AIMS APAC REIT
UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT
SECOND QUARTER ENDED 30 SEPTEMBER 2020 ("2Q FY2021")

Introduction

AIMS APAC 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 (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.

As at the date of this announcement, the Group[1] has a portfolio of 28 industrial properties, 26 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	2Q FY2021	1Q FY2021	+/(-)	2Q FY2020	+/(-)	1H FY2021	1H FY2020	+/(-)
		S$'000	S$'000	%	S$'000	%	S$'000	S$'000	%
Gross revenue	(a)	30,492	27,240	11.9	30,595	(0.3)	57,732	61,184	(5.6)
Net property income	(a)	21,324	18,629	14.5	22,490	(5.2)	39,953	45,431	(12.1)
Share of profits of joint venture (net of tax)	(a)	4,309	3,315	30.0	6,035	(28.6)	7,624	9,409	(19.0)
Distributions to Unitholders	(b)	14,134[3]	14,134[4]	-	17,422	(18.9)	28,268	34,793	(18.8)
Distribution per Unit ("DPU") (cents)		2.00[3]	2.00[4]	-	2.50	(20.0)	4.00	5.00	(20.0)

Notes:

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

(b) The Manager resolved to distribute S$14.1 million to Unitholders for 2Q FY2021, comprising (i) taxable income of S$12.7 million from Singapore operations; and (ii) tax-exempt income and capital distribution of S$1.4 million 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 2Q FY2021, the Manager has resolved to distribute 98.2% of the Singapore taxable income available for distribution to the Unitholders. Please refer to details in section 1(a)(ii) for the distribution statement.

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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.
3 The distributions to Unitholders in 2Q FY2021 is net of the amount reserved for distribution to Perpetual Securities holders.
4 The distributions to Unitholders in 1Q FY2021 included the release of Australian distributable income previously retained in 4Q FY2020 of S$1.8 million which partially offset an estimated Additional Rental Relief (as defined herein) for eligible tenants under the Singapore rental relief framework of approximately S$2.6 million.

Distribution and Record Date

Distribution	For 1 July 2020 to 30 September 2020	
Distribution Type	(a) Taxable Income (b) Tax-Exempt Income (c) Capital Distribution[5]	
Distribution Rate	(a) Taxable Income Distribution: (b) Tax-Exempt Income Distribution: (c) Capital Distribution[5]:	1.80 cents per Unit 0.07 cents per Unit 0.13 cents per Unit 2.00 cents per Unit
Record Date	4 November 2020	
Payment Date	18 December 2020	

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

	Note	Group 2Q FY2021 S$'000	Group 2Q FY2020 S$'000	+/(-) %	Group 1H FY2021 S$'000	Group 1H FY2020 S$'000	+/(-) %
Gross revenue	(a)	30,492	30,595	(0.3)	57,732	61,184	(5.6)
Property operating expenses	(a)	(9,168)	(8,105)	13.1	(17,779)	(15,753)	12.9
Net property income	(a)	21,324	22,490	(5.2)	39,953	45,431	(12.1)
Foreign exchange gain/(loss)	(b)	21	35	(40.0)	206	(82)	>(100.0)
Interest and other income	(c)	155	33	>100.0	287	76	>100.0
Borrowing costs	(a)	(5,674)	(5,479)	3.6	(11,434)	(10,810)	5.8
Manager's management fees	(a)	(2,121)	(1,908)	11.2	(4,097)	(3,754)	9.1
Other trust expenses	(a)	(564)	(586)	(3.8)	(952)	(1,162)	(18.1)
Non-property expenses		(8,359)	(7,973)	4.8	(16,483)	(15,726)	4.8
Net income before joint venture's profits		13,141	14,585	(9.9)	23,963	29,699	(19.3)
Share of profits of joint venture (net of tax)	(d)	4,309	6,035	(28.6)	7,624	9,409	(19.0)
Net income		17,450	20,620	(15.4)	31,587	39,108	(19.2)
Net change in fair value of investment properties and investment property under development	(e)	(20,060)	(14,461)	38.7	(21,327)	(15,761)	35.3
Net change in fair value of derivative financial instruments	(f)	289	(782)	>(100.0)	(594)	(2,681)	(77.8)
Total return before income tax		(2,321)	5,377	>(100.0)	9,666	20,666	(53.2)
Income tax expense	(g)	(962)	(238)	>100.0	(2,822)	(395)	>100.0
Total return after income tax		(3,283)	5,139	>(100.0)	6,844	20,271	(66.2)
Attributable to:							
Unitholders		(4,212)	5,139	>(100.0)	5,915	20,271	(70.8)
Perpetual Securities holders	(h)	929	-	NM	929	-	NM
		(3,283)	5,139	>(100.0)	6,844	20,271	(66.2)

NM: not meaningful.

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

Notes:

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

(b) 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 and the foreign exchange gain in 2Q FY2021 and 1H FY2021 was contributed by the strengthening of the Australian dollar against the Singapore dollar.

(c) The increase in interest and other income was mainly due to the interest income earned on a proportionate unitholder loan to a joint venture to fund AA REIT’s share of the asset enhancement initiative at Optus Centre (see note (c) of section 1(b)(i)).

(d) The share of profits of joint venture (net of tax) comprised contribution from the Group’s 49.0% interest in Optus Centre. As at 30 September 2020, the independent valuation of the underlying property was carried out by Knight Frank NSW Valuations & Advisory Pty Ltd and the property (which included capitalised capital expenditure incurred as at 30 September 2020) was valued at A$597.5 million (equivalent to approximately S$584.3 million) (31 March 2020: A$584.0 million (equivalent to approximately S$509.8 million)).

