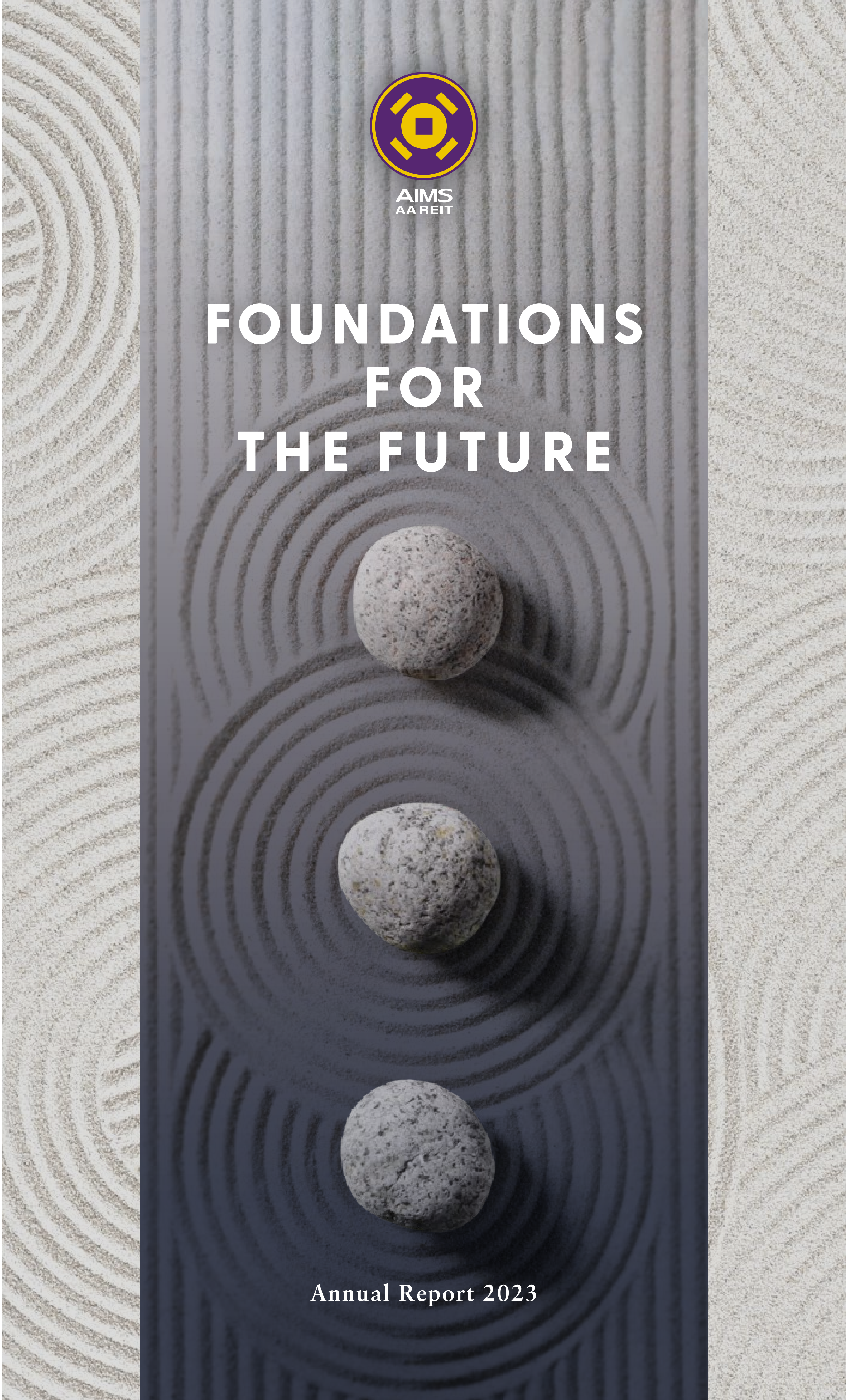
AIMS
AA REIT

FOUNDATIONS FOR THE FUTURE



Annual Report 2023

About AIMS APAC REIT

AIMS APAC REIT ("AA REIT") is a real estate investment trust listed on the Mainboard of the SGX-ST since 2007. The principal investment objective of AA REIT is to invest in a diversified portfolio of high quality income-producing industrial, logistics and business park real estate across Asia Pacific. As at 31 March 2023, AA REIT's portfolio comprises 29 properties, of which 26 properties are located across Singapore and 3 properties located in Australia, with a total portfolio value of S$2.2 billion.

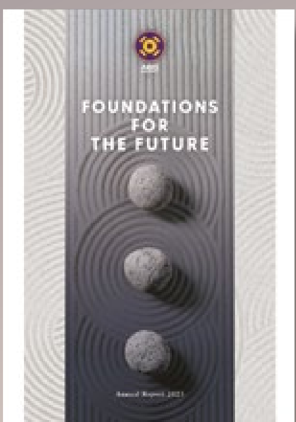
AA REIT is managed by AIMS APAC REIT Management Limited (the "Manager"), which is wholly-owned by AIMS Financial Group ("AIMS"). Established in 1991, AIMS is a diversified financial services and investment group, active in the areas of funds management, mortgage lending, investment banking and property investment. AIMS is also the owner of the Sydney Stock Exchange. AIMS's head office is in Sydney and it has businesses across Australia, China, Hong Kong and Singapore. Its highly qualified, professional and experienced cross-cultural teams enable AIMS to bridge the gap between Australia and Asia across various sectors.

Vision

To be the preferred Asia Pacific industrial, logistics and business park real estate solutions provider to our tenants and partners.

Mission

To provide investors with sustainable long-term returns through strategic acquisitions and partnerships, prudent capital management and proactive asset management of a high quality industrial, logistics and business park real estate portfolio across Asia Pacific.



Foundations for the Future

The characteristics of stone, such as its strength, durability, and resilience, make it an ideal choice for building strong foundations. With their unyielding nature, stones provide a sturdy base that can withstand the test of time and the forces of nature. Building on quality stones as the foundation, structures gain stability and the ability to endure and be resistant even in the face of adversity.

AA REIT tends to our portfolio in a similar way – building a solid foundation of high quality assets through disciplined investments, proactive asset management and prudent capital management. Our high quality portfolio has proven to stand the test of time across different economic environments and market cycles, demonstrating resilience and delivering steady returns. We are confident of building on our strong foundations to capture growth opportunities.

CONTENTS

The FY2023 Annual Report is also available for download at https://investor.aimsapacreit.com/ar.html.

OUR PORTFOLIO

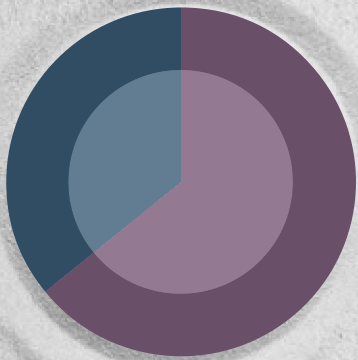
Curated Portfolio of High Quality Industrial Assets

AA REIT owns and manages S$2.2 billion[1] of prime logistics, business parks and industrial real estate space with a total net lettable area of approximately 787,000 sqm across Singapore and Australia, leased to high quality customers.

AUSTRALIA

Properties
3[2]

Portfolio Value
35.9%



SINGAPORE

Properties
26

Portfolio Value
64.1%

Logistics and warehouse space are typically used for storage and distribution by national, regional and international companies. In Singapore, these properties are usually multi-storey with vehicular ramp access or heavy duty cargo lift access.

Business Parks cater to companies engaged in high-technology, research and development, high value-added and knowledge intensive activities. These properties comprise modern decentralised office buildings situated within a business park zone.

General and light industrial properties are dedicated to manufacturing, production or storage activities. Tenants range from local distributors, food manufacturers and precision engineering companies.

Hi-Tech properties are high specifications mixed-used industrial buildings with a higher proportion of office space in conjunction with production and warehousing space. These buildings appeal to large multinational companies wanting to house both their headquarters and operations together.

[1] Portfolio valuation as at 31 March 2023, including the 49.0% interest in Optus Centre located in Macquarie Park, NSW, Australia.
[2] Includes a 49.0% interest in Optus Centre located in Macquarie Park, NSW, Australia.

FY2023 KEY HIGHLIGHTS

STRONG FINANCIAL PERFORMANCE

Gross Revenue
+ 17.6%
YoY
S$167.4 million

Net Property Income
+ 18.7%
YoY
S$122.5 million

Distribution Per Unit
+ 5.1%
YoY
9.944 Singapore cents

ROBUST BALANCE SHEET

Aggregate Leverage
36.1%

Borrowings on Fixed Rates
88%[1]

Weighted Average Debt Maturity
3.1 Years

PROACTIVE ASSET MANAGEMENT

Occupancy
98.0%

Rental Reversion
18.5%[2]

Tenant Retention
78.4%

FOCUSED ON SUSTAINABILITY

Solar Partnership to produce
14,500 MWh
of Renewable Energy per Year[3]

Achieved
BCA GREEN MARK GOLD PLUS
7 Bulim Street, Singapore

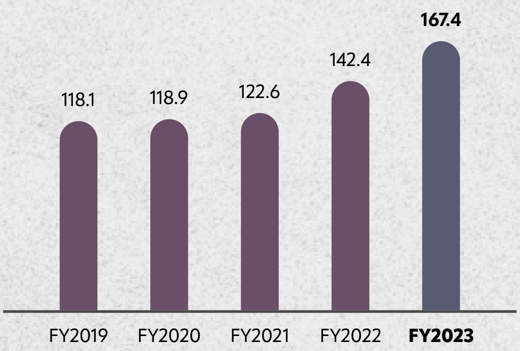
Contributed to
103
households in Singapore through community service initiatives

1 Includes forward interest rate swaps.
2 Full year average rental reversion.
3 By the end of 2023.

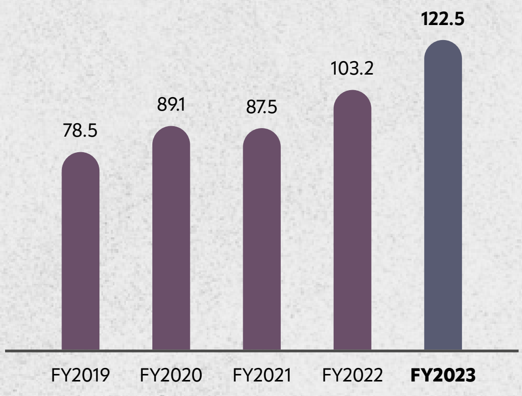
FINANCIAL HIGHLIGHTS

For the Financial Year ended 31 March

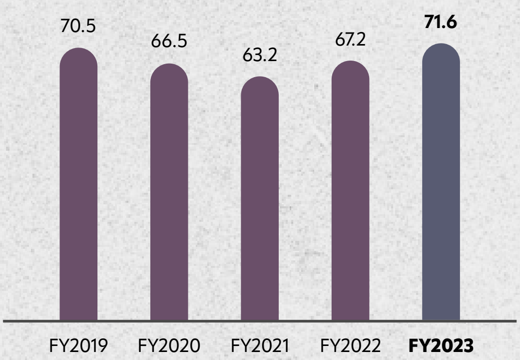
Gross Revenue *(S$'million)*



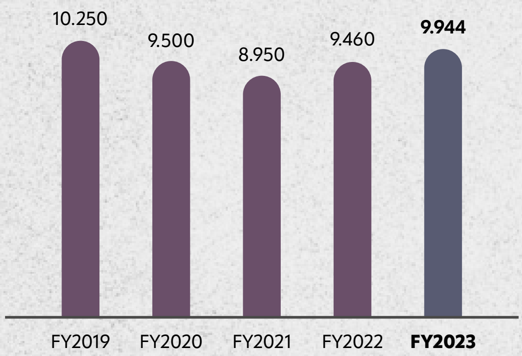
Net Property Income[1] *(S$'million)*



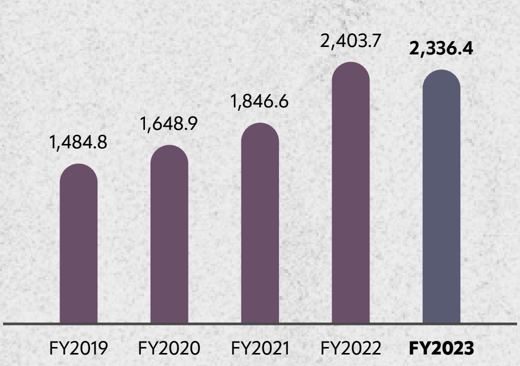
Distributions to Unitholders *(S$'million)*



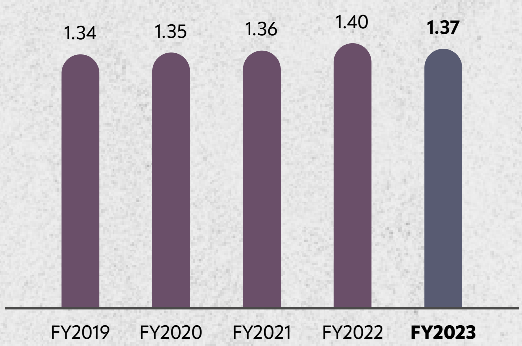
Distribution per Unit *(Singapore cents)*



Total Assets *(S$'million)*



Net Asset Value per Unit *(S$)*



[1] Pursuant to the adoption of FRS 116 *Leases* on 1 April 2019, land rent payments for certain properties in AA REIT's portfolio were excluded from property operating expenses and net property income from 1 April 2019.

Balance Sheet as at 31 March *(S$'million unless otherwise stated)*	FY2019	FY2020	FY2021	FY2022	**FY2023**
Total assets	1,484.8	1,648.9	1,846.6	2,403.7	**2,336.4**
Total liabilities	556.3	693.9	759.2	1,029.9	**969.0**
Total borrowings[1]	499.7	541.9	593.8	858.9	**796.0**
Unitholders' funds	928.5	955.0	962.8	1,000.2	**993.8**
Perpetual Securities holders' funds	-	-	124.6	373.6	**373.6**

Key Financial Ratios as at 31 March	FY2019	FY2020	FY2021	FY2022	**FY2023**
Net asset value per Unit (S$)	1.34	1.35	1.36	1.40	**1.37**
Aggregate leverage ratio[2] (%)	33.7	34.8	33.9	37.5	**36.1**
Interest coverage ratio[3] (times)	4.4	4.0	4.0	5.1	**3.8**
All-in-cost of debt (%)	3.6	3.5	3.0	2.7	**3.4**

1 Excluding unamortised loan transaction costs.
2 Aggregate leverage ratio is computed as total borrowings as a percentage of total assets and includes lease liabilities that are entered into in the ordinary course of AA REIT's business on or after 1 April 2019 in accordance with MAS guidelines.
3 Based on the interest coverage ratio ("ICR") definition in the Code on Collective Investment Schemes. The ICR as at 31 March 2023 excluded interest expense on lease liabilities.

FOUNDATION OF **STABILITY**

Building On
A Diversified
High Quality Portfolio

"For a structure to grow tall, its foundations must be strong and sturdy. It is only through the disciplined enhancement and selection of strong foundational assets, along with our prudent management team, that we are able to achieve financial resilience and AA REIT's long-term sustained performance and growth."

George Wang, Chairman

3 Tuas Avenue 2,
Singapore

Woolworths Headquarters,
Australia

Optus Centre,
Australia

20 Gul Way,
Singapore

CHAIRMAN'S STATEMENT

DEAR UNITHOLDERS

The global economy continued to battle escalating geopolitical tensions, rising energy costs, elevated interest rates and persistent inflationary pressures in the financial year ended 31 March 2023 ("FY2023"). These challenges notwithstanding, AA REIT delivered yet another record year, with strong financial performance, various portfolio metrics surpassing previous highs and a healthy balance sheet:

- Distributions per Unit ("DPU") increased 5.1% in FY2023, following DPU increase in FY2022 of 5.7%;
- Gross Revenue and Net Property Income ("NPI") increased 17.6% and 18.7% year-on-year ("YoY");
- Record occupancy rate of 98.0%;
- Robust rental reversion of 18.5%;
- Prudent management of our gearing of 36.1%, well below the Monetary Authority of Singapore's maximum gearing level;
- No refinancing requirements till FY2025; and
- Maintaining a healthy interest cover of 3.8 times with approximately 88%[1] of our debt exposure hedged.

Across our core markets in Singapore and Australia, our portfolio continued to display resilience, a result of our longstanding proactive initiatives to build a high quality portfolio which has served as a strong foundation to withstand economic volatility and business cyclicality. As a result, despite the COVID-19 pandemic and a rising interest rate environment, AA REIT has managed to deliver consistently strong financial and operational performance over a three-year period. Between FY2021 and FY2023, NPI and DPU have grown at a compounded annual growth rate ("CAGR") of 18.3% and 5.4%, respectively. Occupancy rate remained high between 95% to 98% across the same period.

A STRONG FOUNDATION

For a structure to grow tall, its foundations must be strong and sturdy. It is only through the disciplined enhancement and selection of strong foundational assets, along with our prudent management team, that we are able to achieve financial resilience and AA REIT's long-term sustained performance and growth.

As part of our commitment to strengthen portfolio quality, we have actively pursued asset enhancement and development opportunities, and have to-date completed the redevelopment of six properties and asset enhancement initiatives ("AEIs") of five properties.

[1] Including forward interest rate swaps.

GEORGE WANG
Chairman

These redevelopment and AEI efforts have underpinned the robust organic growth of our portfolio and our high quality properties remain well sought-after. To-date, over 40% of the portfolio[2] comprise of modern, ramp-up and high-specifications warehouses servicing the logistics segment, which is reporting strong rental growth.

On the acquisition front, we have been very disciplined in our selection of quality real estate in great locations. Our four strategic acquisitions – Optus Centre and Woolworths Headquarters ("HQ") in Sydney, Boardriders HQ in Gold Coast, and 7 Bulim Street in Singapore – have enhanced AA REIT's portfolio and are defensive investments, supported by strategic locations, modern buildings specifications and strength of the tenant covenants. These investments have augmented AA REIT's portfolio with stable and growing income streams over the long term. Notably, Woolworths HQ site also provides 1.5 million square feet ("sq ft") of untapped development potential for AA REIT, and is in addition to the 500,000 sq ft of untapped plot ratio within our Singapore portfolio.

In extension of our proactive asset management and disciplined investment strategy, the REIT has achieved a CAGR of 9.7% in assets under management ("AUM") between FY2010 (since AIMS became a Sponsor) and FY2023.

Our tenant base is also highly diversified, with over 200 tenants from reputable global and local companies across multiple industries. 80.3% of our income is contributed by tenants in the defensive and essential industries. Amid an evolving business environment, we will remain focused on retaining occupancy through proactive tenant engagement and managing the assets in our portfolio so they provide continued performance.

POISED FOR GROWTH OPPORTUNITIES

We continue to evolve and build on the solid foundations we have set, whilst seeking to capture opportunities in challenging market environments to deliver long-term sustainable returns to our Unitholders. Leveraging on our track record to unlock untapped potential to strengthen and optimise our portfolio, we are currently evaluating several potential AEIs and redevelopment projects. These initiatives are in line with our strategy to future-proof our assets and enhance long-term total returns for our Unitholders.

[2] By gross rental income.

CHAIRMAN'S STATEMENT

With the interest rate environment set to remain volatile, this could also open up opportunities to invest in quality assets at attractive yields in our core markets. It is therefore important to maintain a resilient balance sheet as it enables us to capture the growth opportunities should they arise. As we keep our investment discipline, we will continue to maintain a prudent approach to capital management. To this end, we are in the process of divesting a non-core asset, 541 Yishun Industrial Park A[3], at 8.2% premium to its book value. This is in line with our capital recycling strategy where we hope to recycle proceeds from the divestment into higher-yielding investment opportunities.

Looking ahead, we are confident that our high quality platform and consistent financial discipline will position us well for future growth.

MAKING PROGRESS ON SUSTAINABILITY

Environmental, Social, and Governance ("ESG") issues are becoming increasingly important for businesses, investors, and the society. Response to climate change and ESG compliance are growing concerns as regulations and occupier demand are creating needs for investors to rebalance and future-proof their portfolios.

We continue to gain traction with our efforts on the sustainability front and are pleased to share that AA REIT has formalised its ESG framework and identified four long-term priorities to guide us in embedding sustainability practices across our business operations. We have also taken steps to align our sustainability reporting disclosures in accordance with the Task Force on Climate-related Financial Disclosures ("TCFD") in response to climate change concerns.

During the financial year, we also outlined a roadmap and established measurable ESG-related targets which will allow us to track and be accountable to stakeholders on our sustainability progress. We have committed to reduce our carbon footprint and will do so through the implementation of various initiatives, which include the stepping up of energy conservation efforts, the installation of rooftop solar systems, as well as the introduction of green lease clauses for our tenants. To read more on our progress on the sustainability front, please refer to our Sustainability Report on page 86.

GOING FORWARD

We look to position ourselves for the future, and remain steadfast in our strategy to build a high quality, resilient portfolio that remains relevant in accordance with ever-evolving business needs. We will focus on the execution of our strategy and objectives, underpinned by the following key pillars:

1. **Strategic investments to generate attractive long-term total returns:**

   a) Continued evaluation of total return investment opportunities in Singapore and Australia, that offer:
      i. Sustainable and growing income yield; and
      ii. Capital growth, through selective asset enhancement works and underlying land appreciation in strategic locations.

   b) Focus on successful delivery of build-to-suit development projects on time and within budget.

   c) Highly selective on acquisitions – to provide long-term returns for our Unitholders; be of high quality and strategically located with established infrastructure; have a strong tenant profile, with long lease terms and built-in rental escalations.

2. **Active Asset Management & Leasing Management:**

   a) Continue to push to value-add and rejuvenate portfolio.
   b) Ensure high occupancy is maintained.
   c) Secure long lease terms and renewals with built-in rental escalations.

3. **Prudent Capital & Risk Management:**

   a) Focus on growing DPU.
   b) Proactive measures to mitigate interest rate fluctuations, natural hedging to reduce forex risks.
   c) Diversify sources of funding for yield accretive acquisitions.

[3] Announced on 24 April 2023.

4. **Business operation and capital partnership strategy:**

    a) Business Operation Partnership Strategy: The benefit of introducing a business operation partner is the potential development opportunities that may arise and add value to both parties. For example, a logistics tenant, who may want to lease a build-to-suit premise, could work closely with AIMS to invest, develop and take up a long-term lease upon completion.

    b) Capital Partnership Strategy: The benefit of introducing a capital partner is to diversify AA REIT's risk by broadening holdings through investment with key joint venture partners in select assets and developments. This will allow AA REIT to diversify its capital and be invested in more assets, which will reduce exposure risk, while providing access to the income and capital growth of those assets.

ACKNOWLEDGEMENT

I would like to express gratitude to Mr Ko Kheng Hwa as he stepped down from the role of Non-Executive Lead Independent Director of the Manager in March 2023, having earlier expressed his intention to step down from the Board to devote more time to other commitments. The Board is deeply appreciative of his invaluable contributions, and we have benefitted greatly from his insights and expertise throughout the years.

I am also pleased to welcome Mr Chia Nam Toon as Non-Executive Lead Independent Director[4] and Ms Vivienne Zhaohui Yu as Non-Executive Independent Director and Chairperson of the Nominating and Remuneration Committee[5], and trust that with their added wisdom and expertise, the REIT will continue to grow from strength to strength.

Lastly, my deepest appreciation to our Unitholders, tenants, business partners, financiers, our management team and my fellow Board Members for their efforts and ongoing contribution. We will continue to strengthen our portfolio, ready ourselves to capitalise on opportunities when they arise and stay ahead of the curve to position ourselves for the future.

Yours faithfully,

George Wang
Chairman

4 Mr Chia Nam Toon was appointed as a Non-Executive Independent Director on 8 February 2023 and the Lead Independent Director on 25 April 2023.

5 Ms Vivienne Zhaohui Yu was appointed as a Non-Executive Independent Director on 1 February 2023 and the Chairperson of the Nominating and Remuneration Committee on 25 April 2023.

CEO INTERVIEW

> In an ever changing business environment, high quality spaces remain well sought-after by leading global, regional and local firms as business needs continue to evolve. Notably, around three-quarters of our portfolio by value comprises modern and high-specifications assets that have been either been redeveloped, enhanced through AEIs or were strategically acquired by the Manager.

Russell Ng
Chief Executive Officer

Q WHAT WERE SOME KEY HIGHLIGHTS FOR THE PAST YEAR?

A Our strong operational and financial performance of AA REIT this financial year would be the key highlights. Despite the uncertain macro environment, our portfolio has demonstrated its ability to generate highly visible and resilient income by delivering a 5.1% year-on-year ("YoY") growth in Distribution per Unit ("DPU") of 9.944 Singapore cents for FY2023. Gross revenue and net property income rose 17.6% and 18.7% YoY respectively, largely driven by robust rental growth across our Singapore portfolio and full year revenue contribution from the acquisition of Woolworths HQ in Australia which was completed in November 2021. We ended the year with a robust balance sheet, with an aggregate leverage of 36.1% as at 31 March 2023 and with no debt refinancing requirements for the next financial year ("FY2024").

On the operational front, we closed the year with a record occupancy rate of 98.0% and achieved a robust double-digit rental reversion of 18.5%, one of the highest amongst industrial S-REITs. The strong rental reversion was underpinned by sustained demand by third-party logistics ("3PLs") players and industrialists across various industries for modern and ramp-up logistics and industrial properties and our proactive lease management. Following the completion of an asset enhancement initiative ("AEI") at 23 Tai Seng Drive, we successfully converted the property to a master lease with a data center tenant for a term of seven years and increased the net lettable area ("NLA") by 12.3%. This contributed to incremental revenue for AA REIT and lifted the valuation of the property by 32.0% from S$29.4 million as at 30 September 2022 to S$38.8 million as at 31 March 2023.

On 24 April 2023, we also announced the divestment of 541 Yishun Industrial Park A for S$12.9 million, an 8.2% premium to valuation[1]. The sale is in line with our proactive asset management strategy to optimise and rejuvenate AA REIT's portfolio. Proceeds from the divestment will be recycled to pursue higher-yielding AEIs, redevelopment opportunities or new acquisitions.

Alongside this, we also outlined a new Environmental, Social & Governance ("ESG") Framework and refreshed our sustainability priorities to support and guide our progress in integrating ESG into our overall business and investment decisions. On this front, we completed our first two solar panel installations for the planned six properties in Singapore. The solar panel installations are part of our solar partnership with SP Group, a leading provider of utilities and sustainable energy solutions in Asia Pacific. We are excited to advance our sustainability ambitions and will continue to share our progress in due course.

Q

AA REIT HAS DELIVERED A SET OF STRONG FINANCIALS AMID THE ECONOMIC HEADWINDS AND ECONOMIC VOLATILITY, WHAT ARE THE KEY DRIVERS BEHIND THIS?

