Interest-bearing borrowings | (i) | 392,268 | 417,450 | (6.0) | 261,468 | 311,516 | (16.1) |
| Derivative financial instruments | (f) | 6,067 | 5,333 | 13.8 | 6,067 | 5,333 | 13.8 |
| Deferred tax liabilities | (j) | 15,070 | 8,018 | 88.0 | - | - | - |
| Lease liabilities | (k) | 85,821 | - | NM | 85,821 | - | NM |
| | | 511,273 | 442,307 | 15.6 | 365,403 | 328,355 | 11.3 |
| **Current liabilities** | | | | | | | |
| Trade and other payables | (l) | 26,658 | 34,076 | (21.8) | 24,119 | 33,042 | (27.0) |
| Interest-bearing borrowings | (i) | 161,274 | 79,966 | >100.0 | 161,274 | 79,966 | >100.0 |
| Derivative financial instruments | (f) | 811 | - | NM | 811 | - | NM |
| Lease liabilities | (k) | 5,458 | - | NM | 5,458 | - | NM |
| | | 194,201 | 114,042 | 70.3 | 191,662 | 113,008 | 69.6 |
| **Total liabilities** | | **705,474** | **556,349** | 26.8 | **557,065** | **441,363** | 26.2 |
| **Net assets** | | **964,549** | **928,452** | 3.9 | **909,621** | **907,104** | 0.3 |
| Represented by: | | | | | | | |
| Unitholders' funds | | 964,549 | 928,452 | 3.9 | 909,621 | 907,104 | 0.3 |
| | | **964,549** | **928,452** | 3.9 | **909,621** | **907,104** | 0.3 |

NM: not meaningful.

**Notes:**

(a) The increase in investment properties was mainly due to the recognition of S$84.9 million ROU assets in relation to the capitalisation of land rent payments, in accordance with FRS 116, acquisition of Boardriders Asia Pacific HQ in Gold Coast, Queensland, Australia of S$38.7 million and capital expenditure incurred on investment properties of S$5.6 million which included the asset enhancement initiative at 29 Woodlands Industrial Park E1 ("NorthTech"). This was partially

offset by a net change in fair value of S$13.1 million recognised in 2Q FY2020. On 2 January 2020, the Manager announced that the base contract for the asset enhancement initiative at NorthTech had been completed within budget.

(b) As at 31 December 2019, the investment property under development relates to the redevelopment of 3 Tuas Avenue 2 and the recognition of S$6.4 million ROU asset in relation to the capitalisation of land rent payments in accordance with FRS 116. On 13 January 2020, the Manager announced the completion of the redevelopment and the issuance of the Temporary Occupation Permit for the property on 10 January 2020. The rental income from the master tenant is expected to commence around the end of financial year ending 31 March 2020 following the expiry of the fitting-out period.

(c) This relates to the Trust's interests in its wholly-owned subsidiaries, AACI REIT MTN Pte. Ltd., AIMS APAC REIT (Australia) Trust (formerly known as AIMS AMP Capital Industrial REIT (Australia) Trust) and AACI REIT Opera Pte. Ltd. The increase in subsidiaries was mainly due to equity contribution to fund the acquisition and other transaction costs incurred in relation to the acquisition of Boardriders Asia Pacific HQ (see note 1(b)(i)(a) above).

(d) This relates to the Group's 49.0% interest in Macquarie Park Trust, the Australian unit trust which holds Optus Centre, located in Macquarie Park, NSW, Australia. On 25 November 2019, the Manager announced that AA REIT and its joint venture partner, Stockland, have successfully executed a new agreement for lease with the existing master tenant, Optus Administration Pty Limited, which is AA REIT's largest tenant, for a further 12-year term. The new lease will commence from 1 July 2021 following the completion of an asset enhancement initiative to cater to the tenant's requirements. The increase in the joint venture balances was mainly due to the share of revaluation surplus following the valuation of the property upon execution of the new agreement for lease, as well as a proportionate unitholder loan to the joint venture to fund AA REIT's share of the asset enhancement initiative. This was partially offset by the strengthening of the Singapore Dollar against the Australian Dollar. As the cost of the Australian investment is substantially hedged through the use of Australian Dollar denominated loans, there is a corresponding reduction in Australian Dollar denominated interest-bearing borrowings used to fund the acquisition of Optus Centre (see note 1(b)(i)(i) below).

(e) Non-current trade and other receivables relate to the unamortised portion of the marketing services commission for leases with tenors of more than one year. The decrease in the balances was mainly due to the reclassification of the unamortised portion of the marketing services commission to current trade and other receivables for leases with remaining tenors of less than one year.

Current trade and other receivables as at 31 December 2019 of S$4.8 million was S$1.1 million lower compared to balances as at 31 March 2019. The decrease was mainly due to the timing of billing and collection of receivables from tenants.

(f) The derivative financial instruments as at 31 December 2019 were in relation to interest rate swap contracts with a total notional amount of S$292.4 million. As at 31 December 2019, approximately 79.5% of the Group's borrowings were on fixed rates taking into account (i) the interest rate swap contracts entered into and (ii) the medium term notes ("Medium Term Notes"). Under the interest rate swap contracts, the Group pays fixed interest rates of between 1.57% to 2.82% per annum and receives interest at the three-month Singapore swap offer rate or at the three-month Australian bank bill swap bid rates, as the case may be. The changes in fair value were mainly due to the revaluation of the interest rate swap contracts in accordance with FRS 109.