(e) The net change in fair value of investment properties and investment property under development for 2Q FY2021 arose from the fair value adjustments of right-of-use (“ROU”) assets included in investment properties in accordance with FRS 116 *Leases* (“FRS 116”) of S$1.3 million as well as the net revaluation loss of the Group’s 26 investment properties of S$18.8 million. The net revaluation loss of investment properties was mainly due to fair value loss recorded for the Group’s investment properties at 20 Gul Way, 27 Penjuru Lane, 30 Tuas West Road, 103 Defu Lane 10 and 1A International Business Park mainly due to lower passing rent and market rent projections. The independent valuation of the Trust’s 25 investment properties in Singapore were carried out by Cushman & Wakefield VHS Pte Ltd or CBRE Pte. Ltd. while the valuation of Boardriders Asia Pacific HQ in Gold Coast, Queensland, Australia was carried out by CBRE Valuations Pty Limited.

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 (h) 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 the income tax expense was mainly due to the higher translated balance for deferred tax liabilities arising the strengthening of the Australian dollar against the Singapore dollar.

(h) On 14 August 2020, the Trust issued S$125.0 million of subordinated perpetual securities ("Perpetual Securities"). The Perpetual Securities confer a right to its holders to receive distribution payments at a rate of 5.65% per annum, with the first distribution rate reset falling on 14 August 2025 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative in accordance with the terms and conditions of the Perpetual Securities.

1(a)(ii) Distribution Statement

	Note	Group 2Q FY2021 S$'000	Group 2Q FY2020 S$'000	+/(-) %	Group 1H FY2021 S$'000	Group 1H FY2020 S$'000	+/(-) %
Total return before income tax		(2,321)	5,377	>(100.0)	9,666	20,666	(53.2)
Less: Amount reserved for distribution to Perpetual Securities holders		(929)	-	NM	(929)	-	NM
Net effect of tax adjustments	(a)	22,231	13,914	59.8	24,914	18,276	36.3
Other adjustments	(b)	(6,034)	(2,926)	>100.0	(9,306)	(5,292)	75.9
Amount available for distribution from Singapore taxable income		12,947	16,365	(20.9)	24,345	33,650	(27.7)
Distribution from Singapore taxable income	(c)	12,720	16,028	(20.6)	23,604	32,704	(27.8)
Distribution from tax-exempt income	(d)	495	1,046	(52.7)	2,120	1,706	24.3
Capital distribution	(e)	919	348	>100.0	2,544	383	>100.0
Distributions to Unitholders		14,134	17,422	(18.9)	28,268	34,793	(18.8)

NM: not meaningful.

Notes:

(a) Net effect of tax adjustments

	Group 2Q FY2021 S$'000	Group 2Q FY2020 S$'000	+/(-) %	Group 1H FY2021 S$'000	Group 1H FY2020 S$'000	+/(-) %
Amortisation and write-off of borrowing transaction costs	232	184	26.1	454	359	26.5
Foreign exchange (gain)/loss	(12)	49	>(100.0)	(125)	132	>(100.0)
Manager's management fees in Units	-	954	(100.0)	-	1,877	(100.0)
Land rent paid/payable on investment properties	(2,168)	(2,083)	4.1	(4,336)	(4,155)	4.4
Interest expense on lease liabilities	890	782	13.8	1,791	1,577	13.6
Net change in fair value of investment properties and investment property under development	21,774	11,725	85.7	23,041	13,025	76.9
Net change in fair value of derivative financial instruments	(323)	782	>(100.0)	504	2,681	(81.2)
Net tax adjustment on foreign sourced income	1,291	973	32.7	2,452	1,737	41.2
Temporary differences and other tax adjustments	547	548	(0.2)	1,133	1,043	8.6
Net effect of tax adjustments	22,231	13,914	59.8	24,914	18,276	36.3

(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 2Q FY2021, the Manager has resolved to distribute 98.2% 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 30 September 2020 vs. 31 March 2020

	Note	Group 30 Sep 2020 S$'000	Group 31 Mar 2020 S$'000	+/(-) %	Trust 30 Sep 2020 S$'000	Trust 31 Mar 2020 S$'000	+/(-) %
Non-current assets							
Investment properties	(a)	1,361,190	1,366,789	(0.4)	1,321,099	1,332,742	(0.9)
Subsidiaries	(b)	-	-	-	108,763	107,519	1.2
Joint venture	(c)	290,832	252,782	15.1	-	-	-
Trade and other receivables	(d)	3,230	3,424	(5.7)	3,230	3,424	(5.7)
		1,655,252	1,622,995	2.0	1,433,092	1,443,685	(0.7)
Current assets							
Trade and other receivables	(d)	6,404	5,488	16.7	6,034	4,928	22.4
Cash and cash equivalents	(e)	141,994	20,449	>100.0	139,755	19,153	>100.0
		148,398	25,937	>100.0	145,789	24,081	>100.0
Total assets		**1,803,650**	**1,648,932**	9.4	**1,578,881**	**1,467,766**	7.6
Non-current liabilities							
Trade and other payables	(f)	10,645	11,901	(10.6)	10,645	11,901	(10.6)
Interest-bearing borrowings	(g)	506,400	382,690	32.3	361,711	260,610	38.8
Derivative financial instruments	(h)	8,461	7,635	10.8	8,239	7,519	9.6
Deferred tax liabilities	(i)	16,107	14,116	14.1	-	-	-
Lease liabilities	(j)	92,770	84,435	9.9	92,770	84,435	9.9
		634,383	500,777	26.7	473,365	364,465	29.9
Current liabilities							
Trade and other payables	(k)	31,078	30,225	2.8	30,020	28,482	5.4
Interest-bearing borrowings	(g)	63,546	156,635	(59.4)	63,546	156,635	(59.4)
Derivative financial instruments	(h)	190	833	(77.2)	190	833	(77.2)
Lease liabilities	(j)	5,230	5,507	(5.0)	5,230	5,507	(5.0)
		100,044	193,200	(48.2)	98,986	191,457	(48.3)
Total liabilities		**734,427**	**693,977**	5.8	**572,351**	**555,922**	3.0
Net assets		**1,069,223**	**954,955**	12.0	**1,006,530**	**911,844**	10.4
Represented by:							
Unitholders' funds		944,570	954,955	(1.1)	881,877	911,844	(3.3)
Perpetual Securities holders' funds	(l)	124,653	-	NM	124,653	-	NM
		1,069,223	**954,955**	12.0	**1,006,530**	**911,844**	10.4