A

FY2023 was a year where we saw significant volatility in the macro environment. Nonetheless, the industrial and logistics market in our two key operating markets of Singapore and Australia remained robust, underpinned by long-term structural tailwinds and tight supply. Take-up for prime logistics space remained high and we saw increased demand from businesses which are building more resilient supply chains, as well as downstream demand for quality warehouse space from businesses in the higher value-added industries such as life sciences, pharmaceutical and advanced manufacturing. Our team had also worked hard during the year to capitalise on the opportunities created by these positive structural trends by proactively managing lease renewals and bringing in new quality tenants, all while driving rental growth. New tenants added to the portfolio include leading 3PLs providers, Mitsubishi Logistics; Li & Fung; global data centre solutions and services provider, Rahi Systems; as well as established engineering solutions firm, Jardine Engineering.

In an ever changing business environment, high quality spaces remain well sought-after by leading global, regional and local firms as business needs continue to evolve. Notably, around three-quarters of our portfolio by value comprises modern and high-specifications assets that have been either been redeveloped, enhanced through AEIs or were strategically acquired by the Manager. These assets form the "foundation" of AA REIT's portfolio and are the main drivers behind the record occupancy, high tenant retention rate, and strong double-digit rental reversion we are achieving today.

The stability in portfolio income is supported by a well-diversified tenant base of over 200 tenants, with 80% of our income coming from defensive and essential industries such as logistics, food staples, data centre and telecommunications, healthcare and life sciences. The REIT's income is also anchored by two business parks (Woolworths HQ and Optus Centre) in Australia and a hi-tech property (Illumina) in Singapore, which are on long lease terms with built-in rental escalations. The master tenants of these properties are leading businesses in their industry and collectively account for around a third of our portfolio income. Furthermore, 43% of AA REIT's income is contributed by the strong performing logistics and warehouse segment.

Q

HOW IS AA REIT POSITIONED IN AN ENVIRONMENT OF RISING INTEREST RATES AND WHAT ARE SOME MITIGATING FACTORS FOR FOREIGN CURRENCY RISKS?

A

AA REIT continues to adopt a proactive hedging and risk management strategy. In the year under review, we proactively refinanced all our near-term debt. Consequently, there are no refinancing requirements for FY2024. Approximately two-thirds of our total existing debt have been extended with expiries in FY2027 and FY2028. As at 31 March 2023, 88% of our total borrowings (including forward interest rate swaps) are hedged to fixed rates, mitigating potential huge fluctuations in the REIT's borrowing costs amid ongoing interest rate hikes. AA REIT's aggregate leverage also remains healthy at 36.1%, with overall blended debt funding cost of 3.4%, and a healthy interest cover ratio of 3.8 times.

[1] As at 31 March 2023.

CEO INTERVIEW

To mitigate our exposure to fluctuations of the Australian dollar ("AUD"), we hedge around 70% of expected AUD distributable income into SGD via forward currency contracts on a four-quarter rolling basis. Given that our Australian investments are funded by Australian loans, this also serves as a natural currency hedge.

With modest leverage and available debt facilities and cash and bank balances totalling S$182.3 million, AA REIT has significant financial flexibility to invest capital in AEIs, redevelopment opportunities and acquisitions.

Q HOW IS RISING INFLATION AND ENERGY COSTS IMPACTING YOUR OPERATIONS?

A In FY2023, 44.4% of our portfolio's income is under master lease arrangements, where our tenants are responsible for property outgoings such as maintenance, security and utility costs. As such, the impact of rising inflation and energy costs on AA REIT on these properties was largely mitigated.

For our multi-tenanted properties, the impact of rising operating and utility costs was limited to the common areas and mitigated by built-in annual rental escalations and an increase in service charge which was implemented at the start of January 2023. Furthermore, we are evaluating the adoption of energy-efficient equipment such as the installation of LED lightings to reduce our energy consumption and operating costs.

Q THE ECONOMIC OUTLOOK FOR THE YEAR AHEAD HAS WEAKENED CONSIDERABLY, WHAT ARE SOME OF THE KEY RISKS TO THE REIT'S PERFORMANCE? CAN YOU OUTLINE THE REIT MANAGER'S STRATEGY AND WHERE ARE THE GROWTH OPPORTUNITIES AMID THE ONGOING MARKET HEADWINDS?

A The extended period of high interest rates and persistent inflation, coupled with the weakness in the US regional banking sector and heightened geopolitical risks globally, are likely to continue to pose downside risks for the S-REIT sector.

To mitigate market headwinds, we remain steadfast and focused on our four strategic pillars comprising of disciplined investment and development; active asset management; prudent capital and risk management; and strategic partnerships.

With the continuing rise in global interest rates, we slowed down our acquisition activities over the past financial year and focused our efforts on 'sweating our assets' to drive organic growth. These efforts have contributed to the strong financial and operating performance in FY2023. As such, we will continue our focus on executing a proactive asset management and leasing strategy to secure lease renewals, maintain high occupancy and capture the maximum rental reversionary potential in our portfolio.

With over 500,000 sq ft and 1.5 million sq ft of gross floor area available for development in Singapore and Australia respectively, we regularly review our assets to ensure the relevance of our portfolio. We are currently evaluating several potential AEIs and redevelopment projects. Upon completion, these properties are projected to deliver a stabilised net property income yield of between 7.0% to 8.0%.

With the interest rate hikes poised to take a pause in the second half of 2023, we will be looking to augment our organic growth with potential acquisitions in Singapore and Australia that meet our investment parameters, offer stable and growing cashflow and deliver attractive long-term total returns.

To capture these growth opportunities, we strengthened our balance sheet and undertook an equity fund raising recently to raise S$100 million through a private placement and a preferential offering[2]. Proceeds from the equity fund raising will be used to fund two identified AEIs, while also enhancing our financial flexibility to pursue further growth opportunities through targeted acquisitions, developments and/or other AEIs. With a bolstered balance sheet, and no near-term loan refinancing requirements up till FY2025, we are well-positioned for our next phase of growth.

Q WHAT ARE YOUR THOUGHTS ON THE INCREASING FOCUS ON ESG ISSUES? TELL US MORE ABOUT AA REIT'S ESG COMMITMENTS AND YOUR INITIATIVES ON THIS FRONT.

A The global pandemic has accelerated a shift in expectations on how businesses should

[2] Announced "Launch of Equity Fund Raising to Raise Gross Proceeds of Approximately S$100.0 Million" on 31 May 2023.

conduct their operations, and the importance of building a sustainable business. There has been a significant increase in the interest and understanding of ESG topics. Investors are also increasingly more sophisticated and are requiring greater disclosures and commitments by companies to contribute to the global challenges. At AA REIT, we believe that returns and ESG should go hand in hand to create long-term value.

For the past year, we established an ESG framework and have set targets that are both measurable and strategic. We are also in the process of putting in place policies and processes throughout our business to monitor how we are performing against our targets and to report them annually.

In line with our commitment to positively contribute to climate change, AA REIT has also committed to a 42% reduction in scope 2 emissions by FY2030 (from FY2020 base year). To achieve this, we have partnered SP Group to install a large-scale solar system across six properties in Singapore which is expected to generate 14,500 Megawatts of solar power per annum. The renewable energy is sufficient to power 4,400 3-room HDB flats and avoid 5,900 tons of carbon emissions which is equivalent to eliminating 6,500 cars on the road. Furthermore, we will be installing energy-efficient equipment in select properties and will strive to integrate sustainable building designs when we embark on AEIs and redevelopments.

We have also started taking steps to integrate climate considerations and opportunities into our risk management framework and have begun to incorporate climate-related disclosures as part of our sustainability reporting.

> **"Our focused and disciplined execution of our investment, development and asset management strategies have translated into a resilient portfolio with strong fundamentals, while our prudent capital management and proactive hedging strategy provides AA REIT with financial resilience and flexibility for growth."**

I would like to invite you to discover the efforts we are making on our sustainability journey in our Sustainability Report which can be found on pages 86 to 115.

Q **WHAT IS AA REIT'S VALUE PROPOSITION AND HOW DO YOU DIFFERENTIATE YOURSELF FROM YOUR PEERS?**

A We believe that we have built a strong track record in delivering growth and long-term sustainable value for our Unitholders. Since 2011, AA REIT has created significant value organically by developing over 2.8 million sq ft of new space via the completion of six developments and five AEIs. These initiatives have unlocked additional value for Unitholders through the development of modern ramp-up logistics properties and high-specifications industrial buildings up to the maximum plot ratio, as well as through the refurbishment and upgrade of existing business parks and hi-tech properties. This has enabled the team to secure and retain leading global, regional and national companies on long-term leases, as well as increased the portfolio's net property income yield and valuation.

Together with the four targeted acquisitions of high quality business parks, industrial and logistics properties, these 14[3] properties account for close to three-quarters of the portfolio by valuation and provide our portfolio with operating resilience. Our focused and disciplined execution of our investment, development and asset management strategies have translated into a resilient portfolio with strong fundamentals, while our prudent capital management and proactive hedging strategy provides AA REIT with financial resilience and flexibility for growth.

[3] Properties that were redeveloped include: 20 Gul Way, 103 Defu Lane 10, 30 Tuas West Road, 8 Tuas Avenue 20, 51 Marsiling Road, 3 Tuas Avenue 2. Properties that underwent AEI include: 26 Tuas Avenue 7, 1 Kallang Way 2A, Northtech, Optus Centre and 23 Tai Seng Drive. Properties that were acquired include: Optus Centre, Boardriders Asia Pacific HQ, 7 Bulim Street and Woolworths HQ.

OUR STRATEGY

Leveraging on our strengths, our disciplined and focused execution of our strategy have enabled us to capture growth opportunities in the market. Underpinning our strategy is also our commitment to sustainability. By embedding sustainability priorities in our business strategy, we strive to create shared value for our stakeholders.

Our Advantages

HIGH QUALITY PORTFOLIO

- Supports high occupancy and tenant retention rate
- Able to withstand market cycles

DIVERSIFIED AND STRONG TENANT BASE

- Diversified income stream from over 200 tenants with large exposure to tenants in defensive and essential sectors
- Top-10 tenants are market leaders in their field

ROBUST FINANCIALS

- Quality income-generating assets
- Strong balance sheet

EXPERIENCED TEAM

- Manager has extensive experience and deep understanding of the market
- In-depth knowledge of our tenants to meet evolving business needs

ESTABLISHED TRACK RECORD IN ASSET ENHANCEMENTS AND REDEVELOPMENTS

- Future-proof our buildings for tenants
- Portfolio has significant long-term redevelopment potential which offers upside potential for income and capital value

Our Strategy

DISCIPLINED INVESTMENTS AND DEVELOPMENT APPROACH

- Pursue strategic investments and build-to-suit development opportunities in Singapore and Australia that offer stable and growing income yield and long-term capital growth
- Anchor portfolio with high quality modern industrial, logistics, and business park assets that provide resilient and sustainable long-term returns

PRUDENT CAPITAL AND RISK MANAGEMENT

- Diversifying funding sources
- Proactive refinancing activities
- Capitalising on low cost of funding when market conditions are favourable

We recognise that we have a role to play in creating a sustainable future and are committed to sustainable and responsible growth. Our four sustainability pillars are:

BUILD A SUSTAINABLE BUSINESS

8 DECENT WORK AND ECONOMIC GROWTH

ACT RESPONSIBLY

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

PROMOTE WELL-BEING

3 GOOD HEALTH AND WELL-BEING

OPERATE ETHICALLY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Delivering for Our Stakeholders

ACTIVE ASSET MANAGEMENT

- Active asset and lease management
- Continuously seek to unlock value of assets within portfolio through building enhancements, conversions and leasing as well as through divestment and capital recycling of non-core assets

STRATEGIC PARTNERSHIPS

- Ongoing collaboration with operators and end-users to occupy newly refurbished and redeveloped properties on long-term lease contracts
- Leverage track record in investments, developments and asset management to form new partnerships for larger and joint projects

LONG-TERM VALUE FOR OUR UNITHOLDERS

We strive to deliver long-term sustained performance and growth. In FY2023, DPU was 9.944 Singapore cents, a 5.1% year-on-year increase. Over a three-year period, DPU increased at a compounded annual growth rate of 5.4%.

PRIME INDUSTRIAL SPACE FOR OUR CUSTOMERS

We create and provide high quality spaces to over 200 tenants, supporting their business needs and expansion plans.

ENGAGED PEOPLE

We recognise that the strength of our business lies in our people. We ensure that our workplace is safe, open, diverse, inclusive and promote a strong learning and development culture to drive the engagement of our workforce.

STRONG PARTNERSHIPS

We enjoy mutually beneficial partnerships with our business partners. We also choose suppliers responsibly and pay them on time.

ECONOMIC AND SOCIAL VALUE

We remain in compliance with the local laws and regulatory standards in the markets in which we operate, and strive to create economic value through job creation as well as economic growth. We also actively give back to the community through corporate social responsibility initiatives.

BETTER ENVIRONMENT

We strive to limit the negative impact on the environment in which we operate and are committed to play our part in the transition to a low-carbon economy.

Read more on our Stakeholders on pages 90 to 91.

To be able to realise our sustainability framework, we identified five critical enablers. These key enablers support all strategic priorities:

1. **Responsible Investments**
2. **Discipline in Capital Allocation**
3. **Strong Partnerships**
4. **Good Governance and Responsible Business Practices**
5. **Internal Collaboration**

Read more on our Sustainability Framework on page 89.

KEY MARKET TRENDS

Keeping abreast of market trends in AA REIT's operating markets allows the Manager to develop its strategy to navigate the evolving business environment, capitalise on opportunities and address challenges. Looking beyond cyclical headwinds, the industrial markets in Singapore and Australia continue to experience strong tailwinds from positive structural factors which are likely to support income resilience and medium-term growth potential.

Cyclical Drivers

1 ECONOMIC UNCERTAINTIES

Global economic uncertainty remains elevated amid slowing growth, high and persistent inflation and geopolitical tensions. The uncertainty is exacerbated by banking turmoil and recession risks. Global GDP growth is expected to slow to 2.8% in 2023 according to the International Monetary Fund[1].

AA REIT's Response:

The performance of AA REIT's portfolio amid the economic uncertainty is a testament of the strong fundamentals that AA REIT has built up over the years. Active portfolio rejuvenation through redevelopments and asset enhancement initiatives ("AEIs"), coupled with strategic acquisitions, have led to the formation of a high quality portfolio that is able to withstand market cycles.

2 INTEREST RATE ENVIRONMENT AND INFLATIONARY PRESSURES

Central banks have aggressively raised interest rates to tackle soaring inflation. This backdrop may also present investment opportunities, particularly in Australia, whereby the general slowdown in economic activity and tightening of bank credit may also lead to asset sales and re-pricing.

AA REIT's Response:

The Manager expects to see new investment opportunities in Singapore and Australia which will provide AA REIT with sustainable long-term total returns. The Manager adopts a disciplined investment approach and will continue to maintain a strong balance sheet and prudent leverage to provide financial flexibility to capture these opportunities should they arise.

3 HIGH ENERGY COSTS

Energy prices have risen sharply over the past year, a situation aggravated by the Russia-Ukraine conflict. According to the World Bank, even with energy prices projected to decline by 11% in 2023, prices would still be 75% above their average over the last five years[2].

AA REIT's Response:

AA REIT has a relatively lower exposure to rising electricity costs as the majority of its tenants bear a large part of the utility costs. The Manager is also looking into implementing energy conservation initiatives in select properties such as the installation of solar panels, LED lightings and replacement of energy-efficient air conditioning and mechanical ventilation systems.

[1] World Economic Outlook Shows Economies Facing High Uncertainty, IMF Blog, 19 April 2023.
[2] Currency Depreciations Risk Intensifying Food, Energy Crisis in Developing Economies, The World Bank, 26 October 2022.

Structural Drivers

1
SUPPLY CHAIN RECONFIGURATION

Supply chain shocks due to the COVID-19 pandemic have led to the re-evaluation of supply chain resilience by businesses. Emerging trends include re-shoring or nearshoring for resilience, and the establishment of an additional or alternative production base. This has propelled the regionalisation of trade within Asia Pacific with demand remaining robust in the region's manufacturing hubs.

AA REIT's Response:

Requirements for efficient and reliable distribution networks to support supply chain operations are driving demand for modern specifications buildings. To ensure portfolio relevance and to meet modern occupier requirements, AA REIT has successfully re-developed six properties and completed five AEIs since 2011.

2
SHIFT TOWARDS HIGHER VALUE-ADDED ACTIVITIES AND EMERGING LIFE SCIENCE SECTOR

Singapore remains a leading location for best-in-class manufacturing plants, with the sector benefitting from the growth of clusters such as pharmaceuticals, biotech, electronics and precision engineering. This, together with continued healthcare and life sciences investments, will underpin demand for high-specifications facilities.

AA REIT's Response:

Tenants operating in higher value manufacturing activities such as precision engineering, healthcare and life sciences, make up 13.9%[3] of our tenant base and we expect this figure to grow. AA REIT will also pursue AEIs to upgrade or repurpose older industrial assets to meet modern occupier requirements.

3
FLIGHT TOWARDS QUALITY

Real estate executives are increasingly seeking flexible, amenity rich and quality workspaces. These buildings are usually new or renovated with abundant amenities, modern building systems and easy access to public transportation.

AA REIT's Response:

In Sydney, the flight to quality assets and infrastructure improvements continue to drive demand for high quality spaces in Norwest Business park as well as the Macquarie Park precinct, which is poised to be transformed into a world-class innovation precinct. Notably, AA REIT's two business parks, Optus Centre and Woolworths HQ in Sydney, Australia, are on triple-net leases with long lease terms of about 10 years and 9 years[4] respectively.

4
SUSTAINABLE DEVELOPMENT AND CLIMATE CHANGE

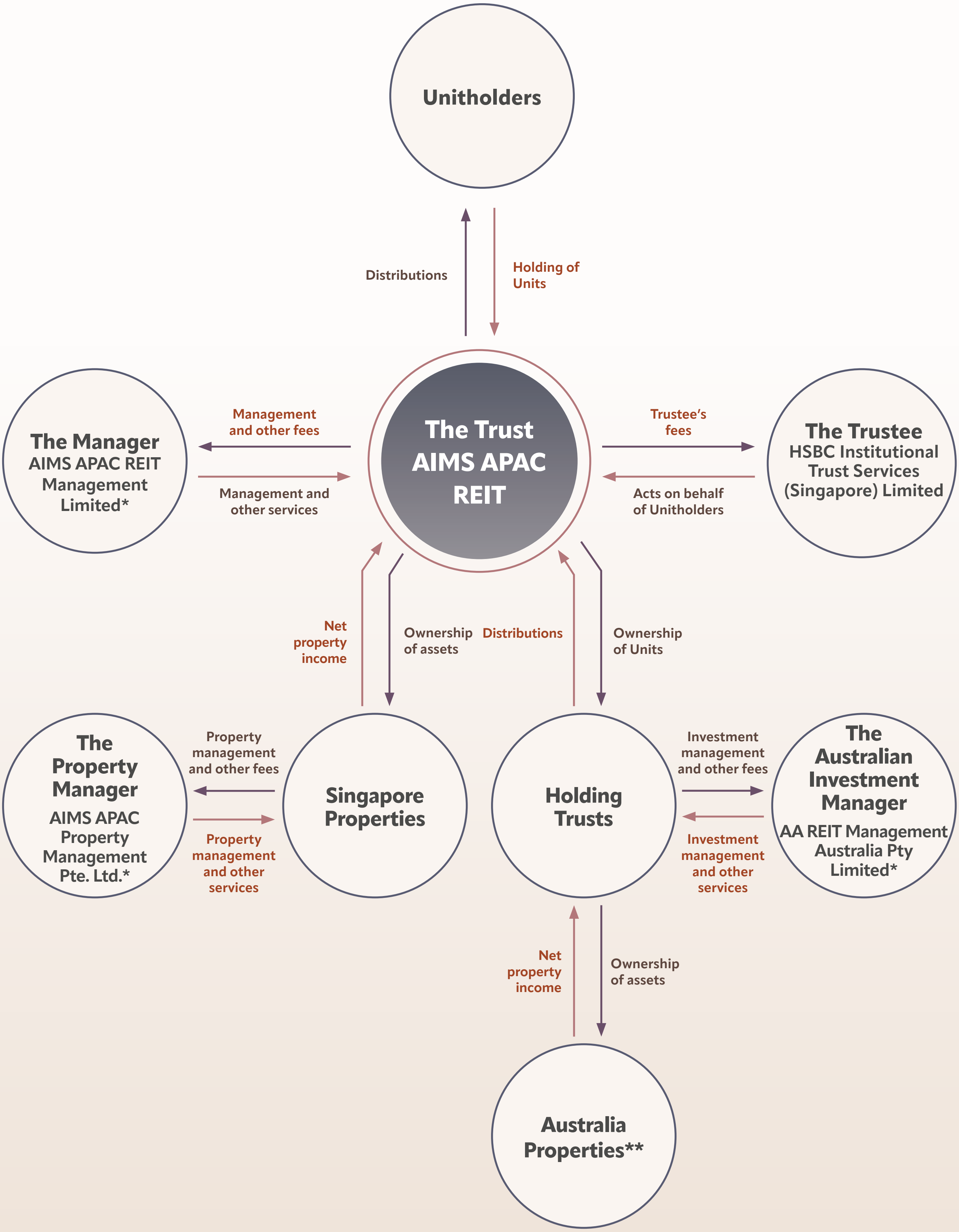
With increasing awareness of the environmental impact of real estate, landlords are expected to do more to reduce their carbon footprint and future-proof their assets to cater to "green-conscious" demand. As countries attempt to fight climate change, the implementation of carbon pricing may become more prevalent which may lead to higher energy costs for real estate owners.

AA REIT's Response:

AA REIT is constantly looking at ways to reduce its carbon footprint. As a start, AA REIT has committed to reduce its scope 2 carbon emissions from its portfolio by 42% by FY2030 (from FY2020 baseline). Going forward, AA REIT will seek to enhance the sustainability credentials of its portfolio and will incorporate environmental, social and governance considerations into its investment process.

[3] By FY2023 Gross Rental Income.
[4] As at 31 March 2023.

TRUST STRUCTURE



* Indirectly owned by AIMS Financial Group.

** The Australian properties are Woolworths HQ, Optus Centre and Boardriders Asia Pacific HQ. Optus Centre is held through a joint venture and the joint venture partners have certain pre-emptive rights that may be triggered if there are changes in the trust ownership structure.

BOARD OF DIRECTORS

GEORGE WANG, 61

Designation: Chairman, Non-Executive Non-Independent Director
Date of first appointment: 7 August 2009
Length of service as Director (as at 31 March 2023): 13.7 years

Board committee(s) served on:

- Nominating and Remuneration Committee

Description:

Mr George Wang is the founding Executive Chairman of AIMS Financial Group. Established in 1991, AIMS Financial Group is a diversified financial services and investment group, active in the areas of mortgage lending, securitisation, investment banking, funds management, property investment, venture capital and high-tech investment. AIMS Financial Group also owns the Sydney Stock Exchange ("SSX").

Mr Wang is a patron of the Taronga Foundation which is affiliated with the Taronga Zoo based in Sydney, Australia which operates wildlife conservation programs.

Academic & Professional Qualifications:

- Bachelor of Environmental Engineering, Donghua University, China
- Introduction to Securitisation, Securities Institute of Australia
- Advanced Securitisation, Securities Institute of Australia
- Tier 1 RG146 Generic Knowledge, Kaplan Professional
- Tier 1 RG146 Derivatives – General Advice, Kaplan Professional
- Tier 1 RG146 Securities – General Advice, Kaplan Professional
- MFAA (Mortgage & Finance Industry Association of Australia) - Full Member

Present Directorships/Major Appointments in Listed Companies/REITs/Trusts/Others:

- AIMS Property Securities Fund (ASX: APW; SGX-ST: BVP)
- Founding Executive Chairman of AIMS Financial Group
- Executive Director of Sydney Stock Exchange
- Director of AIMS Home Loans
- Director of AIMS Securitisation Pty Ltd
- Director of APP Securities Pty Ltd
- Director of AIMS Fund Management Limited
- Director of AIMS Real Estate Funds Limited
- Director of AIMS Investment Managers Limited
- Director of AIMS Capital Pty Ltd
- Director of SSX Private Markets Pty Ltd
- Director of AIMS APAC Property Management Pte. Ltd.

Present Directorships in Listed Companies held over the preceding 3 years:

- AIMS Property Securities Fund (ASX: APW; SGX-ST: BVP) (from August 2009 to current)

Past Major Appointments (other than Directorships):

- Chairman of MacarthurCook Limited (was listed on ASX and privatised by AIMS Group)

BOARD OF DIRECTORS

CHIA NAM TOON, 62

Designation: Non-Executive Lead Independent Director
Date of first appointment: 8 February 2023
- Non-Executive Independent Director on 8 February 2023
- Non-Executive Lead Independent Director on 25 April 2023

Length of service as Director (as at 31 March 2023): less than 1 year

Board committee(s) served on:
- Audit, Risk and Compliance Committee
- Nominating and Remuneration Committee

Description:

Mr Chia Nam Toon has more than 30 years of commercial and financial experience with approximately 15 years in senior management roles within the real estate industry. He was the Chief Executive Officer of the Manager of Ascendas REIT, one of the largest Singapore listed REITs, and held several senior roles within the Group, including Group Chief Financial Officer and Group Assistant Chief Executive Officer. He last served as the Assistant Group Chief Executive Officer of ARA Asset Management Ltd where he was responsible for the business and operations of ARA's REIT Division.

Academic & Professional Qualifications:
- Fellow Member of the Association of Chartered Certified Accountants
- Member with the Institute of Singapore Chartered Accountants

Present Directorships/Major Appointments in Listed Companies/REITs/Trusts/Others:
- Member of the exchange advisory committee & appeals committee of SDAX (digital investment exchange)

Present Directorships in Listed Companies held over the preceding 3 years:
- Non-Executive Director of ARA LOGOS Logistics Trust Management Limited, REIT Manager for ARA LOGOS Logistics Trust

Past Major Appointments (other than Directorships):
- Assistant Group Chief Executive Officer of ARA Asset Management Ltd
- Chief Executive Officer of Ascendas REIT
- Chief Financial Officer of Ascendas-Singbridge

CHONG TECK SIN, 68

Designation: Non-Executive Independent Director, Chairperson of Audit, Risk and Compliance Committee
Date of first appointment:
- Non-Executive Independent Director on 1 October 2018
- Chairperson of the Audit, Risk and Compliance Committee on 29 March 2019

Length of service as Director (as at 31 March 2023): 4.5 years

Board committee(s) served on:
- Audit, Risk and Compliance Committee

Description:

Mr Chong Teck Sin has extensive years of experience in technology, business, finance and general management. From 1986 to 2004, Mr Chong served in various directorial and management positions with Seksun Corporation Ltd (subsequently known as Enporis Greenz Limited), Glaxo Wellcome Asia Pacific, China-Singapore Suzhou Industrial Park Development Co., Ltd, Standard Chartered Bank and the Economic Development Board. He was a board member of the Accounting and Corporate Regulatory Authority ("ACRA") from 2004 to 2010 and ACRA's Investment Committee Chairman from 2008 to 2010. Mr Chong was also a board member of The National Kidney Foundation from 2008 to 2010.