(g) Cash and cash equivalents as at 31 December 2019 of S$21.8 million were S$3.7 million higher compared to balances as at 31 March 2019. This was mainly due to the net proceeds from the issuance of S$100.0 million 3.60% five-year unsecured Medium Term Notes on 12 November 2019, partially offset by the repayment of borrowings including the redemption of the S$30.0 million 4.35% seven-year unsecured Medium Term Notes on 5 December 2019, and initial deposit and other transaction costs incurred in relation to the acquisition of Boardriders Asia Pacific HQ (see note 1(b)(i)(a)) above.

(h) Non-current trade and other payables mainly comprised rental deposits received from tenants with tenors of more than one year and retention sums on the redevelopment of 3 Tuas Avenue 2 and asset enhancement initiative at NorthTech.

(i) On 21 May 2019, the Trust drew down on its revolving credit facility to redeem in full the principal together with the accrued interest of the S$50.0 million 3.80% five-year unsecured Medium Term Notes, being the maturity date of the Medium Term Notes. On 12 November 2019, the Trust issued S$100.0 million 3.60% five-year unsecured Medium Term Notes from its S$750 million Multicurrency Debt Issuance Programme which was partially used to repay the revolving credit facility as well as the redemption in full of the principal together with the accrued interest of the S$30.0 million 4.35% seven-year unsecured Medium Term Notes due on 5 December 2019.

The total borrowings of the Group as at 31 December 2019 of S$553.5 million was S$56.1 million higher compared to balances as at 31 March 2019 mainly due to the following:

- drawdown of A$35.2 million to fund the acquisition of Boardriders Asia Pacific HQ;
- drawdown of A$8.2 million to fund AA REIT's share of the asset enhancement initiative at Optus Centre; and
- net drawdown of S$20 million which was mainly used to fund the payment of retention sums and development costs of the Trust's recent development projects and other asset enhancement initiatives.

The increase in borrowings was partially offset by the decrease arising from exchange difference in the Australian Dollar denominated borrowings used to partially fund the investments in Australia of S$4.3 million as a result of the strengthening of the Singapore Dollar against the Australian Dollar.

As at 31 December 2019, the current interest-bearing borrowings relate to term loans of S$100.0 million and A$65.0 million which are due to mature in August 2020 and November 2020 respectively. The Group and the Trust have undrawn committed facilities of S$185.5 million to fulfil their liabilities as and when they fall due.

(j) This relates to the provision of deferred tax liabilities for the Trust's investment in Australia. The increase in deferred tax liabilities is in relation to the deferred tax liability recognised on the share of revaluation surplus on Optus Centre (see note 1(a)(i)(g)).

(k) This relates to the recognition of lease liabilities in relation to the capitalisation of land rent payments, in accordance with FRS 116.

(l) Current trade and other payables as at 31 December 2019 included retention sums of S$1.2 million relating to the Trust's recent development projects as well as development cost payable relating to the redevelopment of 3 Tuas Avenue 2 of S$1.0 million (31 March 2019: included retention sum of S$1.6 million relating to the Trust's recent development projects as well as development cost payable relating to the redevelopment of 3 Tuas Avenue 2 and 8 Tuas Avenue 20 as well as the asset enhancement initiative at NorthTech of S$11.0 million). As at 31 December 2019, the Group and the Trust had undrawn committed facilities of S$185.5 million to fulfil their liabilities as and when they fall due.

**1(b)(ii) Aggregate amount of borrowings**

| | Group 31 Dec 2019 S$'000 | Group 31 Mar 2019 S$'000 | Trust 31 Dec 2019 S$'000 | Trust 31 Mar 2019 S$'000 |
|---|---|---|---|---|
| **Interest-bearing borrowings** | | | | |
| Amount repayable within one year | | | | |
| **Secured** | | | | |
| Term loans | 161,442 | - | 161,442 | - |
| **Unsecured** | | | | |
| Medium Term Notes | - | 80,000 | - | 80,000 |
| | 161,442 | 80,000 | 161,442 | 80,000 |
| Less: Unamortised borrowing transaction costs | (168) | (34) | (168) | (34) |
| | 161,274 | 79,966 | 161,274 | 79,966 |
| Amount repayable after one year | | | | |
| **Secured** | | | | |
| Term loans | 223,975 | 369,661 | 100,000 | 263,017 |
| Revolving credit facilities | 20,942 | - | 13,234 | - |
| | 244,917 | 369,661 | 113,234 | 263,017 |
| **Unsecured** | | | | |
| Medium Term Notes | 150,000 | 50,000 | 150,000 | 50,000 |
| | 394,917 | 419,661 | 263,234 | 313,017 |
| Less: Unamortised borrowing transaction costs | (2,649) | (2,211) | (1,766) | (1,501) |
| | 392,268 | 417,450 | 261,468 | 311,516 |
| Total | 553,542 | 497,416 | 422,742 | 391,482 |

**Details of borrowings and collateral**

**(a) Secured borrowings**

AA REIT and its indirect wholly-owned trust, AA REIT Macquarie Park Investment Trust, have secured credit facilities from a syndicate of financial institutions which comprised of the following:

- a four-year term loan facility of S$100.0 million maturing in August 2020;
- a three-year term loan facility of A$65.0 million maturing in November 2020, to partially fund the 49.0% interest in Optus Centre;
- a four-year revolving credit facility of S$120.0 million maturing in November 2021;

- a four-year term loan facility of S$100.0 million maturing in July 2022, to fund real estate development and/or acquisitions;
- a four-year term loan facility of S$25.0 million maturing in July 2022, to fund real estate development and/or acquisitions;
- a five-year term loan facility of A$110.0 million maturing in July 2023, to partially fund the 49.0% interest in Optus Centre;
- a three-year revolving credit facility of A$50.0 million maturing in June 2022, to finance real estate development and/or acquisitions, and/or general working capital purposes. The revolving credit facility was partially utilised to fund the Group's share of the asset enhancement initiative at Optus Centre; and
- a three-year revolving credit facility of A$15.0 million maturing in June 2022, to finance real estate development and/or acquisitions, and/or general working capital purposes. The revolving credit facility was utilised to partially fund the acquisition of the Boardriders Asia Pacific HQ.