NM: not meaningful.

Notes:

(a) The decrease in investment properties was mainly due to net revaluation loss of S$21.3 million recognised in 1H FY2021. The decrease was partially offset by the recognition of ROU asset on the extension option for the property at 15 Tai Seng Drive, in accordance with FRS 116 (see note 1(b)(i)(j)) and the increase in investment properties contributed by the strengthening of the Australian dollar against Singapore dollar which resulted in a higher translated balance for the Group's Australian investment property, Boardriders Asia Pacific HQ. As the cost of the Australian investment is substantially hedged through the use of Australian dollar denominated loans, there was a corresponding increase in the Australian dollar denominated interest-bearing borrowings used to fund the acquisition of Boardriders Asia Pacific HQ (see note 1(b)(i)(g)).

(b) This relates to the Trust's interests in its wholly-owned subsidiaries, AACI REIT MTN Pte. Ltd., AIMS APAC REIT (Australia) Trust and AACI REIT Opera Pte. Ltd..

(c) 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 and a proportionate unitholder loan to the joint venture. The increase in the joint venture balances was mainly due to the strengthening of the Australian dollar against the Singapore dollar. As the cost of the Australian investment is substantially hedged through the use of Australian dollar denominated loans, there was also a corresponding increase in the Australian dollar denominated interest-bearing borrowings used to fund the acquisition of Optus Centre (see note 1(b)(i)(g)).

(d) 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 30 September 2020 of S$6.4 million was S$0.9 million higher compared to balance as at 31 March 2020. The increase was mainly due to the initial deposit and other transaction costs incurred in relation to the proposed acquisition of 7 Bulim Street, Singapore which was partially offset by timing of collection of receivables from tenants.

(e) The increase in cash and cash equivalents was mainly contributed from the net proceeds of the issuance of the S$125.0 million Perpetual Securities (see note 1(a)(i)(h)). The net proceeds from the issuance of the Perpetual Securities were subsequently utilised to fund the acquisition of 7 Bulim Street, Singapore, which was completed on 9 October 2020.

(f) Non-current trade and other payables mainly comprised rental deposits received from tenants with tenors of more than one year. The decrease in the balance was mainly to due to the reclassification of the rental deposits received from tenants for leases with remaining tenors of less than one year.

(g) The total borrowings of the Group as at 30 September 2020 of S$569.9 million was S$30.6 million higher compared to balances as at 31 March 2020 mainly due to strengthening of the Australian dollar against Singapore dollar which resulted in a higher translated balance for the Group's Australian dollar denominated borrowings; as well as the drawdown of approximately A$8.0 million to fund AA REIT's share of the asset enhancement initiative at Optus Centre.

On 9 July 2020, AA REIT and its indirect wholly-owned trust, AA REIT Macquarie Park Investment Trust entered into a supplemental agreement with existing lenders to refinance the facilities due in 2020 with a new four-year term loan facility of S$100.0 million and a new three-year term loan facility of A$32.5 million. The new S$100.0 million facility was drawn down in July 2020 to refinance the term loan facility due in August 2020. Accordingly, the new term loan drawn down was reclassified from current interest-bearing borrowings to non-current interest-bearing borrowings as at 30 September 2020.

(h) The derivative financial instruments as at 30 September 2020 were in relation to interest rate swap contracts with a total notional amount of S$308.9 million. As at 30 September 2020, approximately 80.1% 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 0.38% 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, to fix the floating-rate term loans. The changes in fair value were mainly due to the revaluation of the interest rate swap contracts in accordance with FRS 109.

(i) This relates to the provision of deferred tax liabilities for the Trust's investment in Australia. The increase in deferred tax liabilities was mainly due to higher translated balance for deferred tax liabilities arising from the strengthening of the Australian dollar against the Singapore dollar (see note 1(a)(i)(g)).

(j) This relates to the recognition of lease liabilities in relation to the capitalisation of land rent payments, in accordance with FRS 116. The increase in lease liabilities was mainly due to the recognition of the lease liability on the extension option for the property at 15 Tai Seng Drive, in accordance with FRS 116 (see note 1(b)(i)(a)).