Mr Chong has over 24 years of experience as an independent director of various companies listed on the Singapore, Hong Kong and Australia stock exchanges. He is currently an Independent Director and Audit Committee Chairman of Civmec Limited and InnoTek Limited. He is also an Independent Director of Changan Minsheng APLL Logistics Co., Ltd, a leading automobile logistics firm in China which is listed on the mainboard of the Hong Kong Stock Exchange. He was an Independent Director and Audit Committee Chairman of Accordia Golf Trust Management Pte. Ltd. from 2014 to 2021, AVIC International Maritime Holdings Limited from 2011 to 2017.

Academic & Professional Qualifications:
- Bachelor of Engineering from the University of Tokyo, Japan, on a PSC/Monbusho Scholarship
- Master of Business Administration from the National University of Singapore

Present Directorships/Major Appointments in Listed Companies/REITs/Trusts/Others:
- Independent Director and Audit Committee Chairman of Civmec Limited and InnoTek Limited
- Independent Director of Changan Minsheng APLL Logistics Co., Ltd

Present Directorships in Listed Companies held over the preceding 3 years:
- Nil

Past Major Appointments (other than Directorships):
- Nil

BOARD OF DIRECTORS

VIVIENNE ZHAOHUI YU, 52

Designation: Non-Executive Independent Director, Chairperson of Nominating and Remuneration Committee
Date of first appointment: 1 February 2023
- Non-Executive Independent Director on 1 February 2023
- Chairperson of Nominating and Remuneration Committee on 25 April 2023

Length of service as Director (as at 31 March 2023): less than 1 year

Board committee(s) served on:
- Audit, Risk and Compliance Committee
- Nominating and Remuneration Committee

Description:

Ms Vivienne Zhaohui Yu has more than 20 years of leadership and senior management experience within the banking and financial sector in Australia and Asia, spanning across investment management, treasury management, mergers and acquisition and real estate finance.

Ms Yu was the China Chief Executive Officer and Executive General Manager of Commonwealth Bank of Australia ("CBA"). Prior to that, Ms Yu held various senior positions at CBA including Chief Executive Retail and Business Banking, International Financial Services. Ms Yu is currently a Non-Executive Director in various organisations in Australia, including National Foundation for Australian Women and Bridge Housing Limited. She is also the Vice President of Australia China Business Council New South Wales.

Ms Yu holds a Master of Business Administration from Australian Graduate School of Management and a Master of Real Estate from University of New South Wales. She is a fellow member of CPA Australia and a Graduate Member of the Australian Institute of Company Directors.

Academic & Professional Qualifications:
- Master of Business Administration from Australian Graduate School of Management
- Master of Real Estate from University of New South Wales
- Fellow member of CPA Australia
- Graduate Member of the Australian Institute of Company Directors

Present Directorships/Major Appointments in Listed Companies/REITs/Trusts/Others:
- Bridge Housing Limited
- National Foundation for Australian Women
- Vice President of Australia China Business Council New South Wales

Present Directorships in Listed Companies held over the preceding 3 years:
- Nil

Past Major Appointments (other than Directorships):
- Nil

PETER MICHAEL HENG, 63

Designation: Non-Executive Independent Director
Date of first appointment: 31 March 2017
Length of service as Director (as at 31 March 2023): 6 years

Board committee(s) served on:

- Audit, Risk and Compliance Committee
- Nominating and Remuneration Committee

Description:

Mr Peter Michael Heng has over 30 years of investment management experience. Before this appointment, Mr Heng held the position of Senior Vice President and Chief Investment Officer at NTUC Income Co-operative from 2009 until his retirement in 2015. Prior to that, Mr Heng served as the Chief Investment Officer of Manulife Asset Management (Singapore) Pte. Ltd. and Straits Lion Asset Management Ltd.

Academic & Professional Qualifications:

- Bachelor of Science (Economics) degree from the London School of Economics and Political Science

Present Directorships/Major Appointments in Listed Companies/REITs/Trusts/Others:

- Nil

Present Directorships in Listed Companies held over the preceding 3 years:

- Nil

Past Major Appointments (other than Directships):

- Nil

REIT MANAGER TEAM

RUSSELL NG

Chief Executive Officer

Mr Russell Ng joined the Manager in September 2020 and was appointed Chief Executive Officer in November 2021.

Mr Ng works with the Board and Management Team to determine the strategic direction, investment strategy and overall business of AA REIT. He is responsible for the day-to-day management and execution of the REIT's business plan.

Mr Ng has over 19 years of experience in real estate investments, asset management and corporate finance in the Asia Pacific region. Prior to joining the Manager, he held senior fund management and investment roles with a global real estate developer, private equity real estate funds and listed REITs.

Mr Ng holds a Master of Business Administration from Imperial College Business School, London and a Bachelor of Applied Finance and Bachelor of Commerce (Accounting) from Macquarie University, Australia.

LIM JOO LEE

Chief Financial Officer and Company Secretary

Ms Lim Joo Lee joined the Manager in October 2021 following various stints in Singapore, the United Kingdom and China with a Big Four accounting firm and a Singapore-listed REIT. Ms Lim has over 22 years of experience in financial and management reporting, auditing, as well as various finance-related work including treasury and capital management.

Ms Lim heads the Finance team and assists the Chief Executive Officer on finance, taxation, treasury and capital management as well as corporate secretarial matters of AA REIT.

Ms Lim holds a Bachelor of Science with First Class Honours in Applied Accounting from the Oxford Brookes University. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants and is a Fellow Member of the Association of Chartered Certified Accountants.

RAYNARD EZRA WELIKANDE

Manager, Portfolio Management

Mr Raynard Ezra Welikande joined the Manager in October 2022 and has over 15 years of investment and asset management experience, of which 10 years has been in the real estate industry.

As Manager, Portfolio Management, Mr Welikande is responsible for developing and executing strategies to optimise returns of AA REIT's portfolio. Prior to joining the Manager, Mr Welikande was previously at Storefriendly where he headed the Investment and Asset management department and managed a portfolio of self-storage assets.

Mr Welikande holds a Bachelor of Economics from Singapore Management University and a Master of Science in Risk and Investment Management from EDHEC Business School.

SHERYL SIM

Manager, Investor Relations, Partnerships & Sustainability

Ms Sheryl Sim joined the Manager in July 2022 and has more than nine years of investor relations experience. As Manager, Investor Relations, Partnerships & Sustainability, Ms Sim is responsible for managing AA REIT's investor relations function and supports the capital markets activities of AA REIT. She collaborates with the senior management team on AA REIT's sustainability approach and drives the sustainability efforts of AA REIT.

Prior to joining the Manager, Ms Sim assumed the investor relations position for a logistics fund in a private equity firm and was also involved in the investor relations and sustainability function at a Singapore-listed logistics REIT. Ms Sim has also held positions in public and investor relations consultancy firms where she provided strategic media and investor relations counsel to public companies.

Ms Sim holds a Bachelor of Science in Economics from Singapore Management University.

PROPERTY MANAGER

TOH LAY GAN
Executive Director and Head, Asset Management

TAN YOON PENG
Executive Director

SABRINA LIM
Head, Marketing and Assistant Vice President, Asset Management

HENG KHIAM YEONG
Head, Development and Facility Management

PROPERTY MANAGER

AIMS APAC Property Management Pte. Ltd. ("AAPM") is the Property Manager of AA REIT. Comprising an experienced and dedicated team of professionals, AAPM oversees the day-to-day operational matters of AA REIT's portfolio of properties in Singapore. AAPM's services include asset management, marketing and leasing, and development and facility management.

ASSET MANAGEMENT

The asset management team is responsible for the operational performance of AA REIT's portfolio of Singapore properties, including identification and execution of strategies to enhance property returns and performance.

MARKETING AND LEASING

The marketing and leasing team is responsible for the marketing and leasing of AA REIT's portfolio of Singapore properties and actively prospects for new and suitable tenants. They maintain a strong network of customer and agent relationships and are actively involved in lease negotiations.

DEVELOPMENT AND FACILITY MANAGEMENT

The development and facility management team provides onsite services for our tenants to ensure optimal functionality, comfort, safety, efficient and compliant built environment. The team also oversees the execution of all development and asset enhancement initiatives under AA REIT and works closely with the REIT Manager and tenants to provide fit-for-purpose and sustainable properties.

CORPORATE DIRECTORY

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited
10 Marina Boulevard
#48-01 Marina Bay Financial Centre Tower 2
Singapore 018983
Telephone: (65) 6658 6667

AUDITOR

KPMG LLP
(Public Accountants and
Chartered Accountants, Singapore)
12 Marina View
#15-01 Asia Square Tower 2
Singapore 018961
Telephone: (65) 6213 3388
Fax: (65) 6225 0984

Partner in charge: Ms Sarina Lee
(With effect from financial year ended 31 March 2020)

UNIT REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632
Telephone: (65) 6536 5355
Fax: (65) 6438 8710

THE MANAGER

AIMS APAC REIT Management Limited
Company Registration No. 200615904N

REGISTERED ADDRESS

1 Raffles Place
#39-03 One Raffles Place
Singapore 048616
Telephone: (65) 6309 1050
Fax: (65) 6534 3942
Email: investorrelations@aimsapac.com
Website: www.aimsapacreit.com

BOARD OF DIRECTORS

Mr George Wang (Chairman)
Mr Chia Nam Toon (Lead Independent Director)
Mr Chong Teck Sin
Ms Vivienne Zhaohui Yu
Mr Peter Michael Heng

AUDIT, RISK AND COMPLIANCE COMMITTEE

Mr Chong Teck Sin (Chairperson)
Mr Chia Nam Toon
Ms Vivienne Zhaohui Yu
Mr Peter Michael Heng

NOMINATING AND REMUNERATION COMMITTEE

Ms Vivienne Zhaohui Yu (Chairperson)
Mr George Wang
Mr Chia Nam Toon
Mr Peter Michael Heng

COMPANY SECRETARY OF THE MANAGER

Ms Lim Joo Lee

STOCK CODE

SGX: O5RU

COUNTER NAME

AIMS APAC Reit

FOUNDATION FOR **GROWTH**

Proven Management
Execution Sets
Stage for Growth

Adopting a prudent approach to capital management and through proactive asset management, we have laid the foundation for sustainable growth. With a healthy balance sheet, AA REIT remains focused on driving various organic growth initiatives and disciplined investments with a view to deliver long-term income resilience.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Statement of total return and distribution	FY2023 S$'000	FY2022 S$'000	Change %
Gross revenue	167,382	142,390	17.6
Property operating expenses	(44,872)	(39,205)	14.5
Net property income	122,510	103,185	18.7
Net foreign exchange loss	(663)	(86)	>100.0
Interest income	291	719	(59.5)
Borrowing costs	(33,309)	(22,828)	45.9
Manager's management fees	(11,333)	(10,012)	13.2
Manager's performance fees	(4,476)	(4,619)	(3.1)
Other trust expenses	(6,440)	(4,595)	40.2
Non-property expenses	(55,558)	(42,054)	32.1
Net income before joint venture's profits	66,580	61,764	7.8
Share of profits of joint venture (net of tax)	16,039	48,140	(66.7)
Net income	82,619	109,904	(24.8)
Net change in fair value of investment properties	25,225	(5,828)	>(100.0)
Net change in fair value of derivative financial instruments	4,270	8,219	(48.0)
Total return before income tax	112,114	112,295	(0.2)
Income tax credit/(expense)	1,747	(8,187)	>(100.0)
Total return after income tax	113,861	104,108	9.4
Attributable to:			
Unitholders	93,361	89,241	4.6
Perpetual Securities holders	20,500	14,867	37.9
	113,861	104,108	9.4
Distributions to Unitholders	71,623	67,247	6.5
Distribution per Unit ("DPU") (Singapore cents)	9.944	9.460	5.1

GROSS REVENUE AND NET PROPERTY INCOME

Gross revenue for FY2023 of S$167.4 million was S$25.0 million higher as compared to FY2022. The increase in gross revenue was largely due to full year revenue contribution from the acquisition of Woolworths HQ in November 2021, and higher rental and recoveries from AA REIT's logistics and warehouse, hi-tech and industrial properties such as the properties at 20 Gul Way, 29 Woodlands Industrial Park E1, 15 Tai Seng Drive and 8 & 10 Pandan Crescent.

Property operating expenses for FY2023 of S$44.9 million was S$5.7 million higher as compared to FY2022 mainly due to higher electricity expenses.

Net property income for FY2023 of S$122.5 million was S$19.3 million higher than FY2022 mainly due to higher gross revenue.

BORROWING COSTS

Borrowing costs for FY2023 of S$33.3 million was S$10.5 million higher compared to FY2022 mainly due to full year interest expense in FY2023 from the borrowings drawn for the acquisition of Woolworths HQ and higher floating interest rates.

MANAGER'S MANAGEMENT FEES AND PERFORMANCE FEES

The Manager's management fees for FY2023 of S$11.3 million was S$1.3 million higher compared to FY2022. The increase was mainly due to the full year impact of higher Deposited Property value from the acquisition of Woolworths HQ in November 2021 and the higher valuation of Optus Centre.

Performance fee is computed at 0.2% per annum of the Deposited Property value, provided that the annual growth in distribution per unit ("DPU") in a given financial year exceeded 5.0%. Based on AA REIT's FY2023 performance, the Manager received S$4.5 million in performance fee.

OTHER TRUST EXPENSES

Other trust expenses for FY2023 of S$6.4 million was S$1.8 million higher compared to FY2022 mainly due to higher Australian investment management fees as a result of the full year impact of higher Deposited Property value from the acquisition of Woolworths HQ and higher valuation of Optus Centre.

SHARE OF PROFITS OF JOINT VENTURE (NET OF TAX)

The share of profits of joint venture (net of tax) comprised of the contribution from AA REIT's 49.0% interest in Optus Centre. The decrease in the share of profits of joint venture in FY2023 was mainly due to lower share of revaluation gain of S$0.4 million recognised from the revaluation of Optus Centre for FY2023 (FY2022: share of revaluation gain of S$32.3 million).

NET CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net change in fair value of investment properties for FY2023 was largely due to net revaluation gain of the Group's investment properties of S$30.5 million, partially offset by S$5.3 million fair value adjustments of ROU assets included in the Singapore investment properties in accordance with FRS 116 *Leases* ("FRS 116").

The net change in fair value of investment properties for FY2022 was largely due to revaluation loss from the Woolworths HQ of S$26.3 million, mainly arising from transaction cost capitalised and S$5.2 million fair value adjustments of ROU assets included in investment properties in accordance with FRS 116. This was partially offset by the net revaluation gain of the Group's remaining 27 properties of S$25.7 million.

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

NET CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The net change in fair value of derivative financial instruments relates to the revaluation of interest rate swap contracts and foreign currency forward 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.

AMOUNT RESERVED FOR DISTRIBUTION TO PERPETUAL SECURITIES HOLDERS

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.

On 1 September 2021, the Trust issued S$250.0 million Perpetual Securities. The Perpetual Securities confer a right to its holders to receive distribution payments at a rate of 5.375% per annum, with the first distribution rate reset falling on 1 September 2026 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.

Income attributable to Perpetual Securities holders for FY2023 of S$20.5 million was S$5.6 million higher as compared to FY2022 mainly due to the full year impact of S$250.0 million Perpetual Securities that was issued on 1 September 2021.

DISTRIBUTION TO UNITHOLDERS

AA REIT's distribution policy is to distribute at least 90.0% of its Singapore taxable income for the full financial year. For FY2023, AA REIT continued to pay out 100% of the Singapore taxable income available for distribution.

FINANCIAL REVIEW

Distribution to Unitholders for FY2023 of S$71.6 million was S$4.4 million higher as compared to FY2022. The increase in FY2023 was largely due to full year revenue contribution from the acquisition of Woolworths HQ in November 2021, and higher rental and recoveries from AA REIT's logistics and warehouse, hi-tech and industrial properties such as the properties at 20 Gul Way, 29 Woodlands Industrial Park E1, 15 Tai Seng Drive and 8 & 10 Pandan Crescent. This was partially offset by full year impact in the amount reserved for distribution to Perpetual Securities holders, higher borrowing costs and other trust expense.

As at 31 March 2023, total assets stood at S$2,336.4 million, or approximately S$67.3 million lower compared to total assets of S$2,403.7 million as at 31 March 2022. The decrease in total assets was largely due to the translation loss from the Australian properties and investment in a joint venture, as a result of the weakening of Australian dollar ("AUD") against Singapore dollar ("SGD"), partially offset by the revaluation gain from Singapore investment properties and share of revaluation gain recognised from the valuation of Optus Centre.

As at 31 March 2023, total liabilities stood at S$969.0 million, or approximately S$60.9 million lower compared to S$1,029.9 million as at 31 March 2022. The decrease in total liabilities was mainly due to the weakening of AUD against SGD on AUD denominated borrowings.

As a result, the NAV per Unit decreased by 2.1% to S$1.37 from S$1.40 a year ago.

NET ASSET VALUE ("NAV") PER UNIT

	As at 31 March 2023 S$'000	As at 31 March 2022 S$'000
Total assets	2,336,422	2,403,661
Total liabilities	969,027	1,029,919
Perpetual Securities holders' funds	373,546	373,546
Net assets attributable to Unitholders	**993,849**	**1,001,196**
NAV per Unit (S$)	**1.37**	**1.40**

CASH FLOWS

As at 31 March 2023, cash and cash equivalents was S$13.2 million, or approximately S$8.2 million lower compared to cash and cash equivalents of S$21.4 million as at 31 March 2022. The decrease in cash and cash equivalents was largely due to net cash outflow from financing activities arising mainly from interest payments, distributions to Unitholders and distributions to Perpetual Securities holders in FY2023.

Please refer to the consolidated statement of cash flows on pages 161 to 162.

CAPITAL MANAGEMENT

The Manager adopts a prudent and disciplined approach towards capital management to ensure optimal returns for its Unitholders amid the uncertain business and market environment, while also maintaining an efficient capital structure to fund future redevelopments, asset enhancement initiatives ("AEIs") and capture any acquisition growth opportunities.

AA REIT has access to diversified sources of funding, including the equity and debt capital markets as well as maintains strong and healthy banking relationships with its financial institutional partners. The Manager's capital management approach involves prudent hedging strategies to minimise the impact from interest rate and foreign exchange volatilities as well as diversifying sources of funding.

Key Financial Metrics	As at 31 March 2023	As at 31 March 2022
Gross borrowings (S$'million)[1]	796.0	858.9
Total Assets (S$'million)	2,336.4	2,403.7
Leverage ratio[2] (times)	36.1	37.5
Blended cost of debt[3] (%)	3.4	2.7
Interest cover ratio[4] (times)	3.8	5.1
Adjusted Interest cover ratio[4,5] (times)	2.3	2.9
Weighted average term to maturity (years)	3.1	3.3
Fixed rates borrowings as a percentage of total borrowings (%)[6]	71.0	62.2
Financial Flexibility and Liquidity (in S$'million)	**As at 31 March 2023**	**As at 31 March 2022**
Cash and bank balances	13.2	21.4
Undrawn committed facilities	169.1	160.4
Issue capacity under Euro Medium Term Notes Programme	275.0	275.0

1 Total borrowings exclude unamortised loan transaction costs.
2 Aggregate leverage ratio is computed as total borrowings as a percentage of total assets and includes lease liabilities that are entered into in the ordinary course of AA REIT's business on or after 1 April 2019 in accordance to MAS guidelines.
3 Blended cost of debt is computed based on the average interest cost throughout the financial period.
4 Based on the interest coverage ratio definition in the Code on Collective Investment Schemes. The adjusted ICR includes the amount reserved for distribution to Perpetual Securities holders in the interest expense. The ICR and adjusted ICR excluded interest expense on lease liabilities.
5 The Monetary Authority of Singapore ("MAS") allows the aggregate leverage limit for S-REITs to be raised from 45% to 50% if the new minimum adjusted interest coverage ratio of 2.5 times.
6 87.8% of fixed rates borrowings if including forward starting interest rate swaps (31 March 2022: 91.6%).

BORROWINGS

Total gross borrowings[1] as at 31 March 2023 stood at S$796.0 million, or S$62.9 million lower compared to total gross borrowings[1] as at 31 March 2022 of S$858.9 million mainly due to the weakening of AUD against SGD on AUD borrowings.

AA REIT's overall blended debt funding cost of 3.4% for FY2023 was higher than FY2022 of 2.7% mainly due to higher overall cost of funding.

PERPETUAL SECURITIES

As at 31 March 2023, S$375.0 million Perpetual Securities under the S$750.0 million Multicurrency Debt Issuance Programme, had been issued comprising:

(i) S$125.0 million of Perpetual Securities issued on 14 August 2020. The Perpetual Securities will confer a right 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; and
(ii) S$250.0 million of Perpetual Securities issued on 1 September 2021. The Perpetual Securities will confer a right to receive distribution payments at a rate of 5.375% per annum with the first distribution rate reset falling on 1 September 2026 and subsequent resets occurring every five years thereafter.

DEBT HEADROOM

AA REIT's aggregate leverage as at 31 March 2023 was 36.1%, well within the aggregate leverage limit of 45% set by the Monetary Authority of Singapore. There is no material impact to AA REIT's risk profile with debt headroom of approximately S$364.0 million before its aggregate leverage reaches 45%.

AA REIT is well positioned to pursue and undertake acquisitions, developments and AEIs that meet AA REIT's investment criteria and provide long-term sustainable returns.

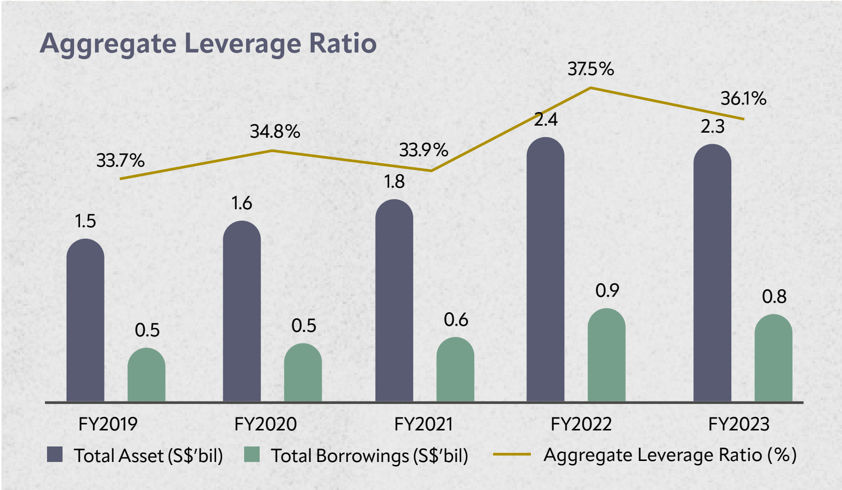
1 Total borrowings exclude unamortised loan transaction costs.

CAPITAL MANAGEMENT

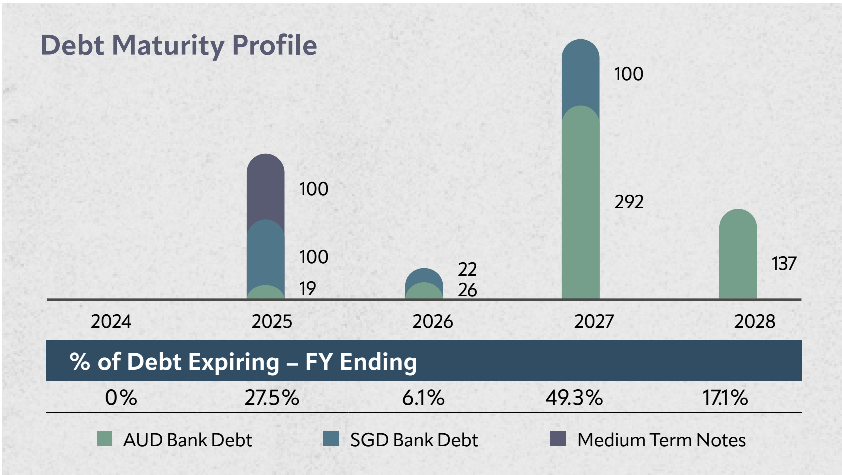
STRONG FINANCIAL FLEXIBILITY

As at 31 March 2023, AA REIT had approximately S$169.1 million of undrawn committed debt facilities and an untapped balance of S$275.0 million from the S$750.0 million Multicurrency Debt Issuance Programme established in November 2018. AA REIT also had 10 unencumbered Singapore properties with a total value of S$433.0 million or 19.7% of its property portfolio of S$2,200.2 million[2] as at 31 March 2023.

This will provide AA REIT with the financial flexibility to manage its capital structure and fund future growth opportunities.



The debt maturity profile of AA REIT as at 31 March 2023 is set out below:



NO REFINANCING RISK AND DEBT MATURITY PROFILE

The Manager proactively refinances debt ahead of their maturities. As at 31 March 2023, there is no refinancing requirement for the next 12 months. AA REIT has a weighted average debt duration of approximately 3.1 years as at 31 March 2023.

PRUDENT HEDGING STRATEGIES

AA REIT is exposed to a variety of market risks, including interest rate and AUD foreign exchange rate risks. Exposure to these risks is managed via derivative financial instruments, with a view to minimise the impact of interest rate and foreign exchange rate volatilities on distribution income.

PROACTIVE MANAGEMENT ON INTEREST RATE RISK

The overall blended debt funding cost for FY2023 was 3.4% per annum, while interest cover ratio interest cover ratio stood at a healthy 3.8 times as at 31 March 2023. AA REIT hedges its exposure to interest rate volatilities through interest rate swaps. With 71% (or 88% including forward starting interest rate swaps) of AA REIT's total debt being hedged into fixed rate, any movement in base interest rates will have minimal impact on interest expense and accordingly, the Distributions to Unitholders.

SENSITIVITY ANALYSIS

A 0.25% movement in the floating rate would have an estimated 0.08 Singapore cents[3] impact on the DPU per annum.

PROACTIVE MANAGEMENT ON FOREIGN EXCHANGE RATE RISK

To manage foreign exchange rate risk, the Manager adopts various strategies that includes the use of currency forward contracts to hedge the foreign currency income received or to be received into SGD and the use of AUD borrowings to match the currency of the underlying AUD investments as a form of natural hedge, where feasible.

As at 31 March 2023, 70% of AUD expected distributable income was hedged into SGD on a four-quarter rolling basis while AUD borrowings forms about 60% of the carrying value of AA REIT's investments in Australia.

The fair value of derivative financial instruments arising from the currency forward contracts and interest rate swaps included in the financial statements as derivative financial assets in total assets were approximately S$13.2 million. There were no material derivative financial liabilities as at 31 March 2023. The net derivative financial assets represents 0.6% of the total assets as at 31 March 2023.

[2] Based on the valuation of the investment properties as well as the 49.0% interest in the valuation of Optus Centre.
[3] Excluding forward starting interest rate swaps.