The details of the collateral for these facilities are as follows:

- first legal mortgage over 16 investment properties of the Trust (with two as mortgages-in-escrow) (the "Mortgaged Properties");
- assignment of rights, benefits, title and interest in, *inter alia*, the building agreement and leases of two investment properties of the Trust;
- assignment of rights, benefits, title and interest in the property management agreements, insurances and tenancy agreements, sale agreements and performance guarantees (including sale proceeds and rental proceeds) of the Mortgaged Properties; and
- first ranking specific security agreement over the bank account and units in Macquarie Park Trust held by AA REIT Investments (Australia) Pty Limited in its capacity as trustee of AA REIT Macquarie Park Investment Trust.

On 9 July 2019, AIMS Capital Management Pty Ltd in its capacity as trustee of Burleigh Heads Trust, an indirect wholly-owned trust of AA REIT ("Borrower") and HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of AA REIT had entered into a facility agreement with a financial institution for a secured five-year term loan facility maturing July 2024 of A$21,153,000 to partially fund the acquisition of the Boardriders Asia Pacific HQ. The loan is guaranteed by AA REIT and secured by a mortgage over the property and a general security agreement over all present and after acquired property of the Borrower.

**(b) Unsecured borrowings**

As at 31 December 2019, S$150.0 million unsecured Medium Term Notes had been issued comprising:

(i) S$50.0 million five-year Medium Term Notes with a fixed rate of 3.60% per annum, payable semi-annually in arrears and will mature on 22 March 2022 which had been issued under the S$500 million Multicurrency Medium Term Note Programme which had been established in July 2012; and

(ii) S$100.0 million five-year Medium Term Notes with a fixed rate of 3.60% per annum, payable semi-annually in arrears and will mature on 12 November 2024 which had been issued under the S$750 million Multicurrency Debt Issuance Programme which had been established in November 2018.

## 1(c) Consolidated Statement of Cash Flows

| | Group 3Q FY2020 S$'000 | Group 3Q FY2019 S$'000 | Group YTD FY2020 S$'000 | Group YTD FY2019 S$'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Total return after income tax | 54,009 | 13,923 | 74,280 | 45,466 |
| **Adjustments for:** | | | | |
| Share of profits of joint venture (net of tax) | (47,367) | (3,471) | (56,776) | (10,359) |
| Borrowing costs | 5,698 | 4,677 | 16,508 | 14,081 |
| Foreign exchange (gain)/loss | (2) | 105 | 80 | 189 |
| Manager's management fees in Units | 985 | 1,118 | 2,862 | 3,147 |
| Net change in fair value of investment properties and investment property under development | 1,394 | - | 17,155 | (1,811) |
| Net change in fair value of derivative financial instruments | (847) | 1,702 | 1,834 | 2,809 |
| Income tax expense | 7,766 | 160 | 8,161 | 807 |
| **Operating income before working capital changes** | **21,636** | **18,214** | **64,104** | **54,329** |
| **Changes in working capital** | | | | |
| Trade and other receivables | 867 | 704 | 1,295 | 420 |
| Trade and other payables | (1,686) | 126 | 504 | (605) |
| Cash generated from operations | 20,817 | 19,044 | 65,903 | 54,144 |
| Income tax paid | (603) | (343) | (1,108) | (822) |
| **Net cash from operating activities** | **20,214** | **18,701** | **64,795** | **53,322** |
| **Cash flows from investing activities** | | | | |
| Capital expenditure on investment properties and investment properties under development | (7,197) | (4,382) | (25,769) | (8,585) |
| Acquisition of investment property[4] | (36) | - | (36,606) | - |
| Investment in a joint venture | - | (580) | (1,408) | (580) |
| Loan to a joint venture | (7,709) | - | (7,709) | - |
| Distributions from a joint venture | 3,737 | 3,845 | 11,402 | 11,361 |
| **Net cash (used in)/from investing activities** | **(11,205)** | **(1,117)** | **(60,090)** | **2,196** |
| **Cash flows from financing activities** | | | | |
| Distributions to Unitholders | (10,403) | (15,114) | (40,226) | (49,515) |
| Proceeds from interest-bearing borrowings | 108,537 | 4,000 | 207,991 | 218,063 |
| Repayments of interest-bearing borrowings | (89,000) | (2,000) | (147,000) | (212,724) |
| Borrowing costs paid | (5,112) | (4,898) | (15,181) | (15,215) |
| Repayment of lease liabilities | (2,164) | - | (6,478) | - |
| **Net cash from/(used) in financing activities** | **1,858** | **(18,012)** | **(894)** | **(59,391)** |
| **Net increase/(decrease) in cash and cash equivalents** | **10,867** | **(428)** | **3,811** | **(3,873)** |
| **Cash and cash equivalents at beginning of the period** | **10,863** | **14,013** | **18,091** | **17,550** |
| Effect of exchange rate fluctuations on cash held | 41 | (140) | (131) | (232) |
| **Cash and cash equivalents at end of the period** | **21,771** | **13,445** | **21,771** | **13,445** |

[4] This relates to cash outflows on the acquisition of Boardriders Asia Pacific HQ in Gold Coast, Queensland, Australia, net of the first year's rental income which had been received in advance.