(k) The increase in current trade and other payables was mainly due to the estimated unpaid Additional Rental Relief[6] for eligible tenants under the Singapore rental relief framework. The increase was partially offset by the payments made on the development costs incurred for 3 Tuas Avenue 2. The balance as at 30 September 2020 included retention sums of S$1.2 million relating to the Trust's recent development projects at 3 Tuas Avenue 2 and 51 Marsiling Road (31 March 2020: included retention sums of S$1.8 million relating to the Trust's recent development projects at 3 Tuas Avenue 2 and 51 Marsiling Road). As at 30 September 2020, the Group and the Trust had total undrawn committed facilities of S$209.3 million to fulfil their liabilities as and when they fall due. The undrawn committed facilities included a three-year term loan facility of A$32.5 million secured in July 2020 which will be utilised to partially repay the A$65.0 million term loan maturing in November 2020.

(l) On 14 August 2020, The Trust issued S$125.0 million of Perpetual Securities under its S$750 million Multicurrency Debt Issuance Programme. The Perpetual Securities are classified as equity. The carrying value represents the Perpetual Securities issued, net of issue costs and includes the amount reserved for distribution to the Perpetual Securities holders from the issuance date.

[6] As defined in section 19J of the COVID-19 (Temporary Measures) Act 2020. Industrial landlords are generally required to provide additional one month rental waiver to eligible tenants.

1(b)(ii) Aggregate amount of borrowings

	Group 30 Sep 2020 S$'000	Group 31 Mar 2020 S$'000	Trust 30 Sep 2020 S$'000	Trust 31 Mar 2020 S$'000
Interest-bearing borrowings				
Amount repayable within one year				
Secured				
Bank borrowings	63,559	156,745	63,559	156,745
Less: Unamortised borrowing transaction costs	(13)	(110)	(13)	(110)
	63,546	156,635	63,546	156,635
Amount repayable after one year				
Secured				
Bank borrowings	359,225	235,163	213,690	112,222
Unsecured				
Medium Term Notes	150,000	150,000	150,000	150,000
	509,225	385,163	363,690	262,222
Less: Unamortised borrowing transaction costs	(2,825)	(2,473)	(1,979)	(1,612)
	506,400	382,690	361,711	260,610
Total	569,946	539,325	425,257	417,245

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 three-year term loan facility of A$65.0 million maturing in November 2020;
- a four-year revolving credit facility of S$120.0 million maturing in November 2021;
- a four-year term loan facility of S$125.0 million maturing in July 2022;
- a five-year term loan facility of A$110.0 million maturing in July 2023;
- a three-year revolving credit facility of A$65.0 million maturing in June 2022;
- a three-year term loan facility of A$32.5 million secured in July 2020 which will be utilised to partially repay the A$65.0 million term loan maturing in November 2020; and
- a four-year term loan facility of S$100.0 million maturing in July 2024.

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

- first legal mortgage over 16 investment properties of the Trust (with one as mortgage-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.

(ii) 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 30 September 2020, 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.

Capital management

On 16 April 2020, the Monetary Authority of Singapore ("MAS") announced that the aggregate leverage limit for S-REITs will be raised from 45% to 50% with immediate effect. In its public consultation last year, the MAS had proposed for S-REITs to have a new minimum adjusted interest coverage ratio ("ICR") of 2.5 times before they are allowed to increase their leverage to beyond the prevailing 45% limit (up to 50%). However, the MAS has deferred the new ICR requirement to 1 January 2022 in light of the current COVID-19 pandemic situation.

As at 30 September 2020, AA REIT's Aggregate Leverage[7] was 33.6% (31 March 2020: 34.8%) and its ICR was 3.7 times and its adjusted ICR was 3.6 times[8].

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[7] Aggregate Leverage ratio is computed as total borrowings as a percentage of total assets. ROU assets and lease liabilities were excluded from the computation of aggregate leverage.

[8] Based on ICR and adjusted ICR definition in Appendix 6 of the Code of Collective Investment Schemes (last revised on 16 April 2020). For purpose of the computation, interest expense included borrowing costs on lease liabilities and the interest expense for Adjusted ICR further included the amount reserved for distribution to Perpetual Securities holders.