Key Portfolio Highlights

29
Properties

>200
Diversified Tenants

S$2.2 billion
Portfolio Value

786,508 sqm
Net Lettable Area

98.0%
Portfolio Occupancy

18.5%
Positive Rental Reversions in FY2023

4.4 years
Portfolio Weighted Average Lease Expiry

6.4%
Portfolio NPI Yield

As at 31 March 2023, AA REIT owns a portfolio of 29 high quality properties across the industrial sub-sectors, comprising Logistics and Warehouse; Business Park; General Industrial; Light Industrial; and Hi-Tech in Singapore and Australia. With a total portfolio value of S$2.2 billion, AA REIT's portfolio provides tenants with 786,508 sqm (NLA) of modern space in key locations. Despite the economic headwinds, AA REIT's portfolio delivered a set of steady performance throughout FY2023, with consistently high occupancy rates and robust rental reversions, a strong testament of its high quality assets and the Manager's proactive asset and leasing management.

All information presented in this section relates to AA REIT's portfolio information as at 31 March 2023, and all references to Gross Rental Income ("GRI") refers to gross rental income for the financial year ended 31 March 2023, unless otherwise stated.

PORTFOLIO REVIEW

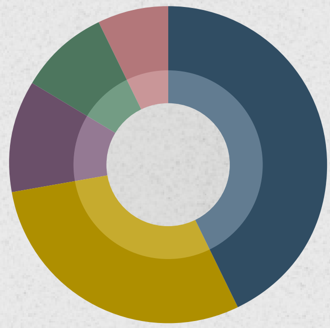
Active Asset Management

As part of the Manager's proactive asset management strategy to optimise AA REIT's portfolio, and to realise the value of assets which have limited redevelopment opportunities, the Manager also announced the proposed divestment of 541 Yishun Industrial Park A in Singapore for S$12.88 million on 24 April 2023 to Cantal United Pte Ltd. The sale consideration is 8.2% above the property's latest valuation of S$11.9 million as at 31 March 2023. The divestment is expected to be completed by the third quarter of 2023, subject to the relevant authority's approval. The net proceeds will be used to improve AA REIT's financial flexibility to pursue higher-yielding acquisitions, asset enhancement initiatives ("AEIs") or redevelopment opportunities.

WELL-DIVERSIFIED PORTFOLIO AND TENANT BASE

AA REIT's portfolio is anchored by its two Australian business parks in New South Wales and a Hi-Tech property in Singapore. These properties have high quality tenants in resilient industries that are on long-term leases of between 7.1 years to 10.3 years remaining with rental escalations. Together, these properties contribute to approximately 33.3% of GRI and provide long-term income stability with rental growth. This is supported by the fast-growing Logistics and Warehouse segment which has registered strong double-digit rental growth and accounts for 42.9% of AA REIT's portfolio by GRI.

GRI by Asset Class

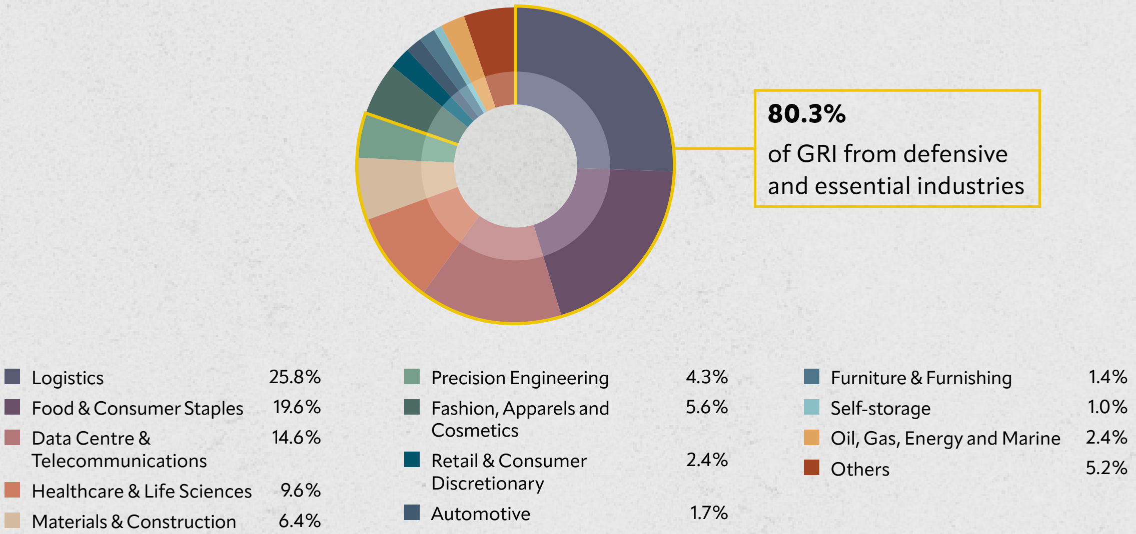


AA REIT's tenant base is well-diversified with over 200 high quality tenants across 17 industries. 80.3% of tenants are operating in defensive and essential industries such as logistics, food & consumer staples, data centre & telecommunications and healthcare & life sciences, underpinning income stability of the portfolio through market cycles. The top ten tenants which accounted for 53.0% of the GRI in FY2023 have a long weighted average lease expiry ("WALE") of 6.9 years. These included leading global, regional, and local companies in their respective sectors such as Woolworths Limited, Australia's largest supermarket retailer; Optus Administration Pty Limited, Australia's second largest telecommunications company and a wholly-owned subsidiary of Singapore Telecommunications Limited; and ResMed Asia Pte. Ltd., a global leader in medical device innovation.

New tenants during the year included Jardine Engineering (Singapore) Pte. Ltd., Mitsubishi Logistics Singapore Pte. Ltd. and LF Logistics Services Pte. Ltd.

	Top 10 Tenants by GRI	Trade Sector	% of Portfolio GRI	WALE (years)
1	Woolworths Limited	Food & Consumer Staples	15.3	8.6
2	Optus Administration Pty Limited	Info-comm & Technology	11.2	10.3
3	Illumina Singapore Pte. Ltd.	Healthcare & Life Sciences	6.8	7.1
4	KWE-Kintetsu World Express (S) Pte Ltd	Logistics & Supply Chain Management	6.1	0.8
5	Beyonics International Pte. Ltd.	Precision Engineering	3.0	5.1
6	Schenker Singapore (Pte) Ltd	Logistics & Supply Chain Management	2.8	1.4
7	ResMed Asia Pte. Ltd.	Healthcare & Life Sciences	2.4	6.9
8	GSM (Operations) Pty Ltd (Boardriders)	Fashion, Apparels and Cosmetics	2.0	8.3
9	DHL Supply Chain Singapore Pte. Ltd.	Logistics & Supply Chain Management	1.7	1.5
10	Racks Central Pte. Ltd.	Data Centre	1.7	7.0
	Total		53.0	6.9

Tenant Trade by GRI



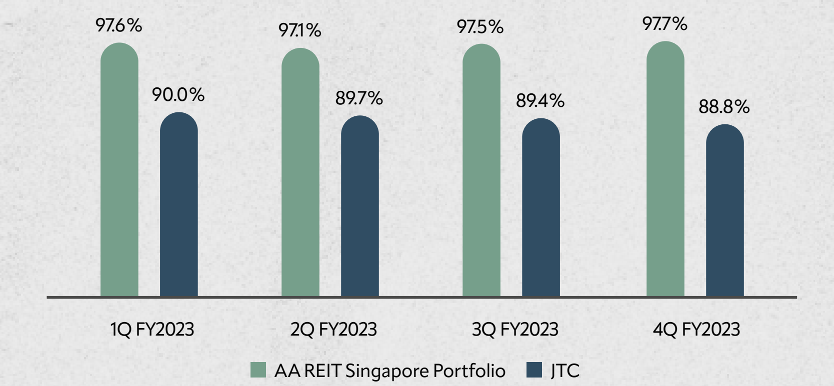
PROACTIVE LEASE MANAGEMENT

The asset management team builds strong customer relationships and is in continuous dialogue with tenants to strive to understand their needs which inform the Manager's decision making. This also enables AA REIT to be prepared to capitalise on growth opportunities brought about by longer-term trends.

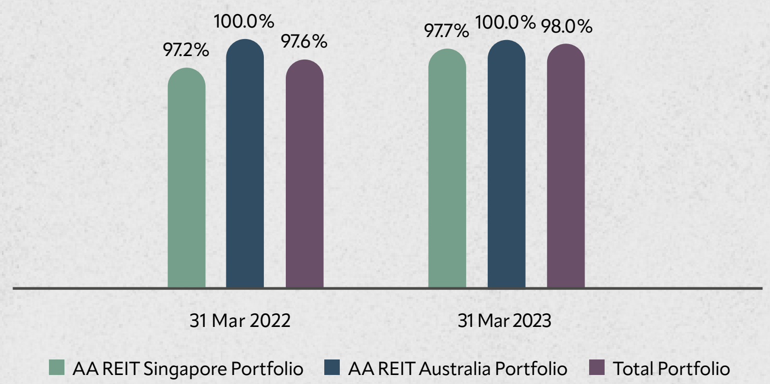
High Occupancy Rate

AA REIT's Singapore portfolio occupancy rate remained consistently high between 97.1% to 97.7% throughout FY2023, and we closed the financial year with a total portfolio occupancy rate of 98.0%. This reflects the Manager's proactive leasing and marketing efforts. The occupancy rates of the Singapore portfolio consistently exceeded Singapore's industrial average levels and improved year on year due to strong demand driven mainly by the Logistics and Warehouse segment. In Australia, occupancy remains at 100% as the three properties are on single-tenant leases with an average remaining lease term of 9.2 years.

Singapore Occupancy vs JTC Industrial Average



Portfolio Occupancy



PORTFOLIO REVIEW

In FY2023, the Manager secured 94 new and renewed leases (representing 156,176 sqm, or approximately 19.9% of AA REIT's total net lettable area). The weighted average lease term of new leases signed in FY2023 was 3.9 years and they accounted for approximately 2.0% of GRI for FY2023. Tenant retention rate remained high at 78.4%. We continue to value the long-term relationships that we have established with our customers and actively work to support them in their evolving business needs amid a volatile market environment. The Manager also reviews opportunities to create space for reletting to capture positive rental reversions amid tight supply.

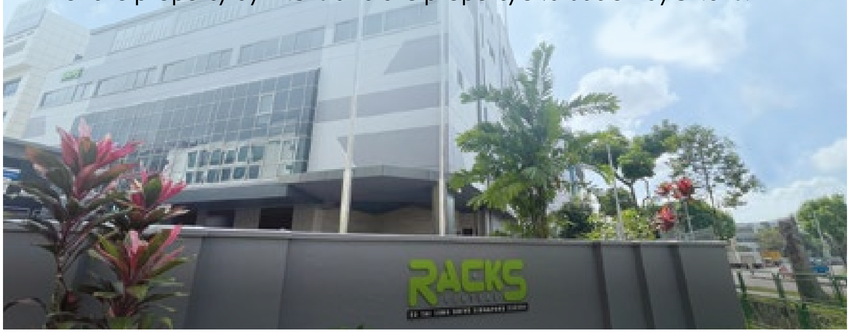
POSITIVE RENTAL REVERSIONS

The weighted average rental reversion for the portfolio in FY2023 was 18.5%. The Logistics and Warehouse segment supported by favourable supply-demand dynamics, registered the strongest reversion trend with an average full year rental reversion of 24.5% for FY2023.

Case Studies

CREATING VALUE THROUGH ACTIVE ASSET ENHANCEMENT AND LEASE MANAGEMENT: 23 TAI SENG DRIVE

The Manager completed an AEI at 23 Tai Seng Drive which involved the upgrading of the building facade with a new vehicular drop-off area, installation of energy-efficient lightings and rejuvenated the ground and basement passenger lift lobbies. Post completion of the AEI, the asset management team worked closely with the existing tenant, Racks Central Pte. Ltd., a data centre operator, to take over the balance space at the property and lease the entire property for around 7 years on a triple-net structure. This increased the total lettable area of the property by 12.3% and the property's valuation by 32.0%.



Rental Reversion for Singapore Assets (%)	FY2023					% of Total NLA Renewed
	1Q	2Q	3Q	4Q	Full Year	
Logistics & Warehouse	16.5	10.3	25.7	41.6	24.5	83.1
Business Park	-2.2	0.7	-6.4	-1.2	-1.5	6.5
General Industrial	8.0	-	22.2	23.0	22.1	5.3
Light Industrial	2.8	6.8	6.7	-	5.9	5.1
Hi-Tech	-	-	-	-	-	-
Overall Portfolio	9.5	6.2	21.1	36.8	18.5	100.0

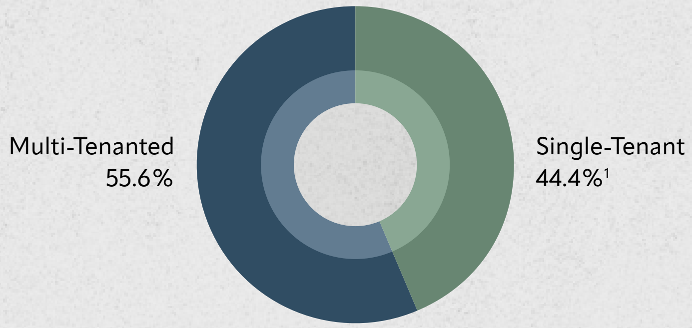
Well-balanced Lease Structure and Profile

AA REIT's portfolio lease structure and profile continue to offer income security alongside earnings growth. 44.4%[1] of AA REIT's portfolio GRI in FY2023 comprised of long-term leases in single-tenant properties, of which 82.7% have built-in rental escalations of 2.0% to 5.0%.

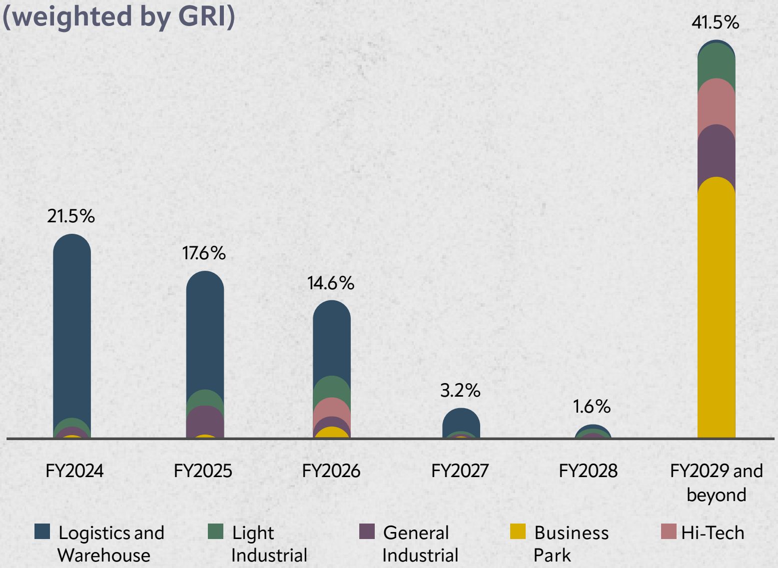
The remaining 55.6% of FY2023 GRI comprised of leases in multi-tenanted properties, of which leases are marked to market upon renewal, allowing AA REIT to reposition the portfolio according to market conditions. In an uptrend rental market, these leases provide potential for growth.

The WALE by GRI for AA REIT's portfolio was 4.4 years, with no more than 22.0% of GRI expiring in any given year. The WALE in Singapore and Australia was 2.5 years and 9.2 years, respectively. In FY2024, approximately 21.5% of AA REIT's GRI is due for renewal, of which 90.6% are in the Logistics and Warehouse segment, which should support further rental growth.

Lease Structure by GRI



Lease Expiry Profile (weighted by GRI)



[1] 23 Tai Seng Drive was converted to a Master Lease property in 2H FY2023.

PORTFOLIO REVIEW

Portfolio Valuation

AA REIT conducts property valuations on a half-yearly basis. As at 31 March 2023, AA REIT's property portfolio was valued at S$2,200.2 million. This comprised of S$1,410.7 million of properties in Singapore and S$789.5 million of properties in Australia, including the 49.0% interest in Optus Centre.

Compared to the independent valuations conducted in September 2022, valuations for the portfolio were largely stable with a small decrease in value of S$13.5 million or 0.6%. This was primarily due to the decrease in value of the Australian dollar relative to the Singapore dollar from 0.93 to 0.89. Total valuation of our properties in Singapore rose by S$28.8 million or 2.1% on the back of strong rental reversions and income growth from the master lease conversion at 23 Tai Seng.

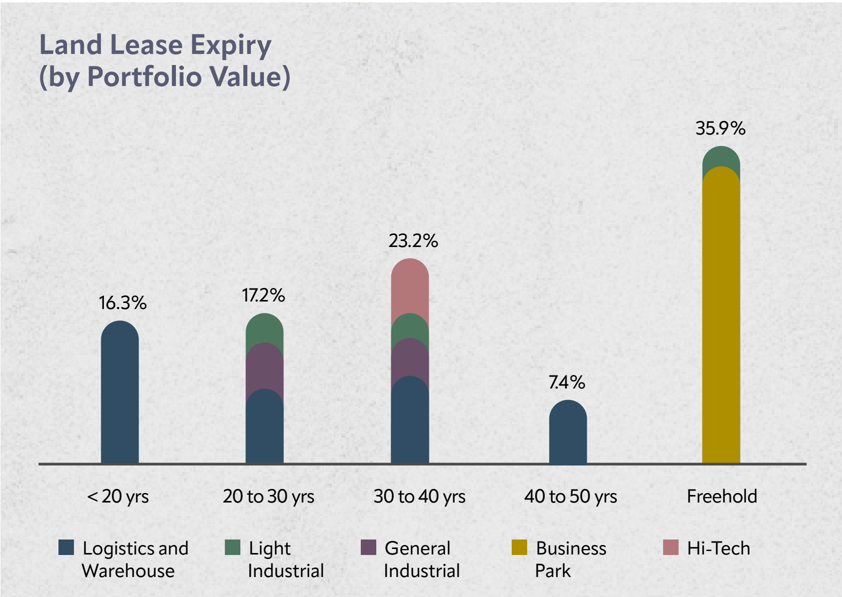
More details of our portfolio can be found in our Property Portfolio section, pages 48 to 57 as well as Financial Statement section, pages 154 to 160.

Valuation	As at 31 Mar 2023 (S$'000)[1]	As at 30 Sep 2022 (S$'000)[2]
Singapore Portfolio		
Logistics & Warehouse	864,000	852,400
Business Park	73,700	75,100
General Industrial	206,500	202,500
Light Industrial	132,500	120,900
Hi-Tech	133,600	131,000
Total Singapore Portfolio	**1,410,700**	**1,381,900**
Australia Portfolio		
Business Park	739,110 (A$828,970)	779,210 (A$837,950)
Light Industrial	50,375 (A$56,500)	52,539 (A$56,500)
Total Australia Portfolio	**789,485 (A$885,470)**	**831,749 (A$894,450)**
Total Portfolio	**2,200,185**	**2,213,649**

1 Based on applicable March 2023 month end exchange rate of A$1 to S$0.8916
2 Based on applicable September 2022 month end exchange rate of A$1 to S$0.9299

Land Lease Expiry

35.9% of AA REIT's portfolio by value are freehold assets and the weighted average land lease expiry of AA REIT's portfolio was 53.9 years, assuming a 99-year leasehold interest for freehold land. Excluding freehold land, the weighted average land lease to expiry of the portfolio would be 28.6 years.



Driving Sustainability Initiatives

Beyond driving operational excellence of our portfolio, the Manager also stepped-up its efforts to contribute to AA REIT's carbon reduction roadmap. In line with AA REIT's new target which is aligned to the Science Based Targets initiative ("SBTi") criteria to reduce its scope 2 carbon emissions from its portfolio by 42% by 2030 (compared to a 2020 baseline), energy conservation projects were initiated in multi-tenanted properties where the Manager had operational control. These include replacement of lifts and chillers with more energy-efficient models. The team also actively engaged tenants through the use of emailers and posters to positively influence them to engage in environmentally-friendly practices. Notably, our maiden installation of solar panels at 30 Tuas West Road, 8 & 10 Pandan Crescent, 20 Gul Way, 27 Penjuru Land, 103 Defu Lane 10 and 8 Tuas Ave 20 is currently underway. Collectively, these solar panels will generate 14,500 MWh of energy per year and are slated for completion by the end of August 2023.

We recognise the importance of getting visibility on Scope 3 emissions from our tenants and are taking the first step to get information on energy usage from our single-tenant properties. We are also progressively requiring the disclosure of such information within the terms of new leases. As we look to future-proof our portfolio and improve its attractiveness, we will seek to enhance the sustainability credentials of our portfolio via future redevelopment and AEIs.

For more information on our sustainability efforts, please refer to pages 86 to 115.

Country Reviews

SINGAPORE

Market Opportunities for the Year Ahead

- The manufacturing sector recorded a record S$17 billion in total Fixed Asset Investment in 2022 which is expected to create over 4,600 jobs over the next five years and potentially increase the demand for high quality industrial space.
- The Singapore government aims to strengthen the stockpiling capabilities for essential items such as food which in turn could lead to an increase in demand for facilities with temperature control capabilities.
- Outlook for private multiple-user factory space remain positive with high occupancy rates of 93%, rental growth of 2.5% in 4Q 2022 and record levels of fixed asset commitments.
- Outlook for the logistics and warehouse segment is positive amid tight supply especially for prime and temperature-controlled facilities. Occupancy is expected to remain above 90% with rents continuing to grow beyond the 7.9% year-on-year growth in 4Q 2022.

Market Risks for the Year Ahead

- Economic growth in Singapore is expected to slow to 0.5% to 2.0% in 2023 compared to 3.6% in 2022 as higher consumer prices and interest rates restrain spending.
- New supply of industrial, logistics and business park assets is expected to come online over the next 2 years which may place pressure on occupancy and rental rates.
- There was a swift increase in the interest rate environment in 2022 in light of inflationary pressures. Should this trend persist, it would place downward pressure on capital values of industrial properties.

For more information on the Singapore industrial market, please refer to pages 58 to 72.

AUSTRALIA

Market Opportunities for the Year Ahead

- As our properties in Australia are on long master-leases, growth opportunities for AA REIT lie in potential acquisition opportunities.
- Macquarie Park is expected to have a large amount of new office supply by the end of 2023. This would exert downward pressure on under performing Business Park assets with short WALEs and may present unique acquisition opportunities.
- The Gold Coast is expected to continue to benefit from strong population growth and high levels of investment in infrastructure. While demand for logistic assets remain high, we may see opportunities to acquire good quality properties through sale and leaseback structures due to the current interest rate environment.

Market Risks for the Year Ahead

- According to the Reserve Bank of Australia's ("RBA") forecast, economic growth in Australia is expected to slow significantly to around 1.25% over 2023 in light of the tight monetary policy from the RBA and as households are wary of rising inflation, falling housing prices and elevated interest rates.

For more information on the Australia industrial market, please refer to pages 73 to 83.

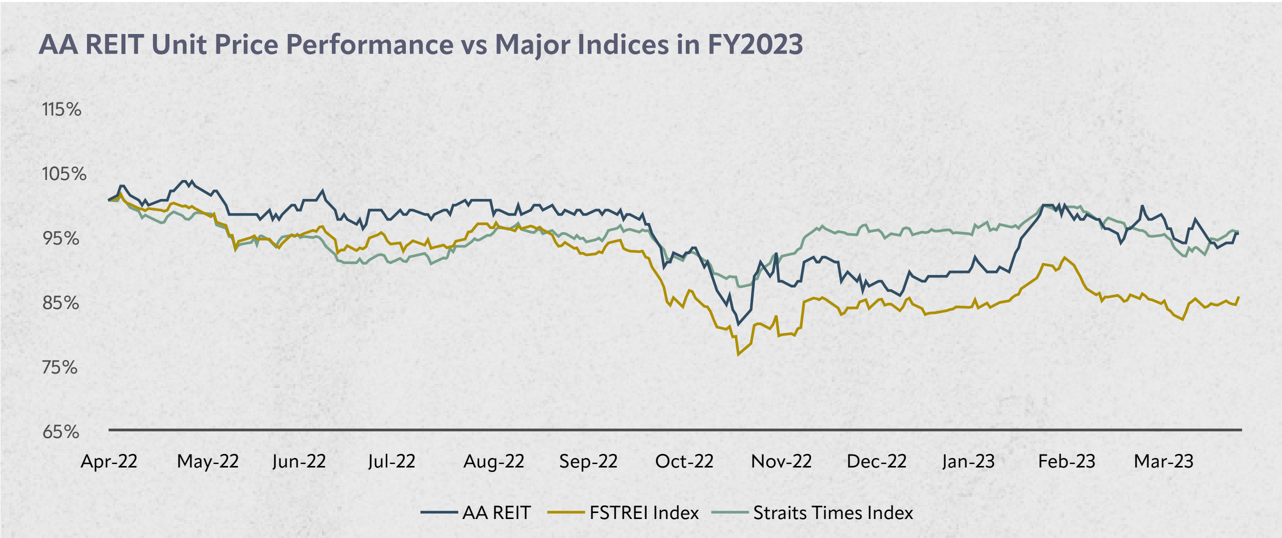
UNIT PRICE PERFORMANCE

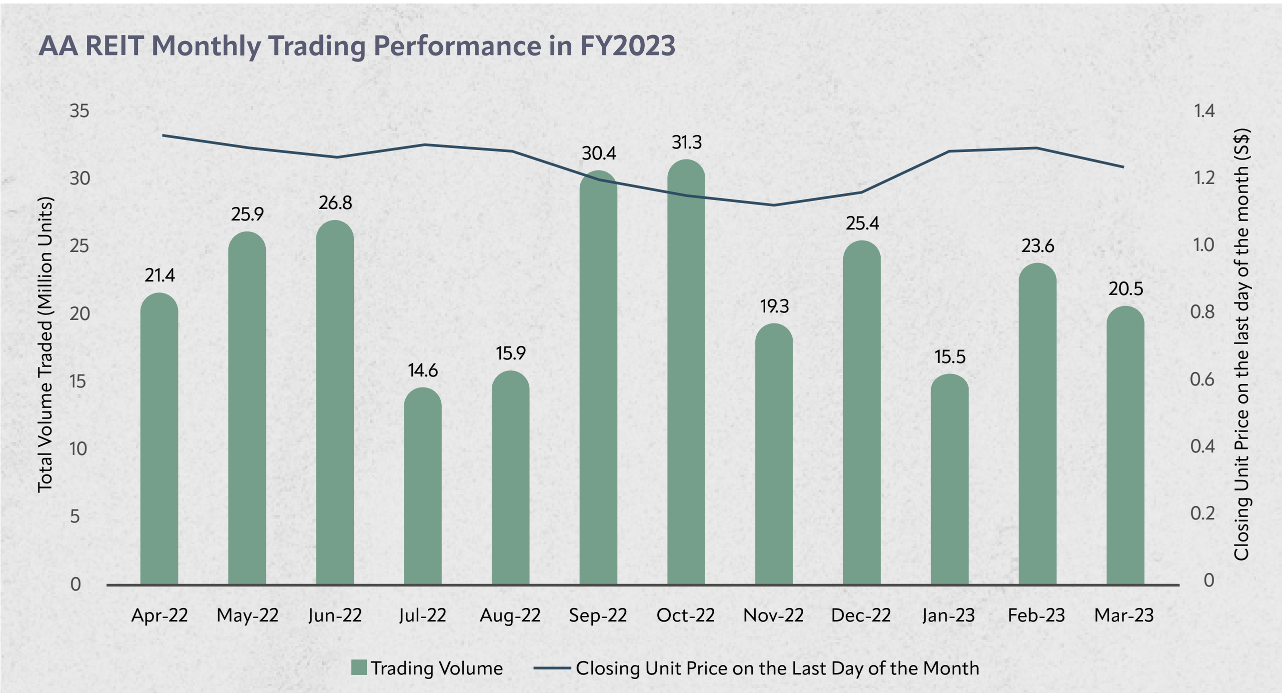
FY2023 was a turbulent year for global equities after rampant inflation, interest rate hikes and the war in Ukraine triggered heavy losses in asset markets. Likewise, it was also a challenging period for the global REITs sector as rising interest rates environment dented the appeal of investing in REITs as yields generated by REITs look less attractive as compared to more stable investments like fixed income.