**1(c)(a) Significant non-cash transactions**

There were the following significant non-cash transactions:

(i) On 10 July 2019, the Trust issued an aggregate of 1,285,485 new Units amounting to S$1.8 million as partial payment of the base fee element of the Manager's management fees incurred. Please refer to details in section 1(d)(iii).

(ii) In 1Q FY2020, the Trust issued an aggregate 2,649,766 new Units amounting to S$3.6 million as part payment of the distributions for 4Q FY2019 pursuant to the AIMS APAC REIT Distribution Reinvestment Plan (the "AA REIT DRP"). Please refer to details in section 1(d).

(iii) In 2Q FY2020, the Trust issued an aggregate 2,003,444 new Units amounting to S$2.9 million as part payment of the distributions for 1Q FY2020 pursuant to the AA REIT DRP. Please refer to details in section 1(d).

(iv) In 3Q FY2020, the Trust issued an aggregate 5,226,341 new Units amounting to S$7.2 million as part payment of the distributions for 2Q FY2020 pursuant to the AA REIT DRP. Please refer to details in Section 1(d).

**1(d)(i) Statements of Movements in Unitholders' Funds (3Q FY2020 vs. 3Q FY2019)**

| | Group 3Q FY2020 S$'000 | Group 3Q FY2019 S$'000 | Trust 3Q FY2020 S$'000 | Trust 3Q FY2019 S$'000 |
|---|---|---|---|---|
| **Balance at beginning of the period** | 918,223 | 938,653 | 902,222 | 923,232 |
| **Operations** | | | | |
| Total return after income tax | 54,009 | 13,923 | 16,470 | 15,880 |
| **Foreign currency translation reserve** | | | | |
| Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations | 1,388 | (1,242) | - | - |
| **Hedging reserve** | | | | |
| Effective portion of changes in fair value of cash flow hedges | 212 | (158) | 212 | (158) |
| **Unitholders' transactions** | | | | |
| Issuance of Units (including units to be issued): | | | | |
| - Distribution Reinvestment Plan | 7,154 | 2,007 | 7,154 | 2,007 |
| - Manager's management fees | 985 | 1,118 | 985 | 1,118 |
| Distributions to Unitholders | (17,422) | (17,139) | (17,422) | (17,139) |
| Change in Unitholders' funds resulting from Unitholders' transactions | (9,283) | (14,014) | (9,283) | (14,014) |
| Total increase/(decrease) in Unitholders' funds | 46,326 | (1,491) | 7,399 | 1,708 |
| **Balance at end of the period** | 964,549 | 937,162 | 909,621 | 924,940 |

**1(d)(ii) Statements of Movements in Unitholders' Funds (YTD FY2020 vs. YTD FY2019)**

| | Group YTD FY2020 S$'000 | Group YTD FY2019 S$'000 | Trust YTD FY2020 S$'000 | Trust YTD FY2019 S$'000 |
|---|---|---|---|---|
| **Balance at beginning of the period** | 928,452 | 938,959 | 907,104 | 921,659 |
| **Operations** | | | | |
| Total return after income tax | 74,280 | 45,466 | 39,893 | 49,533 |
| **Foreign currency translation reserve** | | | | |
| Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations | (807) | (2,406) | - | - |
| **Hedging reserve** | | | | |
| Effective portion of changes in fair value of cash flow hedges | (90) | 1,155 | (90) | (240) |
| **Unitholders' transactions** | | | | |
| Issuance of Units (including units to be issued): | | | | |
| - Distribution Reinvestment Plan | 13,645 | 2,007 | 13,645 | 2,007 |
| - Manager's management fees | 2,862 | 3,147 | 2,862 | 3,147 |
| - Property Manager's fees | - | 1,087 | - | 1,087 |
| Distributions to Unitholders | (53,793) | (52,253) | (53,793) | (52,253) |
| Change in Unitholders' fund resulting from Unitholders' transactions | (37,286) | (46,012) | (37,286) | (46,012) |
| Total increase/(decrease) in Unitholders' funds | 36,097 | (1,797) | 2,517 | 3,281 |
| **Balance at end of the period** | 964,549 | 937,162 | 909,621 | 924,940 |

**1(d)(iii) Details of any change in the Units**

| | Note | Trust 3Q FY2020 Units '000 | Trust 3Q FY2019 Units '000 | Trust YTD FY2020 Units '000 | Trust YTD FY2019 Units '000 |
|---|---|---|---|---|---|
| Units in issue at beginning of the period | | 696,852 | 685,566 | 690,913 | 683,452 |
| Issue of new Units relating to: | | | | | |
| - Manager's management fees | (a) | - | - | 1,285 | 1,328 |
| - Marketing service fees | | - | - | - | 786 |
| - Distribution Reinvestment Plan | (b) | 5,226 | 1,535 | 9,880 | 1,535 |
| Units in issue at end of the period | | 702,078 | 687,101 | 702,078 | 687,101 |
| Units to be issued: | | | | | |
| Manager's management fees | (c) | 1,358 | 1,619 | 1,358 | 1,619 |
| **Total Units in issue and to be issued at end of the period** | | 703,436 | 688,720 | 703,436 | 688,720 |

(a) On 10 July 2019, the Trust issued an aggregate of 1,285,485 new Units at an average issue price of S$1.4070 to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2019 to 30 June 2019.