1(c) Consolidated Statement of Cash Flows

	Group		Group	
	2Q FY2021	2Q FY2020	1H FY2021	1H FY2020
	S$'000	S$'000	S$'000	S$'000
Cash flows from operating activities				
Total return after income tax	(3,283)	5,139	6,844	20,271
Adjustments for:				
Share of profits of joint venture (net of tax)	(4,309)	(6,035)	(7,624)	(9,409)
Borrowing costs	5,674	5,479	11,434	10,810
Foreign exchange (gain)/loss	(21)	(35)	(206)	82
Manager's management fees in Units	-	954	-	1,877
Net change in fair value of investment properties and investment property under development	20,060	14,461	21,327	15,761
Net change in fair value of derivative financial instruments	(289)	782	594	2,681
Income tax expense	962	238	2,822	395
Operating income before working capital changes	**18,794**	**20,983**	**35,191**	**42,468**
Changes in working capital				
Trade and other receivables	340	599	463	428
Trade and other payables	(801)	2,011	1,697	2,190
Cash generated from operations	18,333	23,593	37,351	45,086
Income tax paid	(443)	(215)	(832)	(505)
Net cash from operating activities	**17,890**	**23,378**	**36,519**	**44,581**
Cash flows from investing activities				
Capital expenditure on investment properties and investment property under development	(875)	(9,639)	(2,232)	(18,561)
Acquisition of investment properties[9]	(1,306)	(32,611)	(1,306)	(36,581)
Investment in a joint venture	-	(288)	-	(1,408)
Loan to a joint venture	(6,934)	-	(7,874)	-
Distributions from a joint venture	3,928	3,779	7,616	7,665
Net cash used in investing activities	**(5,187)**	**(38,759)**	**(3,796)**	**(48,885)**
Cash flows from financing activities				
Distributions to Unitholders	(14,315)	(14,523)	(28,611)	(29,823)
Proceeds from issuance of Perpetual Securities	125,000	-	125,000	-
Issue costs paid in relation to Perpetual Securities	(1,254)	-	(1,254)	-
Proceeds from interest-bearing borrowings	106,934	44,454	107,874	99,454
Repayments of interest-bearing borrowings	(100,000)	(8,000)	(100,000)	(58,000)
Borrowing costs paid	(5,070)	(5,125)	(10,134)	(10,069)
Repayment of lease liabilities	(2,168)	(2,162)	(4,336)	(4,314)
Net cash from/(used in)financing activities	**109,127**	**14,644**	**88,539**	**(2,752)**
Net increase/(decrease) in cash and cash equivalents	**121,830**	**(737)**	**121,262**	**(7,056)**
Cash and cash equivalents at beginning of the period	**20,116**	**11,658**	**20,449**	**18,091**
Effect of exchange rate fluctuations on cash held	48	(58)	283	(172)
Cash and cash equivalents at end of the period	**141,994**	**10,863**	**141,994**	**10,863**

[9] This relates to costs incurred in relation to the acquisitions of 7 Bulim Street, Singapore and Boardriders Asia Pacific HQ in Gold Coast, Queensland, Australia in 2Q FY2021 and 2Q FY2020 respectively.

1(d)(i) Statements of Movements in Unitholders' Funds (2Q FY2021 vs. 2Q FY2020)

	Group 2Q FY2021 S$'000	Group 2Q FY2020 S$'000	Trust 2Q FY2021 S$'000	Trust 2Q FY2020 S$'000
Unitholders' Funds				
Balance at beginning of the period	960,729	927,728	902,798	908,924
Operations				
Total return after income tax, attributable to Unitholders and Perpetual Securities holders	(3,283)	5,139	(6,174)	6,825
Less: Amount reserved for distribution to Perpetual Securities holders	(929)	-	(929)	-
Net (decrease)/increase in net assets from operations	(4,212)	5,139	(7,103)	6,825
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations	1,871	(1,117)	-	-
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	316	12	316	12
Unitholders' transactions				
Issuance of Units (including units to be issued):				
- Distribution Reinvestment Plan	-	2,878	-	2,878
- Manager's management fees	-	954	-	954
Distributions to Unitholders	(14,134)	(17,371)	(14,134)	(17,371)
Change in Unitholders' funds resulting from Unitholders' transactions	(14,134)	(13,539)	(14,134)	(13,539)
Total decrease in Unitholders' funds	(16,159)	(9,505)	(20,921)	(6,702)
Balance at end of the period	944,570	918,223	881,877	902,222
Perpetual Securities holders' funds				
Balance at beginning of the period	-	-	-	-
Issue of Perpetual Securities	125,000	-	125,000	-
Issuance cost	(1,276)	-	(1,276)	-
Amount reserved for distribution to Perpetual Securities holders	929	-	929	-
Balance at end of the period	124,653	-	124,653	-
Total	1,069,223	918,223	1,006,530	902,222

1(d)(ii) Statements of Movements in Unitholders' Funds (1H FY2021 vs. 1H FY2020)

	Group 1H FY2021 S$'000	Group 1H FY2020 S$'000	Trust 1H FY2021 S$'000	Trust 1H FY2020 S$'000
Unitholders' Funds				
Balance at beginning of the period	954,955	928,452	911,844	907,104
Operations				
Total return after income tax, attributable to Unitholders and Perpetual Securities holders	6,844	20,271	(1,200)	23,423
Less: Amount reserved for distribution to Perpetual Securities holders	(929)	-	(929)	-
Net increase/(decrease) in net assets from operations	5,915	20,271	(2,129)	23,423
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations	11,538	(2,195)	-	-
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	430	(302)	430	(302)
Unitholders' transactions				
Issuance of Units (including units to be issued):				
- Distribution Reinvestment Plan	-	6,491	-	6,491
- Manager's management fees	-	1,877	-	1,877
Distributions to Unitholders	(28,268)	(36,371)	(28,268)	(36,371)
Change in Unitholders' funds resulting from Unitholders' transactions	(28,268)	(28,003)	(28,268)	(28,003)
Total decrease in Unitholders' funds	(10,385)	(10,229)	(29,967)	(4,882)
Balance at end of the period	944,570	918,223	881,877	902,222
Perpetual Securities holders' funds				
Balance at beginning of the period	-	-	-	-
Issue of Perpetual Securities	125,000	-	125,000	-
Issuance cost	(1,276)	-	(1,276)	-
Amount reserved for distribution to Perpetual Securities holders	929	-	929	-
Balance at end of the period	124,653	-	124,653	-
Total	1,069,223	918,223	1,006,530	902,222

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

	Trust 2Q FY2021 Units '000	Trust 2Q FY2020 Units '000	Trust 1H FY2021 Units '000	Trust 1H FY2020 Units '000
Units in issue at beginning of the period	706,663	693,563	706,663	690,913
Issue of new Units relating to:				
- Manager's management fees	-	1,285	-	1,285
- Distribution Reinvestment Plan	-	2,004	-	4,654
Units in issue at end of the period	706,663	696,852	706,663	696,852
Units to be issued:				
Manager's management fees	-	659	-	659
Total Units in issue and to be issued at end of the period	706,663	697,511	706,663	697,511

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 2020.