In Singapore, the FTSE ST REIT Index ("FSTREI") Index lost 8.7%[1], as compared to the Straits Times Index ("STI") which lost 0.4%[1] in FY2023.

AA REIT units opened the financial year with a closing price of S$1.39 on 1 April 2022 and closed the year at S$1.32 on 31 March 2023. Taking into account the distribution payout of 9.944 Singapore cents for FY2023, AA REIT delivered a total return of 2.1%, outperforming both the STI and FSTREI. Total trading volume for FY2023 was 270.6 million units, with the average daily trading volume at 1.1 million units. As at 31 March 2023, AA REIT's market capitalisation was S$950.9 million.

AA REIT is a constituent of several indices. These include the MSCI Singapore Small Cap Index, iEdge S-REIT Index, FTSE ASEAN All-Share Share Index, FTSE EPRA Nareit Global Developed Index, Morningstar Developed Markets REIT, and Vanguard Total International Stock Index Fund ETF.





[1] Based on Bloomberg. Assuming dividends are not reinvested and based on the closing price of the Index as at 31 March 2022 and 31 March 2023.

AA REIT UNIT PRICE PERFORMANCE

	FY2019	FY2020	FY2021	FY2022	FY2023
Opening Price (S$)	1.37	1.43	1.04	1.30	1.39
Closing Price (S$)	1.42	1.04	1.29	1.39	1.32
High (S$)	1.43	1.49	1.33	1.60	1.43
Low (S$)	1.29	0.93	0.99	1.31	1.13
Trading Volume (million units)	168.4	458.1	284.4	477.7	270.6
Average Daily Traded Volume (million units)	0.7	1.8	1.1	1.9	1.1
Market Capitalisation as at 31 March (S$'million)	981.1	734.9	911.6	989.7	950.9

Source: Bloomberg

TOTAL UNITHOLDER RETURN

	1-year From 1 April 2022	3-year From 1 April 2020	5-year From 1 April 2018	10-year From 1 April 2013
Closing unit price on the last trading day prior to the commencement of the period (S$):	1.39	1.04	1.36	1.58
Price Return (%)	-5.0	26.9	-2.9	-12.1
Distribution Yield (%)	7.2	27.3	35.4	66.9
Total Return as at 31 March 2023 (%)	2.1	54.2	32.4	54.9

COMPARATIVE YIELD RETURNS

AA REIT[1] (%)	7.5
FTSE ST REIT Index[2] (%)	5.9
FTSE Straits Times Index[2] (%)	4.7
CPF (Ordinary) Account[3] (%)	2.5
10-year Singapore Government Bond[4] (%)	2.9
Bank Fixed Deposit[5] (%)	2.0

1 Based on AA REIT's closing price of S$1.32 per unit as at 31 March 2023 and DPU of 9.944 Singapore cents for the period from 1 April 2022 to 31 March 2023.
2 Based on Bloomberg.
3 Based on interest paid on Central Provident Fund ("CPF") ordinary account as at 31 March 2023 (Source: CPF Website).
4 Based on 10-year Singapore Government Bond yield published on the Monetary Authority of Singapore ("MAS") website as at 31 March 2023 (Source: MAS Website).
5 Based on 2023 Q1 Deposit Rate of Singapore Dollar Denominated Deposits Offered to Non-Bank Customers (Source: MAS Website).

INVESTOR RELATIONS

The Manager of AA REIT is committed to a high standard of delivering timely, transparent and open communication to all stakeholders, including Unitholders, existing and potential investors, staff, the investment community and the media. The Manager's commitment is underpinned by our Investor Relations Policy which guides the principles and practices of the Manager's investor relations programme to ensure effective communication.

TIMELY AND TRANSPARENT DISCLOSURES

The Manager's dedicated investor relations team runs a proactive investor outreach programme and keeps the Unitholders updated on the latest developments and performance of AA REIT, and makes timely disclosures in accordance with the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Securities and Futures Act (Chapter 289). All pertinent or material information are promptly disclosed via SGXNet and on AA REIT's corporate website at https://www.aimsapacreit.com. This is to ensure that all stakeholders have the essential knowledge to make informed investment decisions. The Manager also updates AA REIT's LinkedIn page, where appropriate, on any key developments. Stakeholders can contact the Investor Relations Department via a dedicated email address and subscribe for email alerts through the website to receive prompt updates on corporate developments.

PROACTIVE INVESTOR ENGAGEMENT

To better understand stakeholders' viewpoints and concerns, the Manager regularly engages the investment community by way of results briefings, investor roadshows and conferences, and one-on-one meetings. In FY2023, the Manager participated in virtual and in-person meetings as well as investor conferences and reached out to institutional investors from various markets including Singapore, Korea, Thailand and Malaysia. As part of its retail outreach programme, the Manager participated in webinars such as Smartkarma Corporate Webinar and SIAS Corporate Connect. Such engagements allow for senior management to provide strategy and performance updates as well as to solicit views and feedback from the investment community.

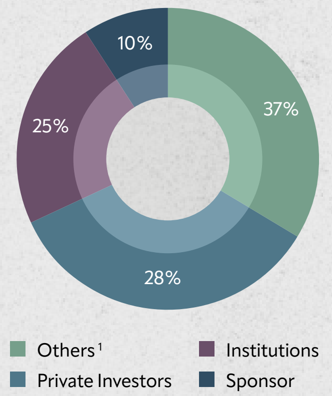
The Manager continues to engage with sell-side research analysts based in Singapore who issue regular reports and updates through virtual briefings as well as in-person meetings. Investors would be able to use such reports to remain up to date on AA REIT's operational progress and financial performance. In November 2022, the Manager also hosted analysts to a site visit of its properties to provide a better understanding of the REIT's business and track record in asset enhancement initiatives and redevelopment projects. AA REIT is currently being covered by three equity research houses in Singapore and the Manager continues to proactively nurture relationships with more research analysts to enhance research coverage.

AA REIT releases its full-and-half-year results announcements as well as business updates for the first and third quarter within 45 days from the end of each quarter. Post-results and business updates briefings are held for analysts and investors to proactively communicate AA REIT's operational progress and financial performance. Despite the transition to half-yearly financial reporting, AA REIT continues to pay distributions to Unitholders on a quarterly basis.

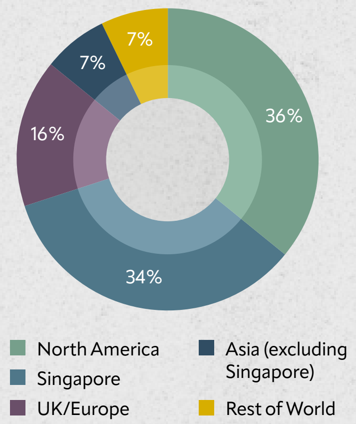
Unitholders of AA REIT are also given the opportunity to communicate their views at annual general meetings ("AGM") and extraordinary general meetings ("EGM"). In July 2022, AA REIT's 13th Annual General Meeting was convened by way of electronic means. Prior to the AGM, Unitholders were invited to submit their questions or appoint the Chairman as proxy to exercise their voting rights. The AGM Notice to Unitholders was published 22 days in advance of the AGM, to give Unitholders more time to register and send in their questions. The Manager's responses to all substantial and relevant questions were addressed and published on SGXNet ahead of the meeting. The minutes of the AGM were also published on SGXNet and made available on AA REIT's website.

A full list of AA REIT's investor relations activities during the financial year is tabled under the FY2023 Investor Relations Calendar on page 47.

Unitholders' Profile
(as at 31 March 2023)



Institutional Holders by Geography
(as at 31 March 2023)



[1] Others refer to corporates and custodians and nominees.

FY2023 INVESTOR RELATIONS CALENDAR

Date	Events	Date
1st Quarter	2H FY2022 post-results briefing for analysts	27 April 2022
	2H FY2022 post-results investor briefing	27 April 2022
2nd Quarter	Annual General Meeting	26 July 2022
	1Q FY2023 post-business updates briefing for analysts	26 July 2022
	Citi-SGX-REITAS REITs & Sponsors Forum 2022	24-25 August 2022
	Phillip Securities Webinar	15 September 2022
3rd Quarter	1H FY2023 post-results briefing for analysts	26 October 2022
	1H FY2023 post-results investor briefing	26 October 2022
	CGS-CIMB Corporate Webinar	31 October 2022
	Site visit to AA REIT's properties for analysts	2 November 2022
	SIAS Corporate Connect	8 November 2022
	DBS-SGX-REITAS-CSOP Bangkok Conference	24 November 2022
4th Quarter	3Q FY2023 post-business updates briefing for analysts	26 January 2023
	3Q FY2023 post-business updates investor briefing	26 January 2023
	RHB Corporate Day: Small Cap Corporate Access	9 February 2023
	Smartkarma Corporate Webinar	28 February 2023
	SGX/SGListCos-NHIS-DBS SREITs Corporate Day in Seoul	14 March 2023

Conducting a site visit at one of AA REIT's properties for analysts

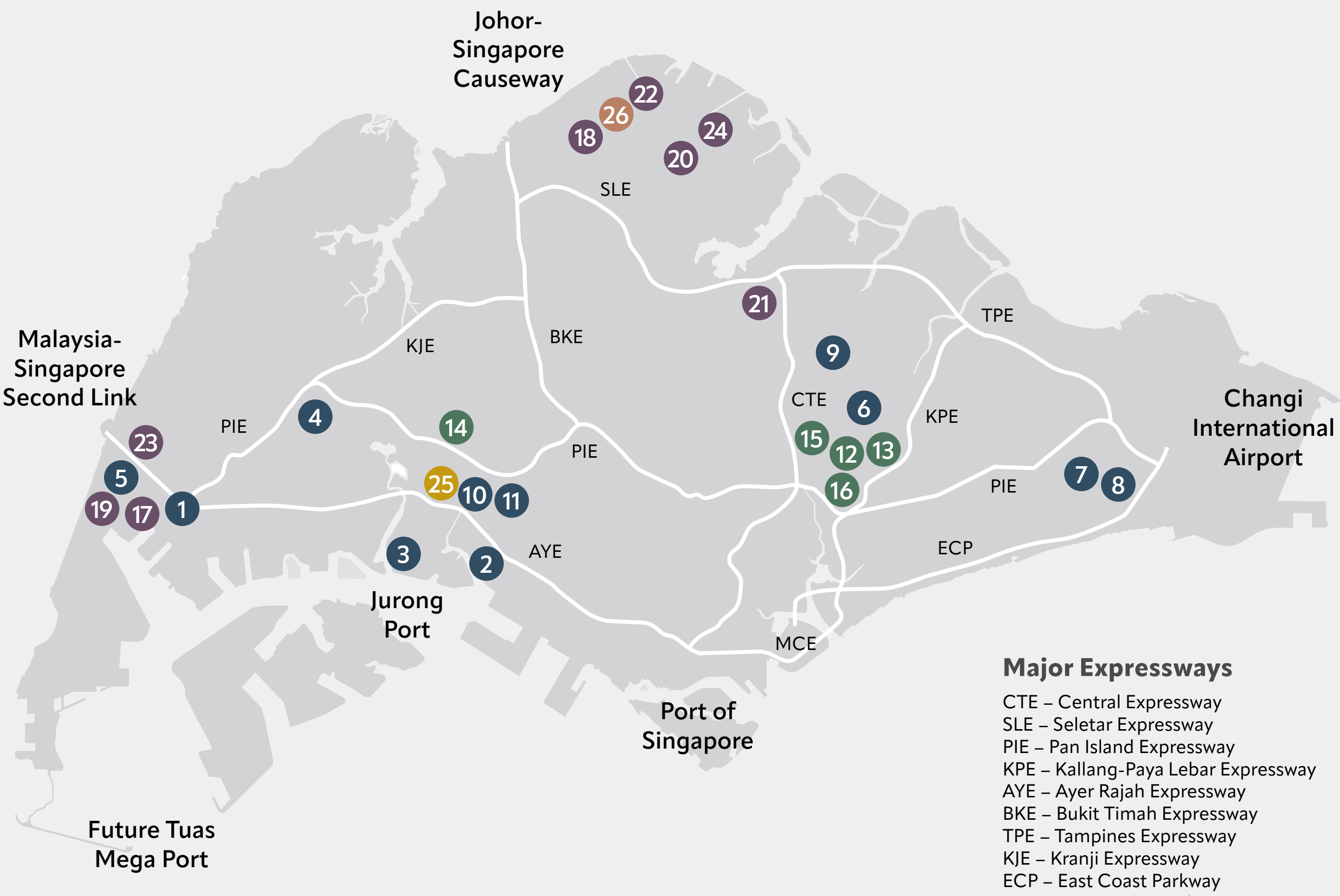
AA REIT's 13th AGM convened by way of electronic means

UNITHOLDERS, INVESTORS AND MEDIA CONTACT

Ms Sheryl Sim
Investor Relations, Partnerships & Sustainability
Telephone: (65) 6309 3638
Email: investorrelations@aimsapac.com

PROPERTY PORTFOLIO

Singapore Property Portfolio
as at 31 March 2023



Major Expressways

CTE – Central Expressway
SLE – Seletar Expressway
PIE – Pan Island Expressway
KPE – Kallang-Paya Lebar Expressway
AYE – Ayer Rajah Expressway
BKE – Bukit Timah Expressway
TPE – Tampines Expressway
KJE – Kranji Expressway
ECP – East Coast Parkway
MCE – Marina Coastal Expressway

QUALITY PORTFOLIO COMPRISING 26 PROPERTIES STRATEGICALLY LOCATED IN SINGAPORE

LOGISTICS & WAREHOUSE

1. 20 Gul Way
2. 8 & 10 Pandan Crescent
3. 27 Penjuru Lane
4. 7 Bulim Street
5. 30 Tuas West Road
6. 103 Defu Lane 10
7. 10 Changi South Lane
8. 11 Changi South Street 3
9. 56 Serangoon North Avenue 4
10. 3 Toh Tuck Link
11. 7 Clementi Loop

LIGHT INDUSTRIAL

12. 23 Tai Seng Drive
13. 15 Tai Seng Drive
14. 1 Bukit Batok Street 22
15. 135 Joo Seng Road
16. 1 Kallang Way 2A

GENERAL INDUSTRIAL

17. 3 Tuas Avenue 2
18. 51 Marsiling Road
19. 8 Tuas Avenue 20
20. 61 Yishun Industrial Park A
21. 2 Ang Mo Kio Street 65
22. 8 Senoko South Road
23. 26 Tuas Avenue 7
24. 541 Yishun Industrial Park A

BUSINESS PARK

25. 1A International Business Park

HI-TECH

26. 29 Woodlands Industrial Park E1

Australia Property Portfolio
as at 31 March 2023

AND THREE FREEHOLD PROPERTIES IN AUSTRALIA

BUSINESS PARK

27 Woolworths HQ,
1 Woolworths Way, Bella Vista,
NSW 2153

28 Optus Centre, 1-5 Lyonpark
Road, Macquarie Park,
NSW 2113

LIGHT INDUSTRIAL

29 Boardriders Asia Pacific HQ,
209-217 Burleigh Connection
Road, Burleigh Waters,
QLD 4220

PROPERTY PORTFOLIO

LOGISTICS & WAREHOUSE

SINGAPORE


1 20 Gul Way


2 8 & 10 Pandan Crescent


3 27 Penjuru Lane


4 7 Bulim Street


5 30 Tuas West Road


6 103 Defu Lane 10


7 10 Changi South Lane


8 11 Changi South Street 3


9 56 Serangoon North Avenue 4


10 3 Toh Tuck Link

11 7 Clementi Loop

	Property	Lease Type	Acquisition Date	Land Lease Expiry	Remaining Term of Land Lease as at 31 Mar 2023 (years)	Purchase Price (S$'million)	Valuation as at 31 Mar 2023 (S$'million)	NLA (sq m)	Gross Rental Income for FY2023 (S$'million)	Occupancy as at 31 Mar 2023 (%)
	Singapore									
1	20 Gul Way	Multi-Tenanted	19 Apr 2007	15 Jan 2041	17.8	39.4	228.7	148,169	22.7	99.9
2	8 & 10 Pandan Crescent	Multi-Tenanted	19 Apr 2007	31 May 2068	45.2	115.0	161.3	65,832	11.2	100.0
3	27 Penjuru Lane	Multi-Tenanted	15 Oct 2010	15 Oct 2049	26.5	161.0	160.9	96,238	12.2	96.7
4	7 Bulim Street	Master Lease	9 Oct 2020	31 Aug 2042	19.4	129.6	130.8	68,190	10.3	100.0
5	30 Tuas West Road	Multi-Tenanted	11 Jan 2010	31 Dec 2055	32.8	17.3	55.9	25,387	3.7	100.0
6	103 Defu Lane 10	Multi-Tenanted	21 Jan 2008	30 Jun 2043	20.2	14.5	33.2	17,605	2.9	100.0
7	10 Changi South Lane	Multi-Tenanted	19 Apr 2007	15 Jun 2056	33.2	33.8	22.4	12,613	2.1	94.8
8	11 Changi South Street 3	Multi-Tenanted	17 Dec 2007	31 Mar 2055	32.0	20.8	21.7	11,791	2.0	90.6
9	56 Serangoon North Ave 4	Multi-Tenanted	11 Jan 2010	15 May 2055	32.1	14.8	19.8	10,088	2.6	100.0
10	3 Toh Tuck Link	Multi-Tenanted	11 Jan 2010	15 Nov 2056	33.6	19.3	18.3	11,518	1.4	83.1
11	7 Clementi Loop	Multi-Tenanted	31 Mar 2008	15 Jun 2053	30.2	18.3	11.4	8,099	0.9	87.4

Occupancy Rate*

98.3%

Total NLA

475,530 SQ M

Gross Rental Income for FY2023
(S$'million)

72.0

Valuation*
(S$'million)

864.4

% of Portfolio by Valuation*

39.3%

* As at 31 March 2023

PROPERTY PORTFOLIO

LIGHT INDUSTRIAL

SINGAPORE

12 23 Tai Seng Drive

13 15 Tai Seng Drive

14 1 Bukit Batok Street 22

15 135 Joo Seng Road

16 1 Kallang Way 2A

AUSTRALIA

29 Boardriders Asia Pacific HQ, 209-217 Burleigh Connection Road, Burleigh Waters, QLD 4220

	Property	Lease Type	Acquisition Date	Land Lease Expiry	Remaining Term of Land Lease as at 31 Mar 2023 (years)	Purchase Price (S$'million)	Valuation as at 31 Mar 2023 (S$'million)	NLA (sq m)	Gross Rental Income for FY2023 (S$'million)	Occupancy as at 31 Mar 2023 (%)
	Singapore									
12	23 Tai Seng Drive	Master Lease[1]	11 Jan 2010	31 Jul 2050	27.3	17.2	38.8	9,493	3.1	100.0
13	15 Tai Seng Drive	Multi-Tenanted	17 Dec 2007	31 Mar 2051	28.0	28.9	34.3	17,886	3.0	98.6
14	1 Bukit Batok Street 22	Multi-Tenanted	19 Apr 2007	30 Jun 2055	32.2	18.0	26.3	13,705	2.5	100.0
15	135 Joo Seng Road	Multi-Tenanted	10 Mar 2008	30 Jun 2054	31.2	25.0	20.8	9,723	2.3	92.6
16	1 Kallang Way 2A	Multi-Tenanted	30 Jan 2008	30 Jun 2055	32.2	14.0	12.3	6,584	1.1	100.0
	Australia									
29	Boardriders Asia Pacific HQ, 209-217 Burleigh Connection Road, Burleigh Waters, QLD 4220	Master Lease	15 Jul 2019	-	Freehold	36.6[2]	50.4[3]	14,833	3.4	100.0

Occupancy Rate*

98.6%

Total NLA

72,224 SQ M

Gross Rental Income for FY2023
(S$'million)

15.4

Valuation*
(S$'million)

182.9

% of Portfolio by Valuation*

8.3%

* As at 31 March 2023

1 23 Tai Seng Drive was converted to a Master Lease property in 2H FY2023.
2 Based on exchange rate of A$1.00 = S$0.9524. The purchase price for the property was A$38.5 million.
3 Based on exchange rate of A$1.00 = S$0.8916. The valuation for the property is A$56.5 million appraised by Knight Frank Valuation & Advisory Queensland as at 31 March 2023.

PROPERTY PORTFOLIO

GENERAL INDUSTRIAL

SINGAPORE


17 3 Tuas Avenue 2

18 51 Marsiling Road


19 8 Tuas Avenue 20


20 61 Yishun Industrial Park A


21 2 Ang Mo Kio Street 65


22 8 Senoko South Road


23 26 Tuas Avenue 7


24 541 Yishun Industrial Park A

	Property	Lease Type	Acquisition Date	Land Lease Expiry	Remaining Term of Land Lease as at 31 Mar 2023 (years)	Purchase Price (S$'million)	Valuation as at 31 Mar 2023 (S$'million)	NLA (sq m)	Gross Rental Income for FY2023 (S$'million)	Occupancy as at 31 Mar 2023 (%)
	Singapore									
17	3 Tuas Avenue 2	Master Lease	19 Apr 2007	15 Mar 2055	32.0	20.8	55.9	24,899	4.0	100.0
18	51 Marsiling Road	Master Lease	16 Nov 2016	31 Jul 2044	21.3	34.9[1]	49.4	21,529	5.0	100.0
19	8 Tuas Avenue 20	Multi-Tenanted	19 Apr 2007	13 Nov 2051	28.6	11.6	27.9	13,359	2.2	100.0
20	61 Yishun Industrial Park A	Multi-Tenanted	21 Jan 2008	31 Aug 2052	29.4	24.6	19.6	11,917	1.8	95.2
21	2 Ang Mo Kio Street 65	Master Lease	19 Apr 2007	31 Mar 2047	24.0	15.2	15.2	6,255	2.8	100.0
22	8 Senoko South Road	Master Lease	19 Apr 2007	31 Oct 2054	31.6	12.8	14.1	7,279	1.2	100.0
23	26 Tuas Avenue 7	Master Lease	19 Apr 2007	31 Dec 2053	30.8	8.3	12.5	5,715	1.1	100.0
24	541 Yishun Industrial Park A	Master Lease	3 Oct 2007	30 Jun 2054	31.2	16.8	11.9	8,771	1.2	100.0

Occupancy Rate*
99.4%

Total NLA
99,724 SQ M

Gross Rental Income for FY2023
(S$'million)
19.3

Valuation*
(S$'million)
206.5

% of Portfolio by Valuation*
9.4%

* As at 31 March 2023

[1] Development cost for 51 Marsiling Road is S$34.9 million, which includes land cost of S$9.7 million.

PROPERTY PORTFOLIO

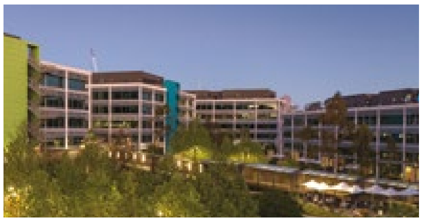
BUSINESS PARK

SINGAPORE

25 1A International Business Park

AUSTRALIA

27 Woolworths HQ, 1 Woolworths Way, Bella Vista, NSW 2153



28 Optus Centre, 1-5 Lyonpark Road, Macquarie Park, NSW 2113

	Property	Lease Type	Acquisition Date	Land Lease Expiry	Remaining Term of Land Lease as at 31 Mar 2023 (years)	Purchase Price (S$'million)	Valuation as at 31 Mar 2023 (S$'million)	NLA (sq m)	Gross Rental Income for FY2023 (S$'million)	Occupancy as at 31 Mar 2023 (%)
	Singapore									
25	1A International Business Park	Multi-Tenanted	30 Nov 2009	31 May 2059	36.2	90.2	73.7	16,157	4.9	63.8
	Australia									
27	Woolworths HQ, 1 Woolworths Way, Bella Vista, NSW 2153	Master Lease	15 Nov 2021	-	Freehold	454.0[1]	410.1[2]	44,972	25.6	100.0
28	Optus Centre, 1-5 Lyonpark Road, Macquarie Park, NSW 2113	Master Lease	7 Feb 2014	-	Freehold	205.3[3]	329.0[4]	41,255[5]	18.6[5]	100.0

Occupancy Rate*
94.3%

Total NLA
102,384 SQ M

Gross Rental Income for FY2023 *(S$'million)*
49.1

Valuation* *(S$'million)*
812.8

% of Portfolio by Valuation*
36.9%

* As at 31 March 2023

1 Based on exchange rate of A$1.00 = S$0.9800. The purchase price for the property was A$463.3 million.
2 Based on exchange rate of A$1.00 = S$0.8916. The valuation for the property is A$460.0 million appraised by Knight Frank NSW Valuations & Advisory Pty Ltd as at 31 March 2023.
3 Based on exchange rate of A$1.00 = S$1.1134. The purchase price for the 49.0% interest in the property was A$184.4 million.
4 Based on exchange rate of A$1.00 = S$0.8916. The valuation for the property is A$753.0 million appraised by Knight Frank NSW Valuations & Advisory Pty Ltd as at 31 March 2023.
5 Reflects 49.0% interest in the property

HI-TECH

SINGAPORE

26 29 Woodlands Industrial Park E1

	Property	Lease Type	Acquisition Date	Land Lease Expiry	Remaining Term of Land Lease as at 31 Mar 2023 (years)	Purchase Price (S$'million)	Valuation as at 31 Mar 2023 (S$'million)	NLA (sq m)	Gross Rental Income for FY2023 (S$'million)	Occupancy as at 31 Mar 2023 (%)
	Singapore									
26	29 Woodlands Industrial Park E1	Multi-Tenanted	21 Feb 2011	8 Jan 2055	31.8	72.00	133.6	36,645	11.6	99.8

Occupancy Rate*

99.8%

Total NLA

36,645 SQ M

Gross Rental Income for FY2023
(S$'million)

11.6

Valuation*
(S$'million)

133.6

% of Portfolio by Valuation*

6.1%

* As at 31 March 2023

SINGAPORE PROPERTY MARKET RESEARCH

1 OVERVIEW OF THE SINGAPORE ECONOMY

1.1 Singapore's economic performance

After an overall GDP expansion of 3.6% for the whole of 2022 as various sectors picked up momentum along with the relaxation of COVID-19 measures, Singapore's economy expanded at a slower pace in the first quarter this year. Based on advance estimates by the Ministry of Trade and Industry ("MTI"), the Singapore economy grew 0.1% year-on-year ("y-o-y") in 1Q 2023, a slowdown from the 2.1% y-o-y growth attained in the previous quarter. The declining growth rates were similarly observed quarter-on-quarter ("q-o-q"), where the Singapore economy contracted 0.7% q-o-q, a reversal from the 0.1% q-o-q expansion in the previous quarter.