(b) During the financial period ended 31 December 2019, there were the following issuance of Units to eligible Unitholders who elected to participate in the AA REIT DRP.

(i) 2,649,766 new Units on 20 June 2019 at an issue price of S$1.3625 per Unit to eligible Unitholders who elected to participate in the AA REIT DRP in respect of the 4Q FY2019 distribution;

(ii) 2,003,444 new Units on 19 September 2019 at an issue price of S$1.4352 per Unit to eligible Unitholders who elected to participate in the AA REIT DRP in respect of the 1Q FY2020 distribution; and

(iii) 5,226,341 new Units on 20 December 2019 at an issue price of S$1.3681 per Unit to eligible Unitholders who elected to participate in the AA REIT DRP in respect of the 2Q FY2020 distribution.

(c) The new Units to be issued relate to 1,357,787 Units issued to the Manager on 16 January 2020 as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 July 2019 to 31 December 2019.

The issue price for management fees paid/payable in Units was determined based on the volume weighted average traded price for a Unit for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the relevant period in which the fees accrue.

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

The figures have not been audited or reviewed by auditors.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation applied in the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 March 2019.

**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.**

The Group has adopted FRS 116 *Leases* effective for the financial period beginning 1 April 2019. FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises an ROU asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, FRS INT 104 *Determining whether an Arrangement contains a Lease*, FRS INT 15 *Operating Leases – Incentives* and FRS INT 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted. Please refer to note 1(a)(i)(b) for further details.

As at 1 April 2019, AA REIT recorded ROU assets in the investment properties and investment property under development and their corresponding lease liabilities of approximately S$94.4 million. Such adjustments did not have an impact on the net assets, total return and distributable amount to Unitholders.

**6 Earnings per Unit ("EPU") and distribution per Unit ("DPU") for the period**

| | Group 3Q FY2020 | Group 3Q FY2019 | Group YTD FY2020 | Group YTD FY2019 |
|---|---|---|---|---|
| Basic EPU | | | | |
| Weighted average number of Units ('000) | 697,533 | 685,749 | 694,596 | 684,851 |
| Earnings per Unit (cents) | 7.74 | 2.03 | 10.69 | 6.64 |
| Diluted EPU | | | | |
| Weighted average number of Units ('000) | 698,433 | 686,775 | 694,972 | 685,270 |
| Earnings per Unit (cents) | 7.73 | 2.03 | 10.69 | 6.63 |

The basic EPU is computed using total return after tax over the weighted average number of Units issued for the period. The diluted EPU is computed using total return after tax over the weighted average number of Units issued for the period and adjusted for the effects of Units to be issued to the Manager as partial payment of the Manager's management fees incurred for the period.

The increase in the EPU for the current period was mainly due to share of revaluation surplus recognised from the valuation of the Group's 49.0% interest in Optus Centre which was partially offset by higher net fair value loss on net change in fair value of investment properties and investment property under development .

The share of revaluation surplus and net change in fair value of investment properties and investment property under development is a non-tax chargeable/deductible item and has no impact on the taxable income and distributable income to the Unitholders.

In computing the DPU, the number of Units entitled to the distribution for each respective period was used.

| | Group 3Q FY2020 | Group 3Q FY2019 | Group YTD FY2020 | Group YTD FY2019 |
|---|---|---|---|---|
| Number of Units in issue at end of period ('000) | 702,078 | 687,101 | 702,078 | 687,101 |
| Number of Units to be issued before the Books Closure Date ('000) | 1,358 | 1,619 | 1,358 | 1,619 |
| Applicable number of Units for calculation of DPU ('000) | **703,436** | **688,720** | **703,436** | **688,720** |
| **Distribution per Unit (cents)** | **2.50** | **2.50** | **7.50** | **7.50** |

**7 Net asset value / Net tangible asset per Unit based on issued Units at the end of the period**

| | Group 31 Dec 2019 S$ | Group 31 Mar 2019 S$ | Trust 31 Dec 2019 S$ | Trust 31 Mar 2019 S$ |
|---|---|---|---|---|
| Net asset value / net tangible asset per Unit[5] | 1.37 | 1.34 | 1.29 | 1.31 |

**8 Review of the performance**

| | Group 3Q FY2020 S$'000 | Group 2Q FY2020 S$'000 | Group 3Q FY2019 S$'000 | Group YTD FY2020 S$'000 | Group YTD FY2019 S$'000 |
|---|---|---|---|---|---|
| Gross revenue | 29,458 | 30,595 | 29,819 | 90,642 | 88,160 |
| Property operating expenses | (6,348) | (8,105) | (10,372) | (22,101) | (29,990) |
| **Net property income** | 23,110 | 22,490 | 19,447 | 68,541 | 58,170 |
| ***Net property income margin*** | *78.5%* | *73.5%* | *65.2%* | *75.6%* | *66.0%* |
| Foreign exchange gain/(loss) | 2 | 35 | (105) | (80) | (189) |
| Interest and other income | 104 | 33 | 46 | 180 | 125 |
| Borrowing costs | (4,926) | (4,697) | (4,677) | (14,159) | (14,081) |
| Borrowing costs on lease liabilities | (772) | (782) | - | (2,349) | - |
| Manager's management fees | (1,969) | (1,908) | (1,861) | (5,723) | (5,556) |
| Other trust expenses | (594) | (586) | (536) | (1,756) | (1,557) |
| Non-property expenses | (8,261) | (7,973) | (7,074) | (23,987) | (21,194) |
| **Net income before joint venture's profits** | 14,955 | 14,585 | 12,314 | 44,654 | 36,912 |
| Share of profits of joint venture (net of tax) | 47,367 | 6,035 | 3,471 | 56,776 | 10,359 |
| **Net income** | 62,322 | 20,620 | 15,785 | 101,430 | 47,271 |
| **Distributions to Unitholders** | 17,586 | 17,422 | 17,218 | 52,379 | 51,496 |

[5] Based on Units in issue and to be issued at the end of the period.