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 adopted a number of new standards, amendments to standards and/or interpretations that are effective for annual periods beginning on or after 1 April 2020. The adoption of new standards, amendments to standards and/or interpretations did not result in any significant impact on the financial statements on the Group.

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

	Group 2Q FY2021	Group 2Q FY2020	Group 1H FY2021	Group 1H FY2020
Basic EPU				
Weighted average number of Units ('000)	706,663	694,984	706,663	693,119
Earnings per Unit (cents)	(0.60)	0.74	0.84	2.92
Diluted EPU				
Weighted average number of Units ('000)	706,663	695,471	706,663	693,232
Earnings per Unit (cents)	(0.60)	0.74	0.84	2.92

The basic EPU is computed using total return after tax attributable to Unitholders over the weighted average number of Units issued for the period. The diluted EPU is computed using total return after tax attributable to Unitholders 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 decrease in the EPU in the current period was mainly due to a higher net fair value loss on net change in fair value of investment properties and investment property under development, lower net property income as well as amount reserved for distribution to Perpetual Securities holders.

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

	Group 2Q FY2021	Group 2Q FY2020	Group 1H FY2021	Group 1H FY2020
Number of Units in issue at end of period ('000)	706,663	696,852	706,663	696,852
Applicable number of Units for calculation of DPU ('000)	706,663	696,852	706,663	696,852
Distribution per Unit (cents)	**2.00**	**2.50**	**4.00**	**5.00**

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

	Group 30 Sep 2020 S$	Group 31 Mar 2020 S$	Trust 30 Sep 2020 S$	Trust 31 Mar 2020 S$
Net asset value / net tangible asset per Unit[10]	1.34	1.35	1.25	1.29

[10] Net asset value / net tangible asset is based on the net assets attributable to Unitholders. Number of units is based on Units in issue and to be issued at the end of the period.

8 Review of the performance

	Group 2Q FY2021 S$'000	Group 1Q FY2021 S$'000	Group 2Q FY2020 S$'000	Group 1H FY2021 S$'000	Group 1H FY2020 S$'000
Gross revenue	30,492	27,240	30,595	57,732	61,184
Property operating expenses	(9,168)	(8,611)	(8,105)	(17,779)	(15,753)
Net property income	21,324	18,629	22,490	39,953	45,431
Net property income margin	*69.9%*	*68.4%*	*73.5%*	*69.2%*	*74.3%*
Foreign exchange gain/(loss)	21	185	35	206	(82)
Interest and other income	155	132	33	287	76
Borrowing costs	(5,674)	(5,760)	(5,479)	(11,434)	(10,810)
Manager's management fees	(2,121)	(1,976)	(1,908)	(4,097)	(3,754)
Other trust expenses	(564)	(388)	(586)	(952)	(1,162)
Non-property expenses	(8,359)	(8,124)	(7,973)	(16,483)	(15,726)
Net income before joint venture's profits	13,141	10,822	14,585	23,963	29,699
Share of profits of joint venture (net of tax)	4,309	3,315	6,035	7,624	9,409
Net income	17,450	14,137	20,620	31,587	39,108
Distributions to Unitholders	14,134	14,134	17,422	28,268	34,793

<u>Review of the performance for 2Q FY2021 vs. 1Q FY2021</u>

The gross revenue achieved for 2Q FY2021 of S$30.5 million was S$3.3 million higher than that of 1Q FY2021. This was mainly due to an estimated Additional Rental Relief for eligible tenants under the Singapore rental relief framework of approximately S$2.6 million recognised in 1Q FY2021 as well as higher recoveries from the properties at 3 Tuas Avenue 2 and NorthTech.

Property operating expenses for 2Q FY2021 of S$9.2 million was S$0.6 million higher than the property operating expenses for 1Q FY2021 mainly due to an additional property tax of S$0.3 million recognised in this quarter for the period from 10 January 2020 to 30 September 2020 for the property at 3 Tuas Avenue 2 arising from the change in annual value assessed by the Inland Revenue of Singapore. The property tax incurred for the property at 3 Tuas Avenue 2 is fully recoverable from the master tenant. The increase in property operating expenses was also caused by the timing of property expenses incurred for the property at 1A International Business Park.

Net property income for 2Q FY2021 stood at S$21.3 million, or S$2.7 million higher compared to 1Q FY2021 mainly due to higher gross revenue which was partially offset by higher property operating expenses. As a result, net property income margin increased to 69.9% in 2Q FY2021 compared to 68.4% in 1Q FY2021.

Manager's management fees for 2Q FY2021 of S$2.1 million was S$0.1 million higher compared to 1Q FY2021 due to higher value of the Deposited Property in 2Q FY2021.

Other trust expenses for 2Q FY2021 of S$0.6 million was S$0.2 million higher compared to 1Q FY2021 mainly due to write-back of provision of trust expenses in 1Q FY2021 and higher professional fees incurred in 2Q FY2021.

The share of profits of joint venture (net of tax) for 2Q FY 2021 comprised the contribution from the Group's 49.0% interest in Optus Centre. The share of profits of joint venture (net of tax) in 2Q FY2021 included the share of revaluation surplus of S$0.9 million recognised from the valuation of Optus Centre. The valuation of the property stood at A$597.5 million based on the independent valuation carried out by Knight Frank NSW Valuations & Advisory Pty Ltd as at 30 September 2020.