The weakening performance of the manufacturing sector continued early this year – it contracted by 6.0% y-o-y in 1Q 2023, worsening from the 2.6% contraction in the previous quarter. The muted performance of the manufacturing sector was largely attributed to the output contractions across almost all manufacturing clusters, other than the transport engineering cluster.

Meanwhile, the growth of both public and private sector construction output supported the performance of the construction sector, resulting in this sector faring better than the manufacturing sector and obtained healthy y-o-y growth rate of 8.5% in 1Q 2023, extending the 10.0% y-o-y growth in the previous quarter. **(Exhibit 1-1)**

1.2 Inflation

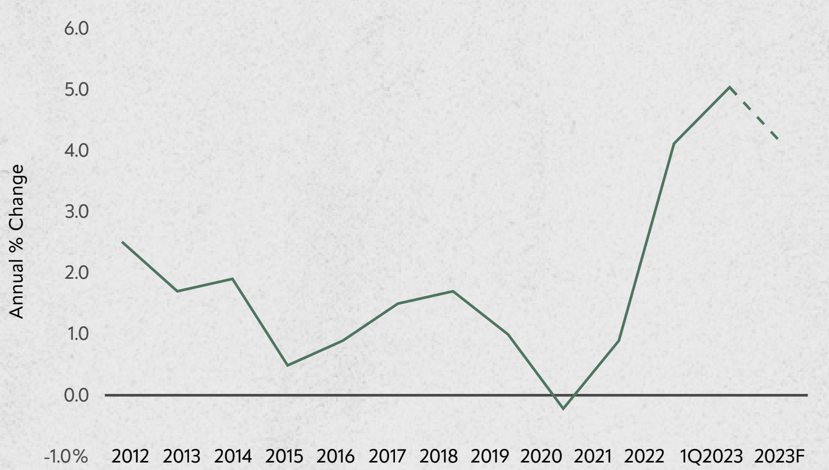
According to the Monetary Authority of Singapore ("MAS"), Singapore's core inflation fell to 5.0% on a y-o-y basis in March 2023, from 5.5% in February – driven by lower inflation for services, food and retail & other goods. The global supply chain disruptions and frictions have eased three years on since the COVID-19 pandemic outbreak, aiding in the declining prices of energy commodities. Asia's overall growth is expected to be resilient, supporting regional inflation which will likely remain elevated.

Due to the potential further escalation of commodity and labour costs amid macro-market uncertainties, businesses are expected to pass on any increases in production costs to consumers in the near term. Accommodation costs are likely to remain high as well, due to the sustained demand for rental housing until more new housing projects are slated to complete in the next 9 to 12 months. **(Exhibit 1-2)**

Exhibit 1-1: Singapore GDP Growth Rate, 2012 to 2023F

Source: MTI, Knight Frank

Exhibit 1-2: Singapore MAS Core Inflation Rate, 2012 to 2023F



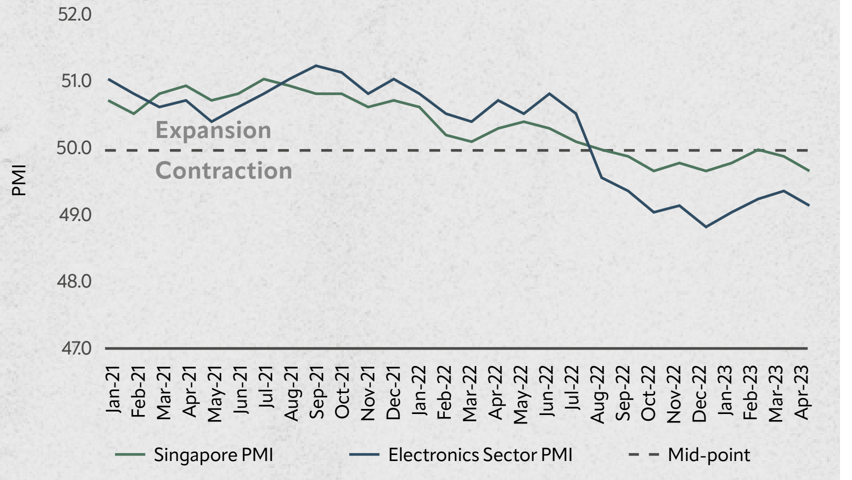
Source: MAS, Singstat, Knight Frank

1.3 Manufacturing Sector

Based on the Singapore Institute of Purchasing and Materials Management ("SIPMM") statistics, notwithstanding the recessionary pressures amid the COVID-19 pandemic, the Purchasing Managers Index ("PMI") registered healthy expansion (PMI > 50) for 26 consecutive months – from July 2020 to August 2022, peaking at 51.0 in July 2021. Since August 2022, PMI readings fell below 50 with five months of continuous contraction before breaking even in February 2023. The April PMI reading dipped 0.2 point from the previous month to post a marginal contraction at 49.7. The latest PMI reading was attributed to a moderation in factory output, a contraction in new orders, a slower contraction in inventories, as well as a faster contraction in new exports. Similarly, the Electronics Sector PMI recorded a decrease of 0.2 point in April 2023 from the previous month to post a faster contraction at 49.2. **(Exhibit 1-3)**

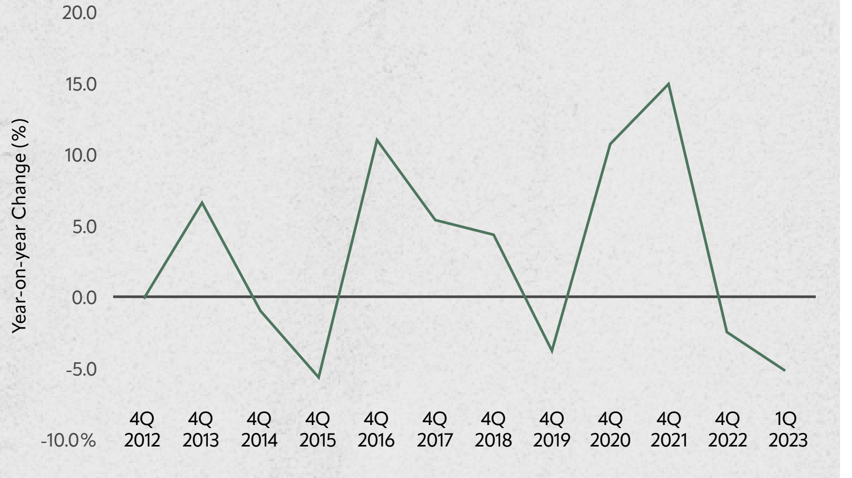
From the Index of Industrial Production, most industry clusters registered declines, with Singapore's industrial production recording a contraction of 2.6% y-o-y in 4Q 2022, moderating from the 16.0% y-o-y growth achieved the previous year. **(Exhibit 1-4)** Lower levels of production were dragged down by the Chemical and Biomedical Manufacturing clusters which declined 10.3% and 9.6% respectively, as well as moderating global demand for semiconductors in the linchpin Electronics cluster. However, there were some silver-linings in the manufacturing sector as the Transport engineering cluster grew 11.4% y-o-y in 4Q 2022, with higher demand for aircraft parts and more maintenance, repair and overhaul ("MRO") jobs from commercial airlines on the back of increased global air traffic. While Singapore's manufacturing gloom may extend into the first half of 2023 as companies experience slowing demand for manufactured goods amidst the continued supply chain challenges and operational cost pressures, there is cautious optimism with the reopening of China – the biggest buyer of chips and petrochemicals globally.

Exhibit 1-3: Purchasing Managers' Index, January 2021 to April 2023



Source: SIPMM, Knight Frank

Exhibit 1-4: Singapore Index of Industrial Production, 4Q 2012 to 1Q 2023



Source: Singstat, Knight Frank

SINGAPORE PROPERTY MARKET RESEARCH

1.4 Fixed Asset Investments

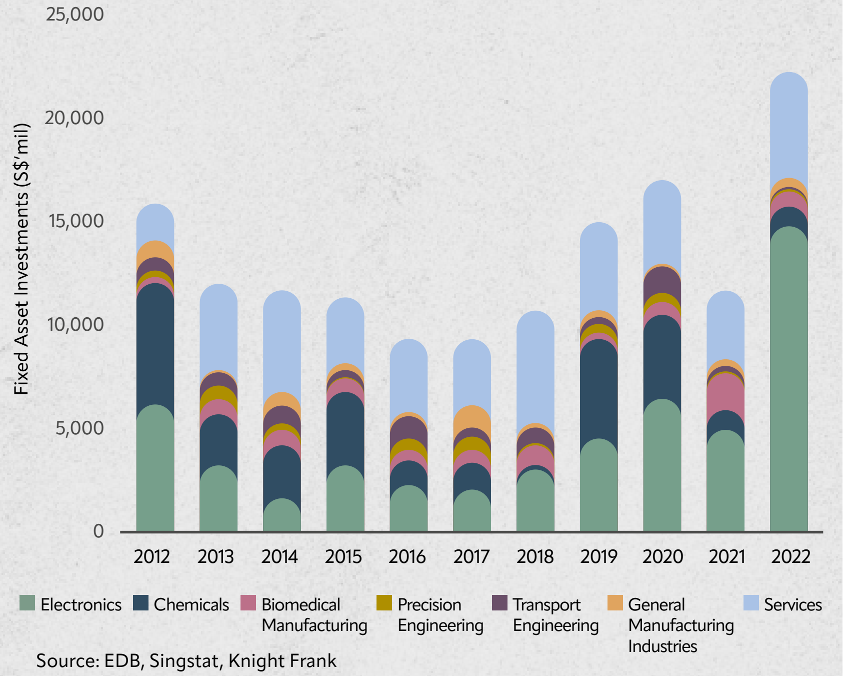
Singapore secured a record high S$22.5 billion in fixed asset investments ("FAI") in 2022, double that of the previous year and way above the Singapore Economic Development Board's ("EDB") medium- to long-term target range of S$8 billion to S$10 billion. This was largely driven by the electronics sector, which accounted for around two-thirds (66.7%) of FAI commitments. **(Exhibit 1-5)** Secured amidst a complex global operating environment, these investments demonstrate Singapore's accolade as a trusted hub for capital, talent, flows of goods and data; and increasing recognition of its growing innovation capabilities. However, a similar level of FAI commitments is not to be expected in 2023 in view of global market and geopolitical uncertainties, increased global competition for investments, elevated interest rates and the sharp slowdown in demand that the semiconductor industry is experiencing.

1.5 Logistics Sector

Against the backdrop of economic uncertainty and inflationary pressures, the total volume of air and sea cargo handled in Singapore declined over the course of 2022. Sea cargo volume was recorded at 577.7 million tonnes **(Exhibit 1-6)**, translating to a 3.7% y-o-y decline from the previous year. Similarly, air cargo handled posted y-o-y decline of 4.8% to 1,853 tonnes in 2022. **(Exhibit 1-7)**

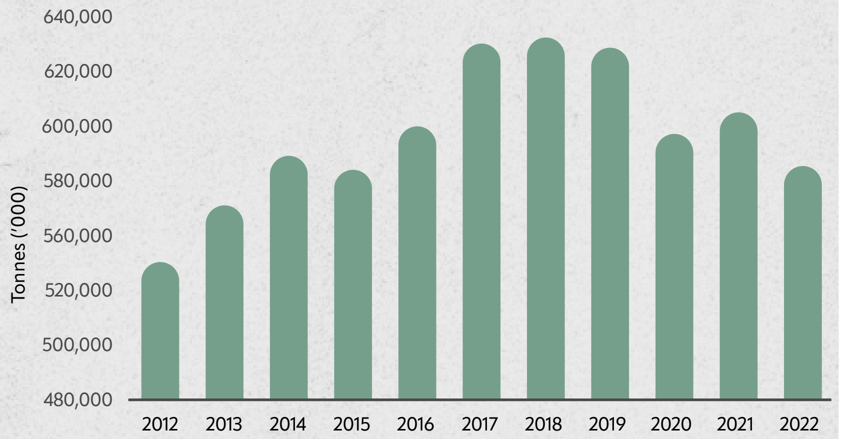
As at 2022, Changi Airport's top five air cargo markets are China, Australia, the US, Hong Kong and Japan. Changi Airport Group ("CAG") is constantly strengthening its efforts to engage with its existing and new airline partners in anticipation of greater demand for both supply chain and air travel volume. Notwithstanding the near-term challenges and economic conditions, the Singapore government and CAG are confident in progressively restoring the airport's connectivity, passenger traffic and air cargo volume to pre-COVID levels.

Exhibit 1-5: Total FAI, 2012 to 2022



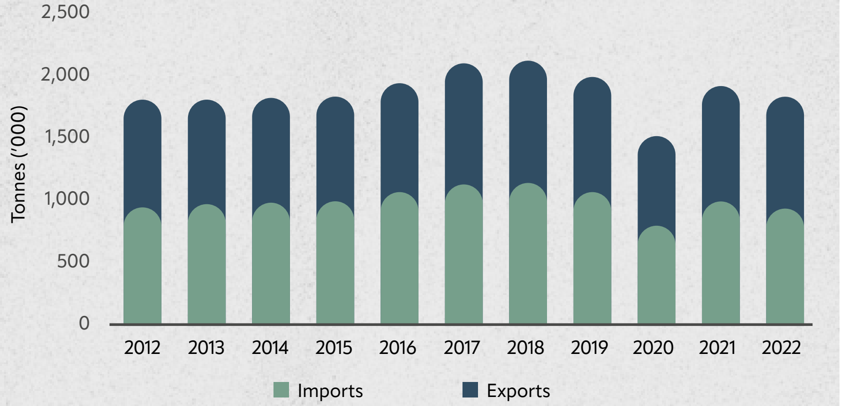
Source: EDB, Singstat, Knight Frank

Exhibit 1-6: Total Container Volume, 2012 to 2022



Source: Singstat, Knight Frank

Exhibit 1-7: Air Cargo Handled in Singapore, 2012 to 2022



Source: Singstat, Knight Frank

1.6 Outlook

With the re-opening of global air travel and the relaxation of China's border restrictions since early 2023, the air transport and aerospace segment is expected to see robust growth as international travel continues its post-pandemic recovery. Domestic-oriented sectors such as accommodation, food & beverage services, entertainment and recreation are envisaged to contribute to higher demand for logistics, storage and food production. Inflationary pressures could ease slightly with the stabilisation of commodity prices amid softening global demand, albeit with a likelihood of prolonged elevated prices due to the ongoing Russia-Ukraine war.

However, the expectation of a broader slowdown in the global economy will limit the pace of expansion by industrialists, with growth outlook in the United States and Eurozone forecasted to be muted as tightened monetary policy aimed at tackling elevated core inflation is likely to dampen institutional investment and domestic consumption demand. Amid the global slowdown, outward-oriented sectors such as the semiconductor segment is expected to face headwinds in demand in the near term, while the precision engineering cluster is envisaged to see slower activities from a cutback in capital spending by semiconductor manufacturers.

Taking into account the global and domestic economic environment, the MTI forecasts Singapore's GDP growth for 2023 to be between 0.5% to 2.0%.

2 SINGAPORE GOVERNMENT POLICIES AFFECTING INDUSTRIAL PROPERTY MARKET

2.1 Budget 2023

Singapore Economy 2030

First introduced in 2022, the Singapore Economy 2030 charts the path towards a vibrant economy with opportunities for enterprises and people. Building on the progress and ongoing development initiatives, MTI aims to enhance Singapore's programmes and initiatives to help businesses attain better growth prospects, amidst the global economic uncertainties and resource constraints. The Committee of Supply ("COS") 2023 has been established to aid the growth of businesses, including the strengthening of innovation and digital capabilities, and helping firms to capture new growth opportunities in sustainability.

Budget 2023 focuses on building resilience and providing more assurance for the nation to bounce back stronger from external disruptions and shocks. The Singapore government will set aside $1 billion to provide customised support for promising local companies under Singapore Global Enterprises initiative, with an additional $150 million via SME Co-Investment Fund to invest in promising SMEs. The Enterprise Innovation Scheme will also be introduced to support businesses' innovation activities via enhanced tax deductions/allowances. To support the skillsets of workers, there will be integrated training and job place initiatives to pilot Jobs-Skills Integrators in Precision Engineering and Wholesale Trade sectors to attract key players to develop industry-relevant training and facilitate job matching.

Manufacturing 2030

In 2022, our manufacturing value-add grew by more than 15% from 2020. The manufacturing sector received a record $17 billion in total FAI, which is expected to create over 4,600 jobs over the next five years. MTI will continue to attract frontier investments in Singapore, to develop a strong local talent pipeline for the sector. Furthermore, to build up on the resilience of our economy and the supply chains, the government aims to strengthen the stockpiling strategies and diversification of import sources, stockpiling of essential items, food, and local production. Good quality warehouses and temperature-controlled facilities could in turn be in higher demand.

2.2 Initiatives to Promote Industry Development

2.2.1 Refreshed Industry Transformation Maps

On 18 October 2022, refreshed Industry Transformation Maps ("ITMs") for five advanced manufacturing and trade sectors (electronics, precision engineering, energy and chemicals, aerospace, and logistics) were unveiled by Deputy Prime Minister Heng Swee Keat to uplift companies in Singapore and create at least 13,400 new jobs. Through these refreshed ITMs, the MTI seeks to ensure workers have the relevant technology and sustainability skills to take on roles in emerging areas such as additive manufacturing and robotics for the precision engineering and aerospace sectors, artificial intelligence for the electronics sector, digitalisation for the logistics sector, and process engineering for sustainable products in the energy and chemicals sector. Under the refreshed Food Manufacturing ITM, companies are encouraged to seize emerging

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opportunities in growth areas such as sustainability and alternative proteins as Singapore has seen an increase in vulnerabilities because of fluctuations in food supply and prices brought on by the pandemic, supply chain disruptions and energy crisis.

2.2.2 Newly Completed and Prominent Upcoming Developments

ResMed Manufacturing Plant at Tuas

ResMed, a global medical technology company which pioneered the use of positive airway pressure to treat sleep-disordered breathing, officially opened its largest advanced manufacturing centre – a four storey, 270,000 sq ft facility in Tuas on 15 November 2022 – more than doubling the size of its footprint in Singapore. The completed facility will account for nearly 1,000 jobs across a variety of skill sets and provide the manufacturing capacity to scale production for connected devices and mask systems that help people sleep and breathe better.

Applied Materials Manufacturing and Research Plant at Tampines

In December 2022, American semiconductor equipment maker Applied Materials announced a S$600 million, 700,000 sq ft plant in Tampines Industrial Crescent to be ready in 2024, which would double its manufacturing presence in Singapore and employ an additional 1,000 staff in manufacturing, customer support and R&D once it is fully functional.

GlobalFoundries Campus at Woodlands

Built amid a global semiconductor chip shortage, GlobalFoundries is set to complete its new manufacturing plant at Woodlands Industrial Park which would contain 250,000 sq ft of cleanroom space by 2023. Once completed, the facility will have the capacity to manufacture 450,000 wafers per year, bringing the total capacity of GlobalFoundries's facilities in Singapore to about 1.5 million wafers per year while creating about 1,000 jobs – including new roles for technicians and engineers.

Five new pharmaceutical vaccine facilities

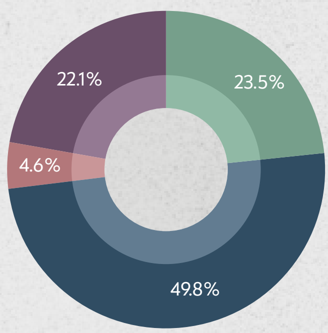
Over the course of the pandemic in the past two years, Singapore went from zero to five vaccine production facilities with commitments from pharmaceutical firms Thermo Fisher Scientific, Sanofi, BioNTech, Hilleman Laboratories and MSD. When completed, these facilities are expected to churn out billions of doses annually, ranging from traditional vaccines to the latest mRNA types. The influx of investments can be attributed to pharmaceutical companies realising the need to expand globally as they seek greater flexibility when the next pandemic hits, as well as sustained funding for vaccine research under the S$25 billion Research, Innovation and Enterprise ("RIE") 2025 Plan, aimed at solidifying the nation's position and attractiveness as a regional pharmaceutical hub.

3 OVERVIEW OF SINGAPORE INDUSTRIAL PROPERTY MARKET

3.1 Industrial Property Stock

According to JTC data, Singapore's industrial stock totalled over 563.3 million sq ft as at 1Q 2023. At 280.5 million sq ft, single-user factories made up approximately half of the total nationwide industrial stock. This was followed closely by multiple-user factory and warehouse, contributing 132.6 million sq ft (23.5%) and 124.4 million sq ft (22.1%) of total industrial spaces respectively. **(Exhibit 3-1)**

Exhibit 3-1: Total Industrial Stock in Singapore as at 1Q 2023, by Type of Industrial Property



Source: JTC, Knight Frank

3.2 Investment Sale Transactions

The investment sales market for industrial properties, especially the single-user and multiple-user factories, was hot in the past year - with several transactions involving industrial and logistics REITs. One of the most prominent transactions would be M&G Real Estate's acquisition of four car showrooms from auto distributor Jardine Cycle & Carriage (JC&C), two of which are listed in **Exhibit 3-2**. These four assets are currently used as auto showrooms, service centres, workshops and warehouses, of which they will be leased back to JC&C for 10 years, upon completion of asset acquisition.

Exhibit 3-2: Selected Investment Sale Transactions, 2022 to 1Q 2023

Type of Development	Building Name	Estimated Land Area	Transacted Price ($psf on Land area)	Tenure	Period of Transaction	Buyer	Seller (Vendor)
Single-user Factory	UE Bizhub Central	259,154 sq ft	$55 million ($212 psf)	53 years from 1991	1Q 2022	Apple	United Engineers Limited
Warehouse	7 Kim Chuan Lane	10,506 sq ft	$27.95 million ($1,237 psf)	Freehold	1Q 2022	ACKC Hesed Pte Ltd, Mulberry Land Pte Ltd	OneApex Limited, A38 Capital Pte Ltd
Multiple-user Factory	Victory Centre	67,945 sq ft	$90 million ($1,325 psf)	60 years from 2012	2Q 2022	Lasalle Investment Management	Fragrance Group Limited
Multiple-user Factory	Food Empire Building	undisclosed	$49.25 million	Freehold	2Q 2022	Lian Beng Group	Empire Instant Food Pte Ltd
Single-user Factory	Philips APAC Centre	163,563 sq ft	$104.8 million ($641 psf)	60+13 years from 1970	2Q 2022	Ascendas REIT	Philips Electronics NV
Warehouse	Pandan Logistics Hub	133,681 sq ft	$43.5 million ($325 psf)	30+30 years from 1979	3Q 2022	Toll Group	ESR-LOGOS REIT
Warehouse	Enterprise Logistics Centre	319,622 sq ft	$120.6 million ($377 psf)	60 years from 1995	4Q 2022	Undisclosed	Undisclosed
Single-user Factory	Jardine C&C Regional HQ	107,611 sq ft	$142 million ($1,320 psf)	99-years from 1956	1Q 2023	M&G Real Estate	Cycle & Carriage Singapore
Single-user Factory	Mercedes-Benz Centre	100,183 sq ft	$131 million ($1,308 psf)	99-years from 1948	1Q 2023	M&G Real Estate	Cycle & Carriage Singapore
Warehouse	Kingsmen Creatives	102,925 sq ft	$22 million ($214 psf)	99-years from 1995	1Q 2023	Scan-D Corporation	Mapletree Logistics Trust

Source: JTC, Knight Frank

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4 REVIEW OF PRIVATE FACTORY SEGMENT

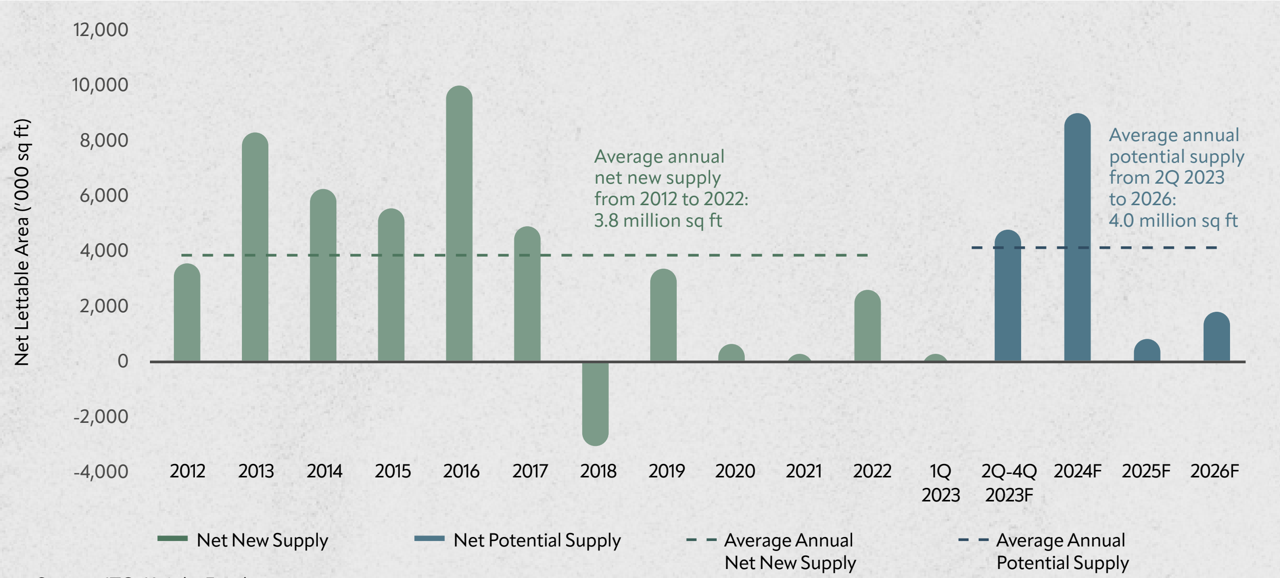
4.1 Single-user Factory

4.1.1 Existing and Potential Supply

As at 1Q 2023, Singapore's private single-user factory spaces increased by 1.2% y-o-y to 232.9 million sq ft. (Exhibit 4-1). More than half of the total available stock was located within the West Region (52.9%), followed by the North (20.3%) and East (12.9%) Regions. According to JTC, there were 33 new single-user factory completions by the private sector in 2022, with half located in the West Region. Notable completions in the past year include the GlobalFoundries Campus at Woodlands Industrial Park (1,326,000 sq ft GFA), Tee Yih Jia Food Hub at Senoko (1,076,000 sq ft GFA), and the Integrated Construction and Prefabrication Hub (ICPH) along Seletar North Link (703,000 sq ft GFA).