**Review of the performance for 3Q FY2020 vs. 2Q FY2020**

The gross revenue achieved for 3Q FY2020 of S$29.5 million was S$1.1 million lower than the gross revenue for 2Q FY2020 mainly due to the conversion from master leases to multi-tenancy leases for the property at 1A International Business Park in November 2019 and one phase of the property at 30 Tuas West Road in August 2019 as well as lower rental and recoveries at 20 Gul Way and 15 Tai Seng Drive. The final phase of 20 Gul Way had reverted from master lease to multi-tenancy leases during the quarter. The decrease was partially offset by the full quarter rental contribution from the recently acquired Boardriders Asia Pacific HQ.

Property operating expenses for 3Q FY2020 of S$6.3 million were S$1.8 million lower than the property operating expenses for 2Q FY2020 mainly arising from a property tax refund for 20 Gul Way of S$2.3 million due to the change in the prior years' annual value assessed by the Inland Revenue Authority of Singapore ("IRAS"). This was partially offset by higher costs arising from the conversion from master leases to multi-tenancy leases for the property at 1A International Business Park in November 2019 and one phase of the property at 30 Tuas West Road in August 2019.

Net property income for 3Q FY2020 stood at S$23.1 million, or S$0.6 million higher than 2Q FY2020 mainly due to lower property operating expenses, partially offset by lower gross revenue. As a result, net property income margin increased to 78.5% in 3Q FY2020 compared to 73.5% in 2Q FY2020.

Borrowing costs for 3Q FY2020 of S$4.9 million was S$0.2 million higher than borrowing costs for 2Q FY2020 mainly due to the borrowing costs incurred on the issuance of the S$100.0 million 3.60% five-year unsecured Medium Term Notes in November 2019 which was partially utilised to repay the revolving credit facility and the redemption of the principal and accrued interest of the S$30.0 million 4.35% seven-year unsecured Medium Term Notes in December 2019.

The share of profits of joint venture (net of tax) for 3Q FY2020 comprised the contribution from the Group's 49.0% interest in Optus Centre. The share of profits of joint venture (net of tax) for 3Q FY2020 also included the share of revaluation surplus of S$44.1 million recognised from the valuation of Optus Centre. The valuation of the property stood at A$570.0 million (equivalent to approximately S$538.8 million) based on the independent valuation carried out by Knight Frank NSW Valuations & Advisory Pty Ltd following the execution of a new agreement for lease with the existing tenant, Optus Administration Pty Limited in November 2019. The valuation of the property was last carried out on 30 September 2019 by Knight Frank NSW Valuations & Advisory Pty Ltd which valued the property at A$475.0 million (equivalent to approximately S$443.2 million) and resulted AA REIT's share of revaluation surplus of S$2.7 million in 2Q FY2020.

**Review of the performance for 3Q FY2020 vs. 3Q FY2019**

The gross revenue for 3Q FY2020 of S$29.5 million was S$0.4 million lower than the gross revenue for 3Q FY2019 mainly due to the conversion from master leases to multi-tenancy leases for the property at 1A International Business Park in November 2019 and one phase of the property at 30 Tuas West Road in August 2019 as well as lower rental and recoveries for the properties at 27 Penjuru Lane, 15 Tai Seng Drive and 11 Changi South Street 3. The decrease was partially offset by full quarter rental contribution from the recently acquired Boardriders Asia Pacific HQ as well as higher rental and recoveries for the properties at 8 Tuas Avenue 20, 1 Bukit Batok Street 22 and NorthTech.

Property operating expenses for 3Q FY2020 of S$6.3 million was S$4.0 million lower than the property operating expenses for 3Q FY2019 mainly due to land rent that was excluded from the property operating expenses due to the adoption of FRS 116

of S$2.1 million and a property tax refund for 20 Gul Way of S$2.3 million due to the change in the prior years' annual value assessed by IRAS. The decrease in property operating expenses was partially offset by higher costs arising from the conversion from master leases to multi-tenancy leases for the property at 1A International Business Park in November 2019 and one phase of the property at 30 Tuas West Road in August 2019.

Net property income for 3Q FY2020 stood at S$23.1 million, or S$3.7 million higher compared to 3Q FY2019 mainly due to lower property operating expenses, partially offset by lower gross revenue. As a result, net property income margin increased to 78.5% in 3Q FY 2020 compared to 65.2% in 3Q FY2019.