The 1Q FY2021 distributions to Unitholders included the release of Australian distributable income previously retained in 4Q FY2020 of S$1.8 million which partially offset the lower net property income. In addition, the 2Q FY2021 distributions to Unitholders was lower due to the amount reserved for distribution to Perpetual Securities holders. The Perpetual Securities were issued on 14 August 2020 and subsequently utilised on 9 October 2020 to acquire 7 Bulim Street, Singapore.

Review of the performance for 2Q FY2021 vs. 2Q FY2020

The gross revenue achieved for 2Q FY2021 of S$30.5 million was comparable to that of 2Q FY2020 of S$30.6 million. The marginal decrease in revenue was mainly contributed by lower contributions from the property at 1A International Business Park arising from the conversion from master lease to multi-tenancy leases and the expiry of the master lease at 541 Yishun Industrial Park A. The decrease was partially offset by rental contribution from the recently completed property at 3 Tuas Avenue 2 and rental contribution from Boardriders Asia Pacific HQ which was acquired on 15 July 2019.

Property operating expenses for 2Q FY2021 of S$9.2 million was S$1.1 million higher than the property operating expenses for 2Q FY2020 mainly due to higher costs arising from the conversion from master lease to multi-tenancy leases for the properties at 1A International Business Park and 20 Gul Way as well as the expiry of two phases of the master lease at 30 Tuas West Road. The increase in property operating expense was also contributed by the property operating expenses incurred for the recently completed property at 3 Tuas Avenue 2 and Boardriders Asia Pacific HQ which was acquired on 15 July 2019.

Net property income for 2Q FY2021 stood at S$21.3 million, or S$1.2 million lower compared to 2Q FY2020 mainly due to lower gross revenue and higher property operating expenses. As a result, net property income margin decreased to 69.9% in 2Q FY2021 compared to 73.5% in 2Q FY2020.

Borrowing costs for 2Q FY2021 of S$5.7 million was S$0.2 million higher than borrowings costs for 2Q FY2020 mainly due to borrowing costs incurred to fund the asset enhancement initiative at Optus Centre and Australian Dollar borrowings costs incurred on the acquisition of Boardriders Asia Pacific HQ.

Manager's management fees for 2Q FY2021 of S$2.1 million was S$0.2 million higher compared to 2Q FY2020 due to higher value of the Deposited Property 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 share of profits of joint venture (net of tax) for 2Q FY 2021 comprised the contribution from the Group's 49.0% interest in Optus Centre. The decrease in share of profits of joint venture (net of tax) from S$6.0 million in 2Q FY2020 to S$4.3 million in 2Q FY2021 was mainly due to the lower share of revaluation surplus recognised from the valuation of Optus Centre of S$0.9 million (2Q FY2020: S$2.7 million).

Distributions to Unitholders for 2Q FY2021 stood at S$14.1 million, which was S$3.3 million lower compared to the distributions to Unitholders for 2Q FY2020 mainly due to lower net property income, management fees paid fully in cash for 2Q FY2021 as well as amount reserved for distribution to Perpetual Securities holders.

Review of the performance for 1H FY2021 vs. 1H FY2020

The gross revenue achieved for 1H FY2021 of S$57.7 million was S$3.5 million lower compared to the gross revenue for 1H FY2020. This was mainly due to an estimated Additional Rental Relief for eligible tenants under the Singapore rental relief framework, lower contributions from the properties at 1A International Business Park and 20 Gul Way arising from the conversion of master leases to multi-tenancy leases as well as expiry of two phases of the master lease at 30 Tuas West Road and the expiry of the master lease at 541 Yishun Industrial Park A. The decrease was partially offset by rental contribution from Boardriders Asia Pacific HQ, which was acquired in July 2019 and rental contribution from the recently completed property at 3 Tuas Avenue 2.

Property operating expenses for 1H FY2021 of S$17.8 million were S$2.0 million higher than the property expenses for 1H FY2020 mainly due to higher costs arising from the conversion from master lease to multi-tenancy leases for the property at 1A International Business Park as well as the expiry of two phases of the master lease at 30 Tuas West Road. The increase in property operating expense was also contributed by the property operating expenses incurred for the recently completed property at 3 Tuas Avenue 2.

Net property income for 1H FY2021 stood at S$39.9 million, or S$5.5 million lower compared to 1H FY2020 mainly due to lower gross revenue and higher property operating expenses. As a result, net property income margin decreased to 69.2% in 1H FY2021 compared to 74.3% in 1H FY2020.

Borrowing costs for 1H FY2021 of S$11.4 million was S$0.6 million higher than borrowing costs for 1H FY2020 mainly due to Australian dollar borrowing costs incurred on the acquisition of Boardriders Asia Pacific HQ as well as borrowing costs incurred to fund the asset enhancement initiative at Optus Centre.

Manager’s management fees for 1H FY2021 of S$4.1 million was S$0.3 million higher compared to 1H FY2020 due to higher value of the Deposited Property 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.

Other trust expenses for 1H FY2021 of S$1.0 million was S$0.2 million lower compared to 1H FY2020 mainly due to costs associated with the administration of AA REIT’s Distribution Reinvestment Plan in 1H FY2020.