The annual net new supply[1] of single-user factory spaces totalled 2,543,000 sq ft in 2022, an uptick following two consecutive years of low annual net new spaces due to COVID-19-induced construction delays in project timelines in 2020 and 2021. 1Q 2023 posted an increase in net new supply of 278,000 sq ft. From 2Q 2023 to 2026, the market will be expecting approximately 18.9 million sq ft GFA (estimated 16.1 million sq ft NLA) of private single-user factory spaces, with 2024 being the year with the highest projected supply pipeline of 10.4 million sq ft GFA (estimated 8.8 million sq ft NLA). This translates to an average annual potential supply of circa 4.0 million sq ft NLA. Notable upcoming single-user factory developments in 2023 include two developments by construction companies OKH Holdings Pte Ltd and Whye Wah Development & Construction Pte Ltd at Pioneer Sector Lane (135,000 sq ft) and Woodlands Industrial Park E2 (133,000 sq ft) respectively. (Exhibit 4-2)

Exhibit 4-1: Net New and Potential Supply of Single-User Factory Space, 2012 to 2026F



Source: JTC, Knight Frank

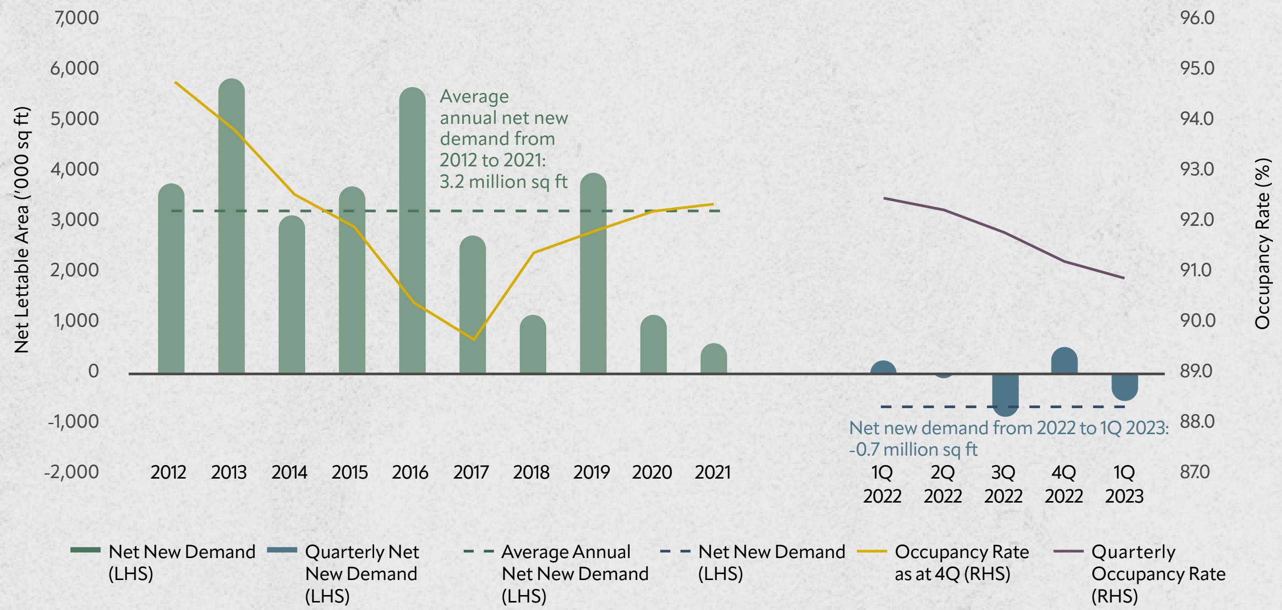
Exhibit 4-2: Selected Major Upcoming Single-user Factory Space

Project	Location	Developer	GFA of Uncompleted Single-user Factory Space (sq ft)	Expected Year of Completion
Single-user Factory @ Pioneer Sector Lane	Pioneer Sector Lane	OKH Holdings Pte Ltd	135,000	2023
Single-user Factory @ Woodlands Industrial Park E2	Woodlands Industrial Park E2	Whye Wah Development & Construction Pte Ltd	133,000	2023
Single-user Factory @ Jalan Papan	Jalan Papan	Kok Tong Transport and Engineering Works	148,000	2024
Single-user Factory @ Lok Yang Way	Lok Yang Way	Google Asia Pacific Pte Ltd	815,000	2024

Source: JTC, Knight Frank

[1] Net new supply refers to the change in available space across time, calculated as a sum of new completions, demolitions and conversions.

Exhibit 4-3: Net Demand and Occupancy of Single-user Factory Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

4.1.2 Demand and Occupancy

Over 212.2 million sq ft of private single-user factory space was occupied as at 1Q 2023, a 0.5% y-o-y decrease from the previous year. Overall net new demand[2] decreased by 712,000 sq ft in 2022 through to 1Q 2023, while occupancy rate also fell throughout the year – from 92.4% (as at 1Q 2022) to 90.9% (as at 1Q 2023) with industrial end-users adopting a cautionary approach towards expansion plans due to rising interest rates and continued global supply disruptions. **(Exhibit 4-3)**

4.1.3 Rents

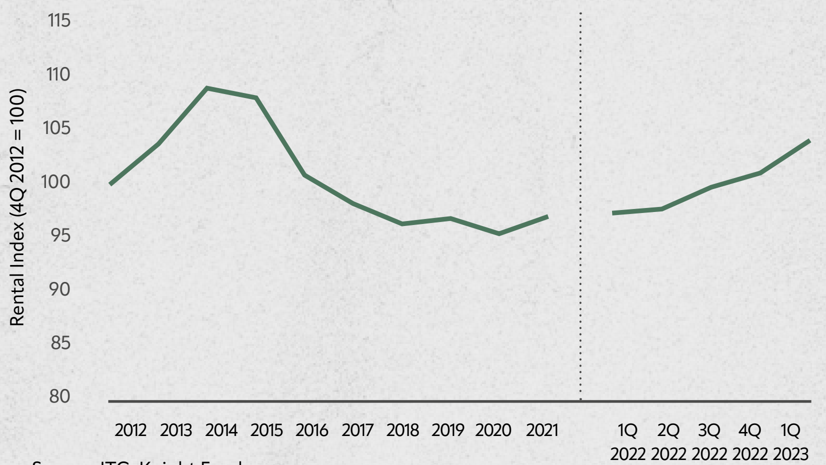
Despite the contraction in demand and occupancy, the rental index of single-user factory spaces rose by 6.9% y-o-y in 1Q 2023, the tenth quarter of consecutive growth since 3Q 2020. **(Exhibit 4-4)**

4.1.4 Prices

Similarly, the JTC single-user factory space price index recorded a 4.8% y-o-y increase in 1Q 2023, its tenth quarter of consecutive growth since 3Q 2020. **(Exhibit 4-5)**

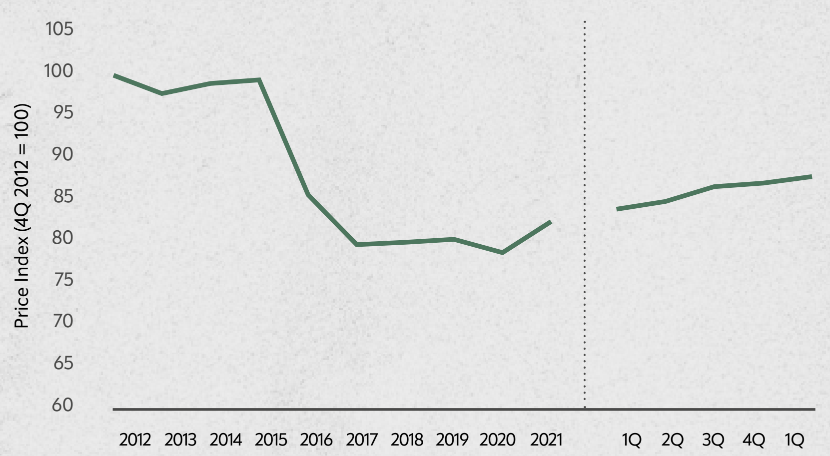
[2] Net new demand refers to the change in occupied space across time.

Exhibit 4-4: JTC Rental Index of Single-user Factory Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

Exhibit 4-5: JTC Price Index of Single-user Factory Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

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4.2 Multiple-user Factory

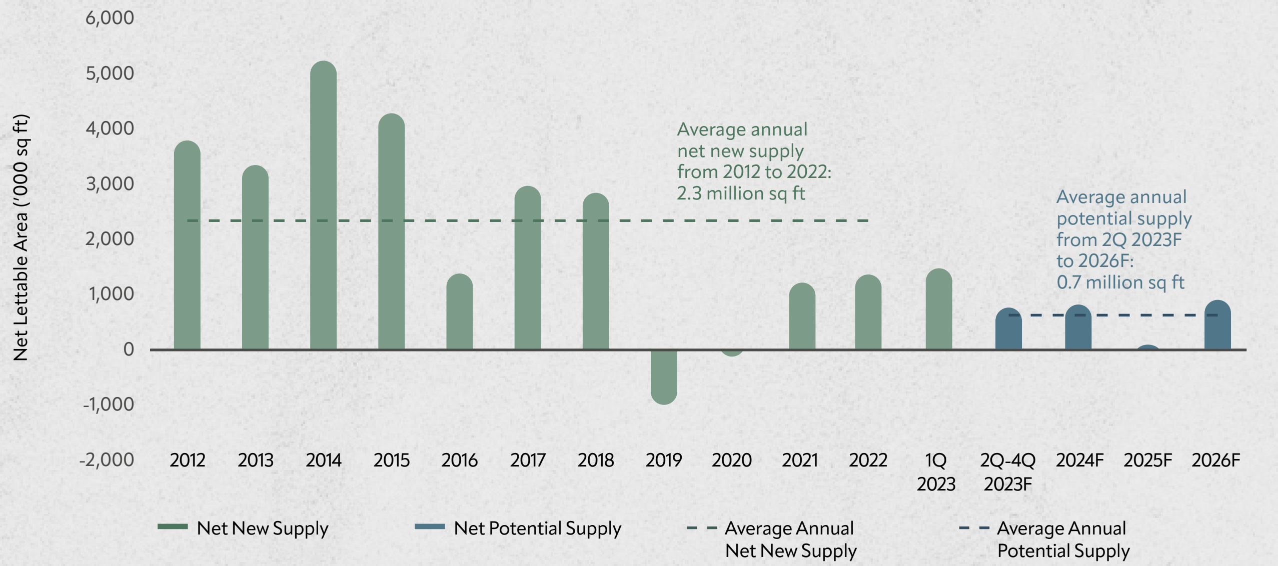
4.2.1 Existing and Potential Supply

Singapore's private multiple-user factory space totalled approximately 105.7 million sq ft as at 1Q 2023, a 2.5% y-o-y increase from 103.2 million sq ft in the same period a year ago. Geographically, a large proportion of stock is located within the Central Region, with 40.3% or 42.6 million sq ft ("NLA") of space available. The 2022 annual net new supply of private multiple-user factory space nation-wide amounted to 1.4 million sq ft, below the 10-year average of 2.3 million sq ft which has supported demand for multiple-user factory spaces. **(Exhibit 5-1)**

According to JTC, eight multiple-user factory developments were granted full Temporary Occupation Permit ("TOP") in 2022. Notable completions in 2022 include AirTrunk SGP1 Data Centre at 22 Loyang Drive (435,000 sq ft GFA) by AirTrunk Singapore Holding Pte Ltd, REVV at 1 Corporation Drive (344,000 sq ft GFA) by SB (Yung Ho) Investment Pte. Ltd., and CT FoodChain at 200 Pandan Loop (186,000 sq ft GFA) by CT @ Pandan Pte Ltd.

From 2Q 2023 to 2026, Singapore will expect over 3.3 million sq ft GFA (estimated 2.6 million sq ft NLA) of multiple-user factory spaces, with several prominent developments in the pipeline including Tai Seng Exchange (1.1 million sq ft GFA), and multiple-user factory developments – 161, 163, and 165 Kallang Way (866,000 sq ft GFA) developed by Mapletree Industrial Trust. **(Exhibit 5-2)**

Exhibit 5-1: Net New And Potential Supply of Multiple-user Factory Space, 2012 to 2026F



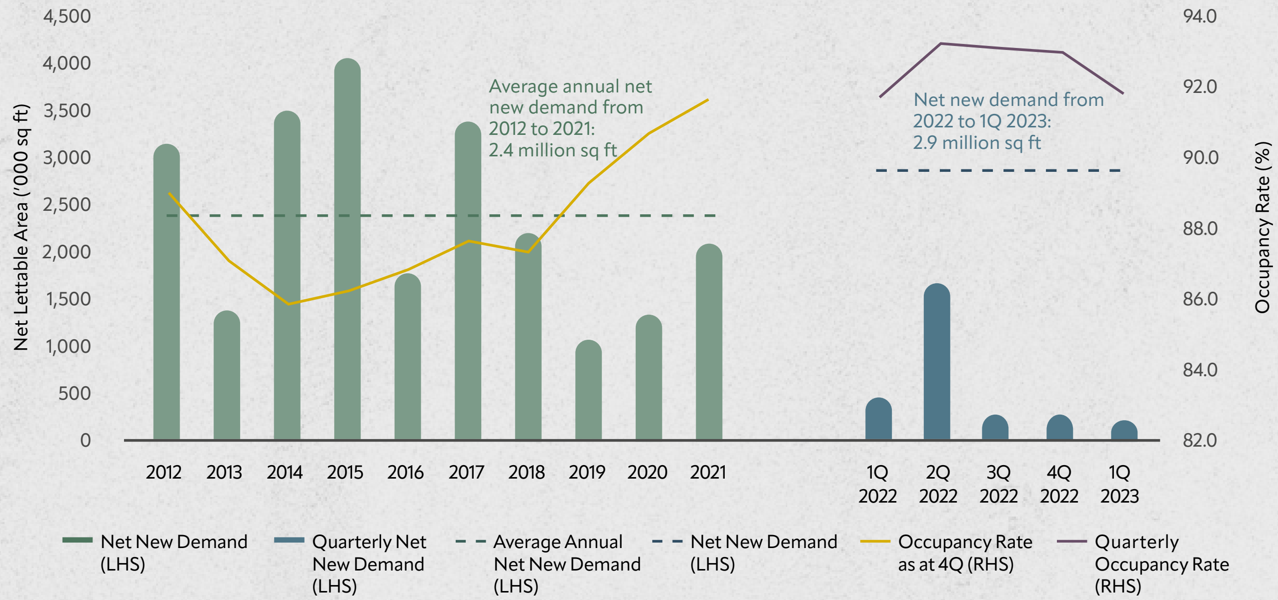
Source: JTC, Knight Frank

Exhibit 5-2: Selected Upcoming Multiple-user Factory Space

Project	Location	Developer	GFA of Uncompleted Single-user Factory Space (sq ft)	Expected Year of Completion
Multiple-user factory	161, 163, 165 Kallang Way	Mapletree Industrial Trust	866,000	2023
Tai Seng Exchange	Tai Seng Avenue	SB (Ipark) Investment Pte. Ltd.	1,133,000	2023
Ascent @ Gambas	Gambas Way	SB (Gambas) Investment Pte Ltd	322,000	2023
One KA @ Macpherson	Kampong Ampat	Woodlands Smartisan Pte Ltd	198,000	2024

Source: JTC, Knight Frank

Exhibit 5-3: Net Demand and Occupancy of Multiple-user Factory Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

4.2.2 Demand and Occupancy

The total occupied private multiple-user factory space stood at over 97.1 million sq ft as at 1Q 2023 at an occupancy rate of 91.9% – a minimal 0.1 percentage point ("pp") of occupancy improvement from a year ago. Across the regions, the East and West recorded the highest occupancy of 96.6% and 94.3% respectively. The occupancy rate of the North-East and Central Regions declined by 8.4 and 1.9 pp y-o-y in 1Q 2023 while all other regions enjoyed y-o-y growth in occupancy rates, with the West Region attaining the highest growth of 6.1 pp to 94.3% in 1Q 2023. Overall net demand (take-up) in 2022 amounted to 2.7 million sq ft, a healthy 27.6% growth from 2.1 million sq ft in 2021. **(Exhibit 5-3)**

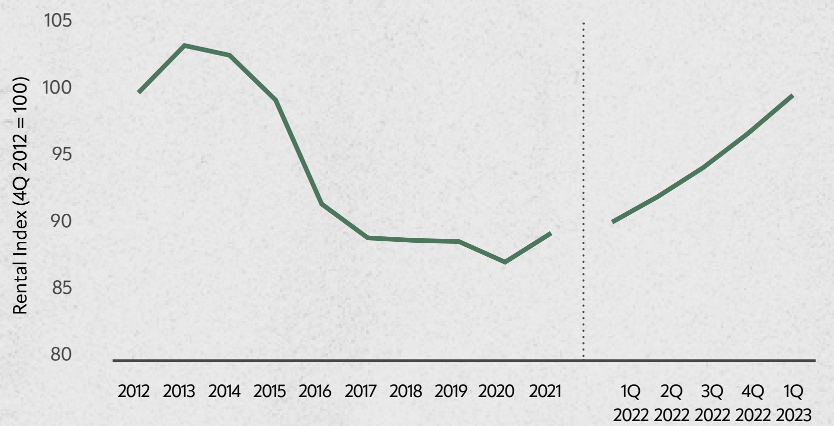
4.2.3 Rents

On the back of nine quarters of consecutive growth since 3Q 2020, the JTC rental index of multiple-user factory spaces improved a further 2.9% q-o-q to 99.8 in 1Q 2023, from 96.9 in 4Q 2022. **(Exhibit 5-4)**

4.2.4 Prices

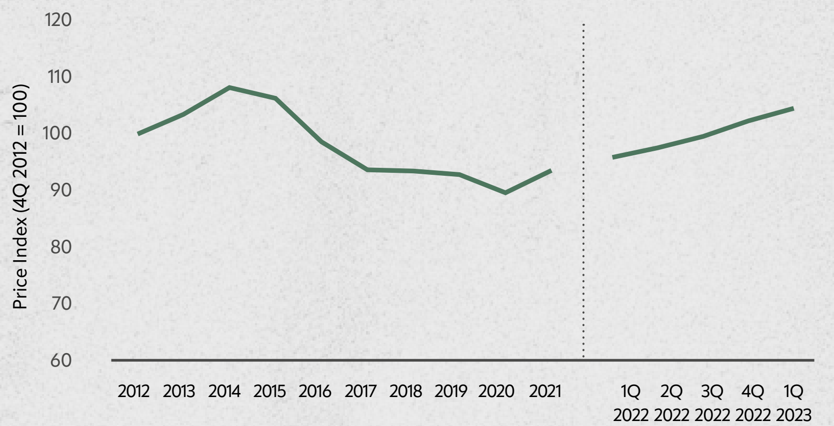
In tandem with the rental market for multiple-user factories, the price index posted healthy growth throughout 2022 and 1Q 2023, where it grew 8.4% y-o-y in 1Q 2023. **(Exhibit 5-5)**

Exhibit 5-4: JTC Rental Index of Multiple-user Factory Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

Exhibit 5-5: JTC Price Index of Multiple-user Factory Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

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4.3 Outlook of Single-User and Multiple-user Factory Spaces

Macroeconomic headwinds including a high interest rate environment and continued global supply chain disruptions are envisaged to dampen the manufacturing and industrial real estate outlook in the latter half of 2023. However, despite the slowing pace of growth, global manufacturers are proceeding with plans to set up new facilities, with an upcoming injection of more than 9.8 million sq ft GFA of space to the total pipeline supply of private industrial stock in 2023 for both single-user and multiple-user factory segments collectively. Another indication of the continued belief by investors that growth in industrial manufacturing will return and be sustainable in the long run is the record S$22.5 billion in fixed asset commitments secured in 2022, which is expected to sustain occupancy and rents of factory spaces over the next few years. With a higher supply pipeline this year, rents of single-user and multiple-user factory spaces are expected to maintain its stable marginal growth trajectory of 1.0% to 3.0% annual growth for the whole of 2023.

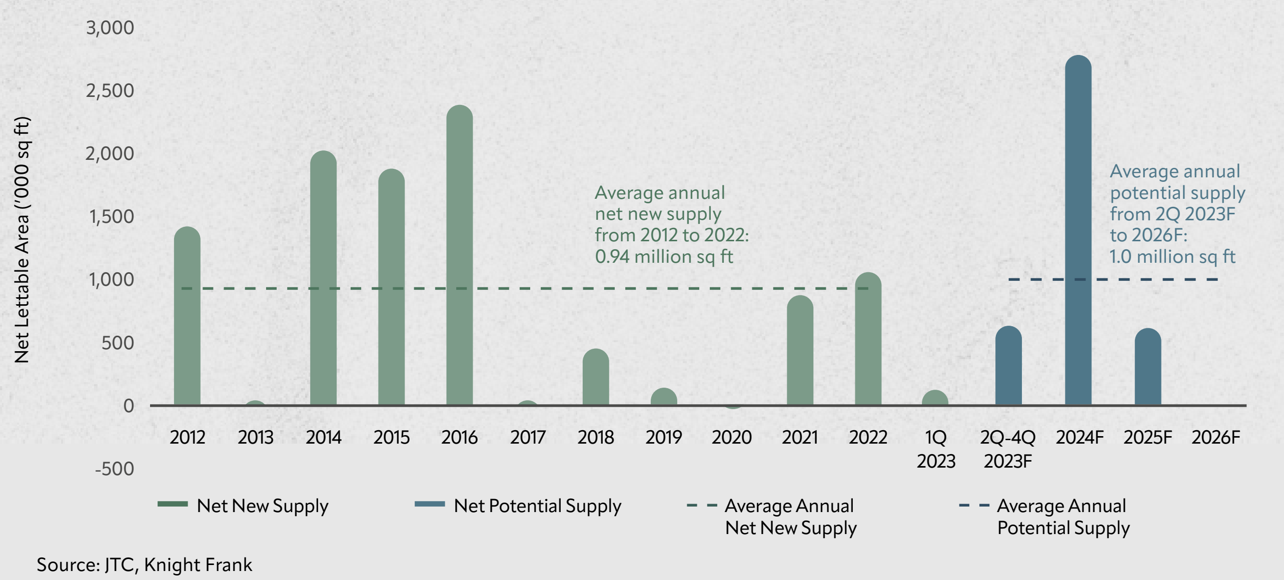
5 REVIEW OF PRIVATE AND PUBLIC BUSINESS PARK SEGMENT

5.1 Existing and Potential Supply

Following the full completion of CleanTech Three and partial TOP of several other projects such as Surbana Jurong Campus, Singapore's total inventory of business park spaces grew 4.3% y-o-y to reach 25.7 million sq ft as at 1Q 2023. The annual net supply of business park spaces grew 20.4% to 1.07 million sq ft in 2022, continuing from the 0.89 million sq ft increment from the previous year. **(Exhibit 6-1)** As at 1Q 2023, approximately 55.5% (14.3 million sq ft) of the nation's business park stock are located within the Central Region, with the remaining 22.7% (5.8 million sq ft) and 21.8% (5.6 million sq ft) located in the East and West regions respectively.

Over 4.0 million sq ft of new business park stock is slated for completion from Q2 2023 to 2026, where 2024 would mark the year with the greatest injection of new supply. Much of the upcoming supply are concentrated within the Punggol Digital District ("PDD") and Surbana Jurong Campus. Home to Singapore Institute of Technology ("SIT")'s campus, the upcoming PDD is envisaged to be the next generation smart and integrated economic hub, designed specifically for collaboration between the academia and industry. **(Exhibit 6-2)**

Exhibit 6-1: Net New and Potential Supply of Business Park Space, 2012 to 2026F



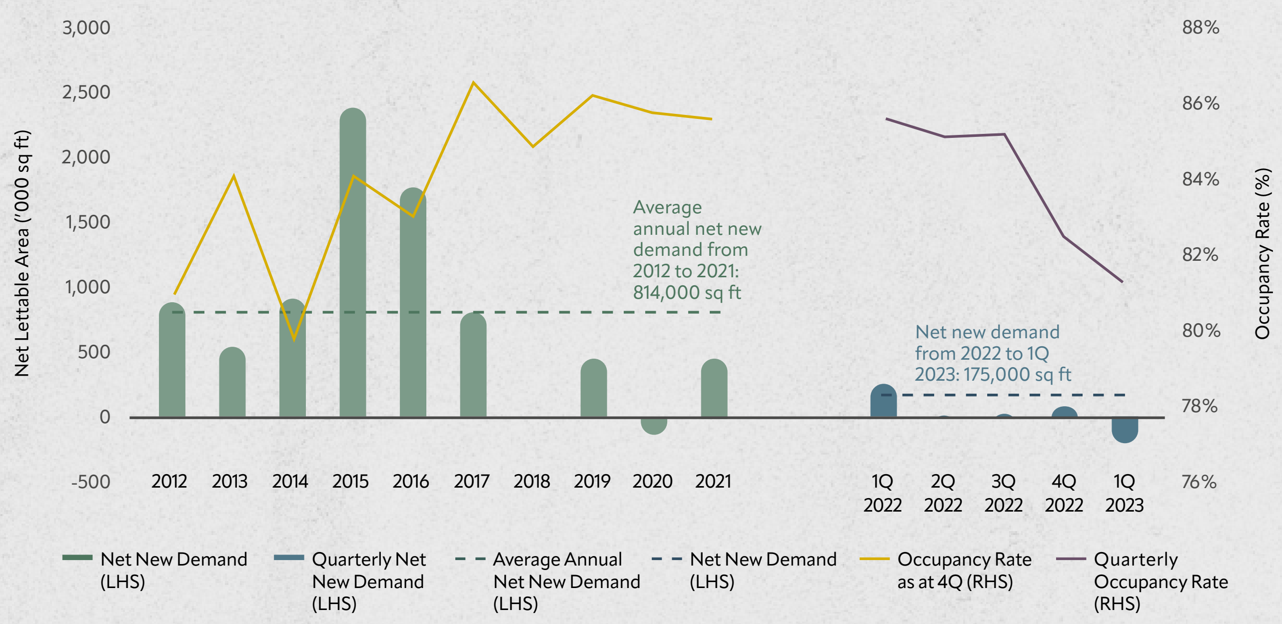
Source: JTC, Knight Frank

Exhibit 6-2: Selected Major Upcoming Business Park Space

Project	Location	Developer	GFA of Uncompleted Business Park Space (sq ft)	Expected Year of Completion
Surbana Jurong Campus	Cleantech Loop	Surbana Jurong Capital (JID) Pte Ltd	375,000	2023
Business Park development	Punggol Way	JTC Corporation	1,791,000	2024
Business Park development	Punggol Way	JTC Corporation	1,432,000	2025
Business Park development	Science Park Drive	SPRINT Plot 1 TM Pte Ltd	1,211,000	2025
Business Park development	North Buona Vista Drive	HB Universal Pte Ltd	379,000	2023

Source: JTC, Knight Frank, Various Online Sources

Exhibit 6-3: Net Demand and Occupancy Rate of Business Park Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

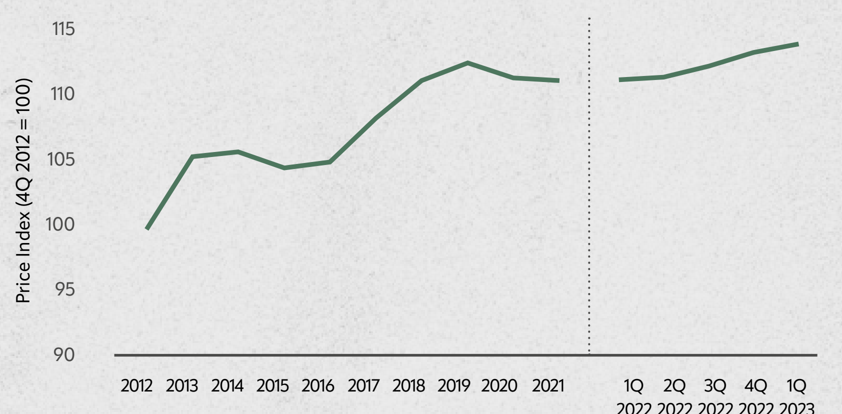
5.2 Demand and Occupancy

The overall net demand across all four quarters of 2022 amounted to 375,000 sq ft. **(Exhibit 6-3)** The occupancy of business park spaces demonstrated a slight decline over the past year to 81.3% in 1Q 2023, largely contributed by the dip in occupancy in the West Region, following the completion of the 779,000 sq ft GFA CleanTech Three in 2Q 2022. Occupancy across the two other regions – Central and East remained steady. Overall, demand for good quality business park spaces in Singapore remains strong, where majority of the business parks buildings recorded low vacancy rates.