Borrowing costs for 3Q FY2020 of S$4.9 million was S$0.2 million higher than borrowing costs for 3Q FY2019 due to the borrowing costs incurred on the issuance of the S$100.0 million 3.60% five-year unsecured Medium Term Notes in November 2019 which was partially utilised to repay the revolving credit facility and the redemption in full of the principal and accrued interest of the S$30.0 million 4.35% seven-year Medium Term Notes in December 2019. The increase was also contributed by the Australian Dollar borrowing costs incurred on the recently acquired Boardriders Asia Pacific HQ as well as borrowing costs incurred to fund the asset enhancement initiative at Optus Centre. Borrowing costs on lease liabilities for 3Q FY2020 of S$0.8 million was in relation to the adoption of FRS 116 on 1 April 2019.

Manager's management fees for 3Q FY2020 of S$2.0 million was S$0.1 million higher compared to 3Q FY2019 due to higher value of the Deposited Property in 3Q FY2020 mainly due to the acquisition of Boardriders Asia Pacific HQ as well as the revaluation of Optus Centre following the execution of a new agreement for lease with the existing tenant, Optus Administration Pty Limited in November 2019.

The increase in the share of profits of joint venture (net of tax) in 3Q FY2020 was mainly due to the share of revaluation surplus of S$44.1 million recognised from the valuation of Optus Centre, which was partially offset by a lower share of profits of Optus Centre due to the strengthening of Singapore Dollar against the Australian Dollar.

**Review of the performance for YTD FY2020 vs. Y TD FY2019**

The gross revenue achieved for YTD FY2020 of S$90.6 million was S$2.5 million higher compared to the gross revenue for YTD FY2019. This was mainly due to maiden rental contribution from Boardriders Asia Pacific HQ from July 2019 and full nine-month rental contribution from 51 Marsiling Road which became income-producing from 27 April 2018 as well as higher rental and recoveries for the properties at 20 Gul Way, 8 Tuas Avenue 20, 1 Bukit Batok Street 22, 103 Defu Lane 10 and NorthTech. The increase was partially offset by lower rental and recoveries for the properties at 27 Penjuru Lane, 15 Tai Seng Drive, 61 Yishun Industrial Park A and 11 Changi South Street 3 as well as the conversion from master leases to multi-tenancy leases for the property at 1A International Business Park in November 2019 and one phase of the property at 30 Tuas West Road in August 2019.

Property operating expenses for YTD FY2020 of S$22.1 million was S$7.9 million lower compared to the property operating expenses for YTD FY2019 mainly due to land rent that was excluded from the property operating expenses due to the adoption of FRS 116 of S$6.2 million and a property tax refund for 20 Gul Way of S$2.3 million due to the change in the prior years' annual value assessed by IRAS. The decrease in property operating expenses was partially offset by higher costs arising from the conversion from master leases to multi-tenancy leases for the property at 1A International Business Park in November 2019 and one phase of the property at 30 Tuas West Road in August 2019.

Net property income for YTD FY2020 stood at S$68.5 million, or S$10.4 million higher compared to YTD FY2019 mainly due to higher gross revenue and lower property operating expenses. As a result, net property income margin increased to 75.6% in YTD FY2020 compared to 66.0% in YTD FY2019.

Borrowing costs on lease liabilities for YTD FY2020 of S$2.3 million was in relation to the adoption of FRS 116 on 1 April 2019.

Other trust expenses for YTD FY2020 of S$1.8 million was S$0.2 million higher compared to YTD FY2019 mainly due to costs associated with the administration of AA REIT DRP.

The increase in the share of profits of joint venture (net of tax) for YTD FY2020 was mainly due to the share of revaluation surplus of S$46.8 million recognised from the valuation of Optus Centre, which was partially offset by a lower share of profits of Optus Centre due to the strengthening of Singapore Dollar against the Australian Dollar.

**9 Variance between Forecast / Prospect Statement**

The Trust has not disclosed to the market any forecast in relation to the current financial period.

**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**

Based on advance estimates from the Ministry of Trade and Industry ("MTI") announced on 2 January 2020, the Singapore economy grew by 0.8% on a year-on-year ("y-o-y") basis in the fourth quarter of 2019 ("4Q 2019"), extending the 0.7% growth in the third quarter of 2019 ("3Q 2019"). On a quarter-on-quarter ("q-o-q") seasonally-adjusted annualised basis, the Singapore economy expanded at a slower pace of 0.1% as compared to the 2.4% growth in the preceding quarter. This took the full year economic growth for 2019 to 0.7%. The Singapore manufacturing sector contracted by 2.1% on a y-o-y basis in 4Q 2019, extending the 0.9% decline in the previous quarter, largely due to output declines in the electronics, chemicals and transport engineering clusters, which more than offset output expansions in the precision engineering, biomedical and general manufacturing. On a q-o-q seasonally-adjusted annualised basis, the manufacturing sector contracted by 7.3%, a reversal from the 8.9% growth in the third quarter.

MTI announced on 21 November 2019 that, after taking into account the growth outlook for Singapore's key final demand markets and the projected recovery in the global electronics cycle in 2020, the Singapore economy is expected to grow by "0.5% to 2.5%" in 2020.

Based on JTC Corporation's market report for 4Q 2019 released on 23 January 2020, the occupancy rate of Singapore's overall industrial property market fell marginally by 0.1 percentage point to 89.2% compared to the previous quarter. Prices and rentals of industrial space remained stable. In 4Q 2019, the price index for the overall industrial property fell by 0.2% while the rental index remained unchanged as compared to the previous quarter. Compared to a year ago, the price index fell by 0.3% while the rental index rose by 0.1%. For 2020, around 2.2 million sqm of industrial space is estimated to be completed, in comparison to the average annual supply of industrial space over the past three years of around 1.1 million sqm.