The share of results of joint venture (net of tax) for 1H FY2021 comprised the contribution from the Group’s 49.0% interest in Optus Centre which is located in Macquarie Park, NSW, Australia. The decrease in share of profits of joint venture (net of tax) from S$9.4 million in 1H FY2020 to S$7.6 million in 1H FY2021 was mainly due to the lower share of revaluation surplus recognised from the valuation of Optus Centre of S$0.9 million (1H FY2020: S$2.7 million).

Distributions to Unitholders for 1H FY2021 stood at S$28.3 million, which was S$6.5 million lower compared to the distributions to Unitholders for 1H FY2020 mainly due to lower net property income, management fees paid fully in cash for 1H FY2021. The decrease is partially offset by the distribution of Australian distributable income previously retained in 4Q FY2020.

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

Six months after the World Health Organisation declared COVID-19 a global pandemic, there has been a positive shift in economic sentiments. While some economies are gradually easing restrictions and businesses are resuming normal operations, some markets have experienced a second wave of the pandemic. The stream of relapses and repeated periodic lockdown of cities and venues with large crowds have prevented the full-fledged opening of economic activities, and countries continue to remain cautious.

Based on advance estimates for the third quarter of 2020 ("3Q 2020") by the Ministry of Trade and Industry ("MTI"), the Singapore economy expanded by 7.9% on a quarter-on-quarter seasonally-adjusted basis, partially reversing the 13.2% contraction from the preceding quarter. This improved performance came largely on the back of the phased re-opening of the economy following the Circuit Breaker that was implemented between 7 April and 1 June 2020, as well as the growth in the manufacturing sector. On a year-on-year basis, the economy contracted by 7.0%.

The manufacturing segment had been resilient, expanding 3.9% on a quarter-on-quarter seasonally-adjusted basis, and by 2.0% year-on-year in 3Q 2020, reversing from the contractions recorded previously. The growth was largely driven by output expansions in the electronics and precision engineering clusters, which were in turn supported by the strong global demand for semiconductors and semiconductor manufacturing equipment.

Based on JTC Corporation's market report on 3Q 2020 released on 22 October 2020, the occupancy rate of Singapore's overall industrial property market rose marginally by 0.2 percentage points to 89.6%, compared to the previous quarter, driven by an increase in demand for storage amid a delay in new completions. Based on approved plans as at end September 2020, around 0.6 million sqm could be completed in the last quarter of 2020. Looking further ahead, between 2021 and 2022, around 4.4 million sqm of industrial space is expected to be completed. Due to the impact of COVID-19 on the construction sector, the completion of 0.7 million sqm of new industrial spaces has been delayed from 2020, to 2021 and 2022.

In addition, the Ministry of Law has extended the period for relief from legal and enforcement actions for inability to perform contractual obligations by one month to 19 November 2020 for leases and licences of non-residential property. Eligible tenants who qualify for Additional Rental Relief under the rental relief framework and wish to take up a repayment scheme will now have up till 19 November 2020 to serve a written notice on their landlord.

AA REIT has experienced a healthy demand for logistics and warehouse facilities following the gradual re-opening of Singapore's economy since June 2020, as businesses recognise the unpredictable nature of the COVID-19 pandemic and the potential impact to global supply chains, many businesses have increased their stockpile and inventory levels, resulting in additional warehousing needs.

In Australia, the Reserve Bank of Australia ("RBA") maintained official interest rates after its most recent meeting in October 2020 at a historic low of 0.25%, after the Australian economy experienced a sharp contraction in the second quarter. In the first half of 2020, the Australian economy has been supported by a substantial easing of fiscal policy. Inflation pressures remain subdued, while labour market conditions have improved somewhat over the past few months. The RBA plans to retain this level until the outlook for inflation and employment is in line with its targets.

The overall outlook for the industrial sector in both Singapore and Australia remains supported by structural growth drivers such as growth in e-commerce driving warehouse demand, and office decentralisation to drive business park demand, as well as acquisition growth potential, given the low interest rate environment and accretive opportunities, amongst others.

With the recent completion of the acquisition of 7 Bulim Street, AA REIT's portfolio is backed by a diversified tenant base, with 194 tenants across 28 properties in Singapore and Australia operating in a broad range of industries, and a well-balanced mix of both multi-tenanted and master leased properties. The Manager will continue to proactively manage the portfolio to sustain long-term value for the Unitholders.

11 Distributions

(a) Current financial period

Any distributions declared for the current financial period:	Yes	
Name of distribution:	Fifty-eighth distribution, for the period from 1 July 2020 to 30 September 2020	
Distribution Type:	Taxable Income Tax-Exempt Income Capital Distribution	
Distribution Rate:	Taxable Income	1.80 cents per Unit
	Tax-Exempt Income	0.07 cents per Unit
	Capital Distribution	0.13 cents per Unit
	Total	2.00 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.

(b) Corresponding period of the immediate preceding year

Any distributions declared for the previous corresponding financial period:	Yes
Name of distribution:	Fifty-fourth distribution, for the period from 1 July 2019 to 30 September 2019
Distribution Type:	Taxable Income Tax-Exempt Income Capital Distribution
Distribution Rate:	Taxable Income 2.30 cents per Unit Tax-Exempt Income 0.15 cents per Unit Capital Distribution 0.05 cents per Unit Total 2.50 cents per Unit
Par value of units:	Not applicable
Tax Rate:	**Taxable Income Distributions**

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) Record date: 4 November 2020

(d) Date payable: 18 December 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
Chairman and Director

Koh Wee Lih
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.

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
27 October 2020