In Australia, the easing of monetary policy in 2019 had supported employment and income growth, and long-term government bond yields are around record lows. According to the Reserve Bank of Australia ("RBA"), growth in the Australian economy is expected to be 2.25% over 2019 and forecast to increase to 2.75% over 2020, as growth in Australia's major trading partners is expected to remain around its recent pace. On 3 December 2019, the RBA left its official cash rate unchanged at 0.75%, and is prepared to ease monetary policy further if needed to support growth in its economy.

There remain a number of uncertainties which continue to cloud the global economy. The recent evolving respiratory illness outbreak caused by a novel coronavirus with cases reported in international locations, including Singapore, poses a serious public health threat which may lead to further restriction of business activities in the affected economies. Notwithstanding the signing of a partial "Phase One" US-China trade deal, US-China trade tensions remain a source of risk, which would have the most impact on US and China, and will also impact the highly trade-dependent ASEAN economies. Uncertainties over any negotiations between the UK and EU during the transition period after the Brexit withdrawal date (31 January 2020) could also continue to pose risks to growth in the UK and EU. Negative developments on these issues could cause further disruptions to global supply chains and the Singapore economy would likely be impacted due to its dependence on trade and manufacturing activities. But being a regional hub, Singapore could potentially benefit from businesses reassessing their supply chains and sourcing locations.

Against this external backdrop, the Manager remains focused on anticipating and adapting to these changes by building a diversified and resilient portfolio through unlocking organic growth and strategic acquisitions to ensure the creation of sustainable, long-term value for Unitholders.

## 11 Distributions

### (a) Current financial period

| | | |
|---|---|---|
| Any distributions declared for the current financial period: | Yes | |
| Name of distribution: | Fifty-fifth distribution, for the period from 1 October 2019 to 31 December 2019 | |
| Distribution Type: | Taxable Income<br>Tax-Exempt Income<br>Capital Distribution | |
| Distribution Rate: | Taxable Income<br>Tax-Exempt Income<br>Capital Distribution<br>Total | 2.30 cents per Unit<br>0.15 cents per Unit<br>0.05 cents per Unit<br>2.50 cents per Unit |
| Par value of units: | Not applicable | |

Tax Rate:

**Taxable Income Distributions**

Taxable income distributions are made out of AA REIT's taxable income. Unitholders receiving distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through a partnership or as trading assets). Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

**Tax-Exempt Income Distributions**

Tax-exempt income distributions are exempt from tax in the hands of all Unitholders.

**Capital Distributions**

Capital distributions represent a return of capital to Unitholders for Singapore income tax purposes and are therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of AA REIT Units, the amount of capital distribution will be applied to reduce the cost base of their AA REIT Units for Singapore income tax purposes. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

The Manager has determined that the AA REIT Distribution Reinvestment Plan will apply to the distribution for the period from 1 October 2019 to 31 December 2019. The Distribution Reinvestment Plan provides Unitholders with an option to elect to receive fully paid Units in AA REIT in lieu of the cash amount of any distribution (including any interim, final, special or other distribution) which is declared on the holding of Units held by them after the deduction of any applicable income tax. The Unitholders will receive a copy of the Notice of Election for their distribution election. The pricing of the DRP Units issued will be announced by the Manager on or around 10 February 2020.

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

| | | |
|---|---|---|
| Any distributions declared for the previous corresponding financial period: | Yes | |
| Name of distribution: | Fifty-first distribution, for the period from 1 October 2018 to 31 December 2018 | |
| Distribution Type: | Taxable Income<br>Tax-Exempt Income<br>Capital Distribution | |
| Distribution Rate: | Taxable Income<br>Tax-Exempt Income<br>Capital Distribution<br>Total | 2.30 cents per Unit<br>0.13 cents per Unit<br>0.07 cents per Unit<br>2.50 cents per Unit |
| Par value of units: | Not applicable | |

Tax Rate:

**Taxable Income Distributions**

Taxable income distributions are made out of AA REIT's taxable income. Unitholders receiving distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through a partnership or as trading assets). Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

**Tax-Exempt Income Distributions**

Tax-exempt income distributions are exempt from tax in the hands of all Unitholders.

**Capital Distributions**

Capital distributions represent a return of capital to Unitholders for Singapore income tax purposes and are therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of AA REIT Units, the amount of capital distribution will be applied to reduce the cost base of their AA REIT Units for Singapore income tax purposes. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

**(c) Books closure date:** 10 February 2020

**(d) Date payable:** 26 March 2020

**12 If no distribution has been declared (recommended), a statement to that effect and the reason(s) for the decision**

Not applicable.

**13 Interested Person Transactions**

The Trust has not required nor obtained a general mandate from Unitholders for Interested Person Transactions.

**14 Confirmation by the board pursuant to Rule 705(5) of the Listing Manual**

We confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of AIMS APAC REIT Management Limited (as Manager of AA REIT) which may render these interim financial statements to be false or misleading in any material respect.

On behalf of the Board of Directors of
AIMS APAC REIT Management Limited
(as Manager of AIMS APAC REIT)

| | |
|---|---|
| George Wang<br>Chairman and Director | Koh Wee Lih<br>Director |

**15 Confirmation by the board pursuant to Rule 720(1) of the Listing Manual**

The Manager confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of Listing Manual.

This release 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, 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. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

**By Order of the Board**

AIMS APAC REIT Management Limited
(Company Registration No. 200615904N)
(as Manager of AIMS APAC REIT)

Koh Wee Lih
Chief Executive Officer
31 January 2020