5.3 Rents

Despite the dip in business park occupancy, the JTC rental index for business park remained steady and climbed upwards for four consecutive quarters. As at 1Q 2023, it grew by 2.6% y-o-y and 0.6% q-o-q to reach 114.8. **(Exhibit 6-4)**

Exhibit 6-4: JTC Rental Index of Business Park Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

5.4 Outlook of Business Parks

Located within the Jurong East Regional Centre, Perennial Business City is expected to add over 1.0 million sq ft of business park space to the market upon its full completion. In the near term, demand might be unable to keep up with the large-scale injection of new stock, leading to a short-term dip in overall occupancy. Being Singapore's first super low energy business park in Singapore and strategically located near the up-and-coming Jurong Lake District, Perennial Business City's occupancy will likely recover promptly. Despite an anticipated short-term increase in vacant spaces, demand for business parks will hold steady due to the EDB's constant efforts in working with various industry sectors, enhancing Singapore's value proposition and attracting global players to set up their bases or expand their operations in Singapore.

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The private sector is also working to upgrade the older business park spaces to enhance its appeal towards global manufacturing brands, with CapitaLand Development and Ascendas REIT kickstarting their rejuvenation initiatives at 1 Science Park Drive. It will be transformed into a life science and innovation campus, catering to demand from tenants in new economy sectors such as biomedical sciences, digital and technology. In view of both the macro-economic conditions and micro-economic factors, Knight Frank foresees business park rents to exhibit mild growth of 1.0% to 2.0% annually in 2023.

6 REVIEW OF PRIVATE WAREHOUSE SEGMENT

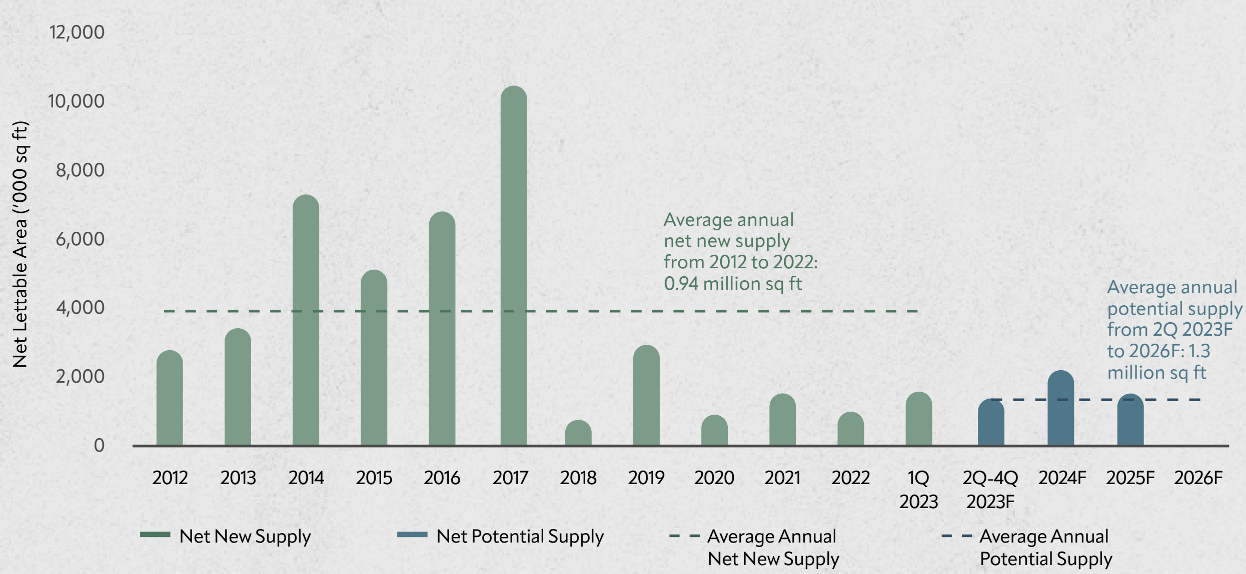
6.1 Existing and Potential Supply

Singapore's nationwide private warehouse stock totalled 120.5 million sq ft as at 1Q 2023, a slight 2.4% y-o-y growth from 1Q 2022. Almost 64.7% (77.8 million sq ft) of the total stock is located within the West Region, with the East Region having the second highest warehouse supply (19.3 million sq ft) in Singapore. 2022's net new supply of warehouse stock fell 35.2 % y-o-y to 1.0 million sq ft, largely attributed to the negative net supply in the first and fourth quarters of 2022.

Warehouses completed in 2022 include Tee Yih Jia Food Hub (1.08 million sq ft GFA) and LOGOS Tuas Logistics Hub at Tuas South. (Exhibit 7-1)

From Q2 2023 to 2026, the market is expected to witness the completion of circa 6.0 million sq ft of private warehouse stock. Several prominent warehouses are slated for completion in 2023, these include – 2PS1 (0.76 million sq ft), JTC Logistics Hub @ Gul (0.59 million sq ft) and a warehouse development along Penjuru Lane (0.26 million sq ft), barring any unforeseen construction delays. (Exhibit 7-2)

Exhibit 7-1: Net New and Potential Supply of Warehouse Space, 2012 to 2026F



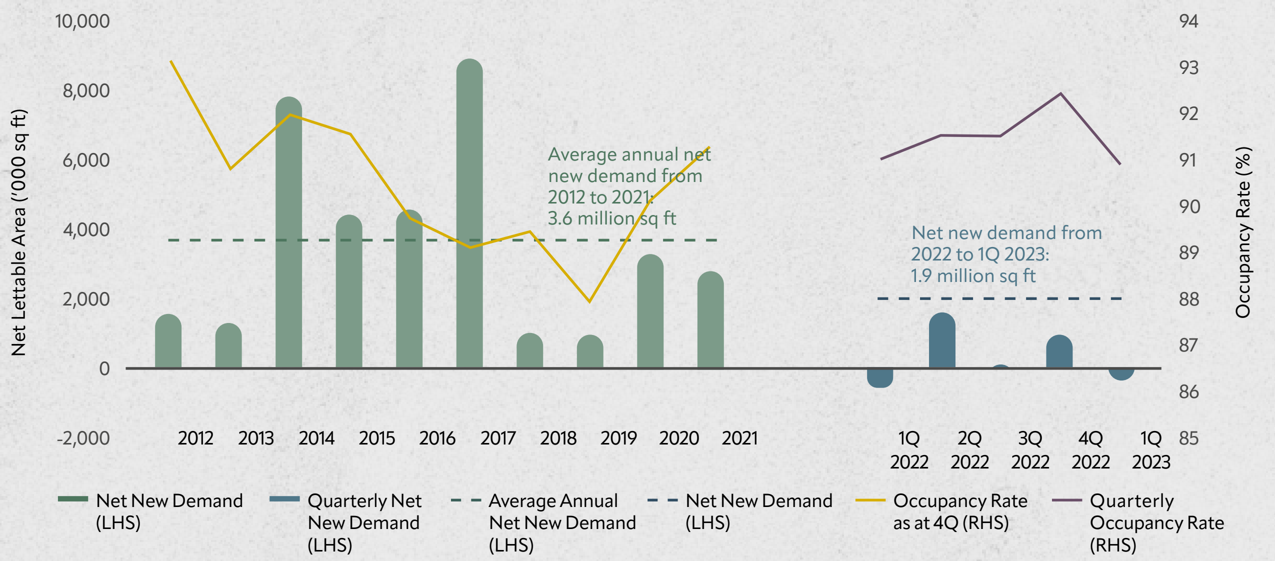
Source: JTC, Knight Frank

Exhibit 7-2: Notable Upcoming Completions of Warehouse Space, 2Q 2023 to 2026

Project	Location	Developer	GFA of Uncompleted Warehouse Space (sq ft)	Expected Year of Completion
2PS1	Pioneer Sector 1	Soilbuild Business Park REIT	757,000	2023
JTC Logistics Hub @ Gul	Gul Circle	JTC Corporation	590,000	2023
Warehouse development	Penjuru Lane	Soon Bee Huat Trading Pte Ltd	262,000	2023
Warehouse development	Senoko Loop	Tiong Nam Logistics (S) Pte Ltd	268,000	2024

Source: JTC, Knight Frank

Exhibit 7-3: Net Demand and Occupancy of Warehouse Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

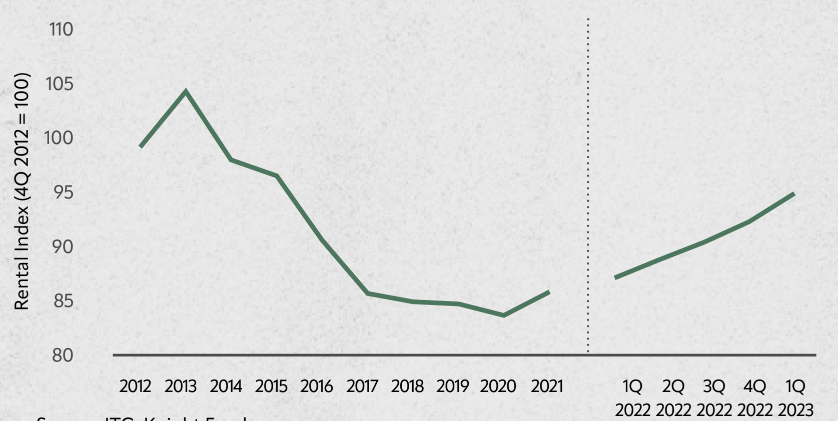
6.2 Demand and Occupancy

Net take-up of private warehouse stock in 2022 amounted to over 2.2 million sq ft, which translated to 18.8% y-o-y reduction from the 2021 level of 2.7 million sq ft. As at 1Q 2023, overall occupancy is registered at 90.8%, where over 109.4 million sq ft of private warehouse space was occupied, a decline of 0.1 pp from the previous year. **(Exhibit 7-3)** The nationwide private occupancy has remained above 90% since 4Q 2020. The inherent demand for logistics and storage facilities contributed to the resilient and strong demand for warehouse spaces, and this trend is likely to carry on in the near term.

6.3 Rents

The JTC rental index for warehouse spaces has been on the rise for nine consecutive quarters since 4Q 2020. Despite the global supply disruptions impacting the movement of goods and trade, the rental movement of warehouse spaces in Singapore exhibited an upward trend, where the warehouse rental index grew 9.4% y-o-y in 1Q 2023. This demonstrated enduring demand for warehouse spaces and positive prospects of the warehouse sector. **(Exhibit 7-4)**

Exhibit 7-4: JTC Rental Index of Warehouse Space, 2012 to 1Q 2023



Source: JTC, Knight Frank

6.4 Outlook of Warehouse Segment

Besides the expected completion of circa 3.9 million sq ft of warehouse supply in 2023, the supply of warehouse and logistics spaces remains tight in the near term – especially for prime and temperature-controlled warehouses. Demand stems from the sustained e-commerce activities and active businesses from third-party logistics ("3PL") companies and end-users. Due to the tight supply situation, occupiers of good quality logistics spaces are renewing their tenancies despite the higher rents. Despite a weaker economic outlook and rising interest rates, the ongoing supply constraints will result in the continuing accumulation of pent-up demand for warehouse and logistics stock. Knight Frank envisages warehouse occupancy to remain tight in 2023, with 3.0% to 5.0% rental growth for good quality warehouse spaces in the year ahead.

SINGAPORE PROPERTY MARKET RESEARCH

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AUSTRALIA PROPERTY MARKET RESEARCH

1.0 ECONOMIC OVERVIEW

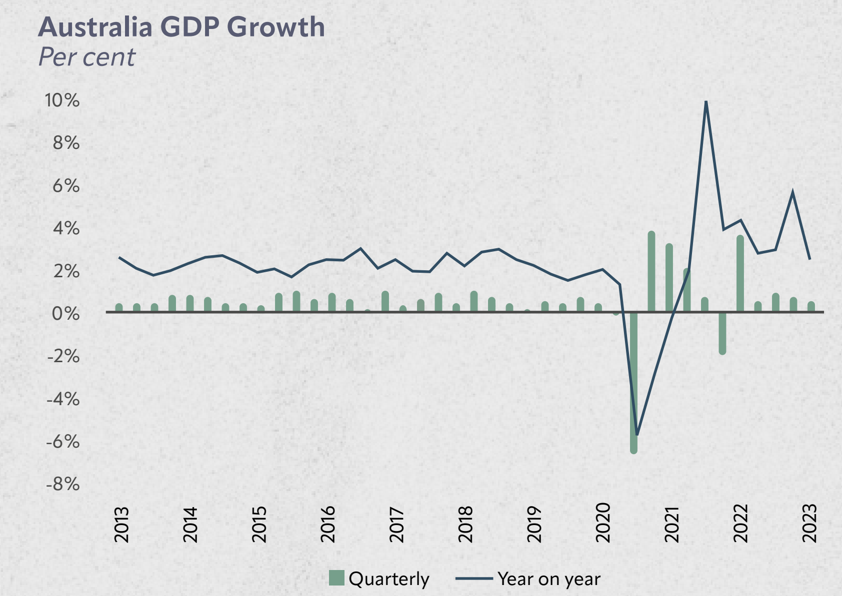
Despite persistent headwinds of high inflation and rising interest rates, the Australian economy has remained resilient, with solid GDP growth in Q4 supported by a tight labour market and robust exports. However, the pace of expansion is expected to slow markedly in 2023, as consumer spending moderates further due to the impact of rising prices, particularly for food and energy, and higher interest rates. These pressures partly explain the weak consumer sentiment, which has deteriorated sharply over the past year. While the strength of the labour market is in part supporting the economy, households are wary of the high inflation and the elevated interest rates.

The growth figures for Q4-22 show GDP up 0.5% in the quarter. This data reflects the beginning of an anticipated slowdown in the economy, with quarterly growth now declining over the last two quarters. The household savings ratio continued to fall for the fifth consecutive quarter (from 7.1% to 4.5%) as the Reserve Bank of Australia ("RBA") monetary policy tightening impacts household budgets. The pace of expansion is expected to slow markedly in 2023, with the Oxford Economics forecasting GDP growth to be 1.9%, well down from 5.2% in 2021 and 3.6% in 2022. GDP growth is expected to remain subdued in 2024 before accelerating to 3.7% in 2025 as inflationary pressures ease and high likelihood of some softening of monetary policy from central banks. **(Exhibit 1)**

Inflation has risen significantly over the past year with headline CPI rising by 1.4% in Q1-23 to reach 7.0% over the year. Underlying inflation increased by 1.2% in the quarter, and by 6.6% over the year. The annual price increase for services (+6.1%) was the highest since 2001, while goods (+7.6%) has slowed from last quarter. The annual price growth of discretionary goods and services (+6.8%) moved closer to that of non-discretionary goods and services (+7.2%) compared with recent quarters.

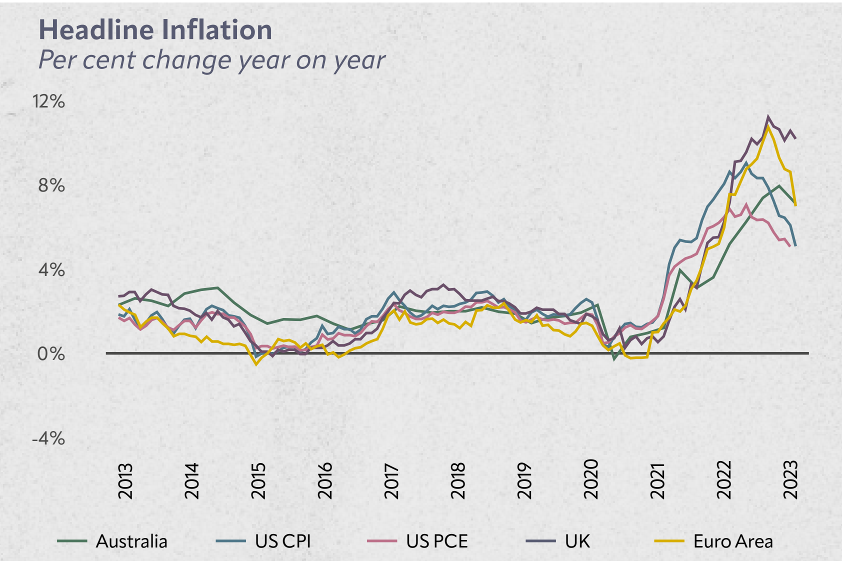
In response to higher inflation, major central banks have aggressively increased interest rates over the past year. The Federal Reserve has raised interest rates by cumulative 475 basis points since March-22 to between 4.75%-5.00%, with some forecasts suggesting this could reach 6%. The RBA has increased the cash rate by 350 basis points since May-22 to 3.60%. **(Exhibit 2)**

Exhibit 1 – Australia's GDP growth



Source: Knight Frank, Macrobond, Oxford Economics

Exhibit 2 – Inflation, Australia Versus Selected Advanced Economies



Source: Knight Frank, Macrobond, Oxford Economics

* Note: 2023 refers to first quarter of 2023.

AUSTRALIA PROPERTY MARKET RESEARCH

At its recent April board meeting, the RBA decided to leave the cash rate unchanged at 3.6%, indicating that it will take additional time to assess the state of the economy and the outlook. It recognises that there is a lag between its policy and the full effects of higher interest rates across the economy. The board also stated that in assessing when and how much further interest rates need to increase, the board will be paying close attention to developments in the global economy, trends in household spending and the outlook for inflation and the labour market. **(Exhibit 3)**

2.0 MACQUARIE PARK

2.1 Introduction

Macquarie Park is located 15 kilometres ("km") northwest of the Sydney Central Business District ("CBD") and is accessed by major roadways including the M1 Motorway with direct access from North Sydney and the CBD, and the M2 Motorway with direct access from Parramatta and Western Sydney.

The Macquarie Park/North Ryde office and business space market is one of Australia's largest non-CBD markets, and Sydney's second largest non-CBD market. It proved defensive through the COVID-19 period, demonstrating steady face rents and capital values, which is reflective of its links to larger healthcare, pharmaceutical and educational associated users. It is also home to major institutional owners and global brand tenancies, including Johnson & Johnson, Fujitsu and Kia.

The New South Wales ("NSW") Government has designated Macquarie Park as an important strategic centre. Macquarie Park is a health and education precinct and an important economic and employment powerhouse in Sydney's North District (comprising North Shore markets).

The Macquarie Park Place Strategy, which was finalised in September 2022, outlines the renewal of the precinct to 2036 to help Macquarie Park reach its full potential as a place of employment and innovation that encourages creativity and collaboration. Macquarie Park is home to many renowned institutions - Macquarie University, Macquarie University Hospital, Macquarie University Incubator, and leading global companies. It is ideally placed to become a centre for innovation, creating new jobs and investment opportunities.

Additionally, the Northwest metro line which opened in 2019 has enhanced connectivity to industry talent and other key markets across Sydney and this will be boosted when the main section of the Metro City and Southwest line from Chatswood to North Sydney, the CBD and beyond open in 2024. **(Exhibit 4)**

Exhibit 3 – RBA Cash Rate vs Bond Yields

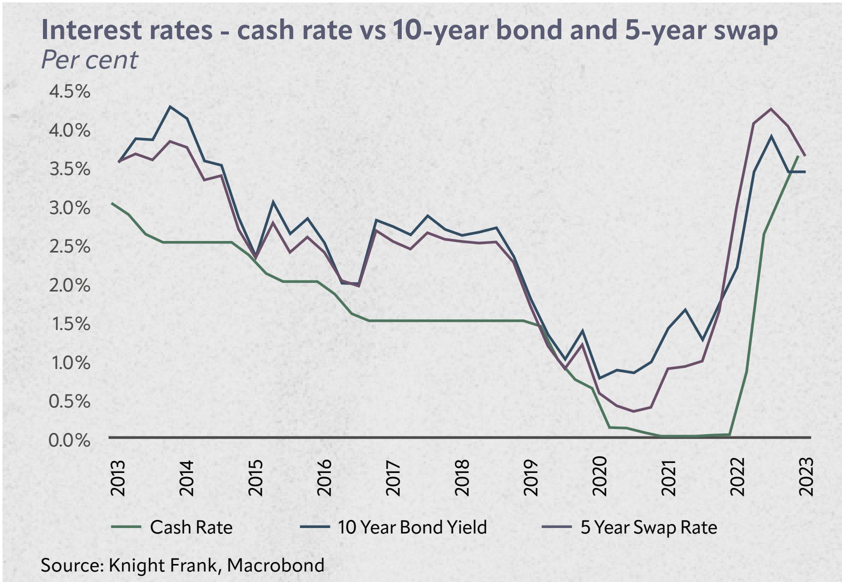
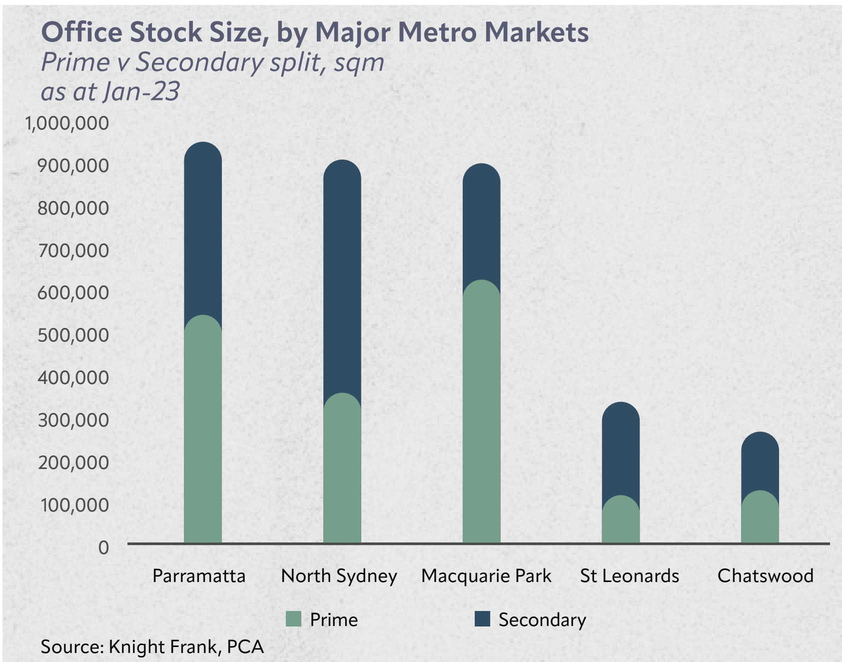


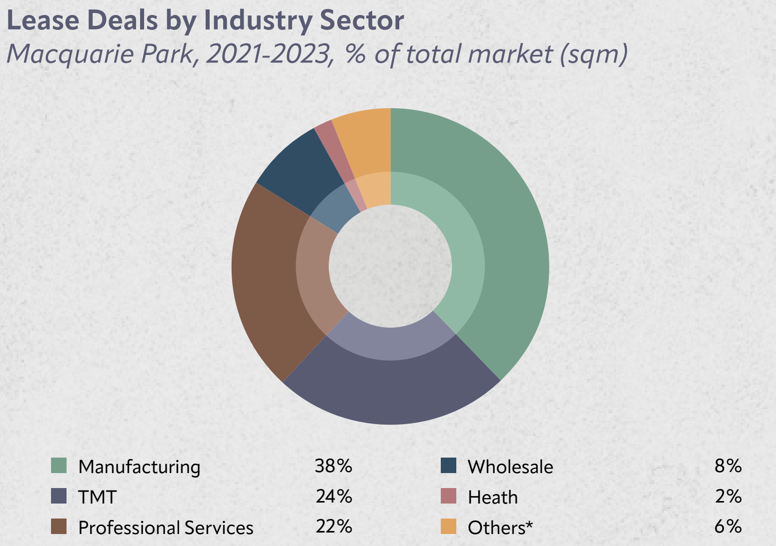
Exhibit 4 – Office Stock Size, by Market (Locality) in Sydney, as at January 2023



2.2 Demand

Macquarie Park proved to be one of the most resilient office markets through the COVID-19 pandemic with steady demand throughout the period supported by well-established industry clusters including government, pharmaceutical and biotech occupiers. As we entered the post-COVID era, in the 12 months to January 2023, Macquarie Park experienced negative absorption of 19,866 sqm. This was mainly brought about by the contraction of office space from some occupiers which has also been experienced across other office markets across the country. In terms of leasing activities, over the last two years, activity has been dominated by the manufacturing and tech sectors, as well as professional service occupiers, which in total accounted for 84% of activity over the period. **(Exhibit 5 and 6)**

Exhibit 5- Lease Deals by Industry Sector



Source: Knight Frank TMT = Technology, Media, Telecoms
Others = Finance, Government, Construction

Exhibit 6 – Recent Lease Transactions

Address	Tenant	Area (sqm)	Lease Type	Term (years)	Net Face Rent[1] (A$/sqm)	Incentive (%)	Period Reported
2-4 Lyon Road	Isagenix	754	New	6	425	16%	Q1-23
4 Drake Avenue	Smith & Nephew	1,103	New	5	430	35%	Q3-22
2-4 Lyon Road	INVIA	500	New	3	420	25%	Q3-22
78 Waterloo Road	Till Payments	1,800	New	7+3	440	30%	Q2-22
22 Giffnock (South)	Menulog	5,500	New	5	455	28%	Q1-22
11 Talavera Road	Nanosonics	3,996	New	5	420	28%	Q1-22
1 Epping Road	Petbarn	2,706	New	5	365	30%	Q1-22
39 Delhi Road	Cincom	286	New	3	410	28%	Q1-22
78 Waterloo Road	Till Payments	1,800	New	7+3	440	30%	Q4-21
13-15 Lyon Park Road	Karp Oneil Lawyers	400	New	5	440	U/D	Q4-21

[1] Net face rent refers to the contractual rent less outgoings such as property rates, insurance, repairs and maintenance, and management fees.

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2.3 Vacancy

The overall vacancy in Macquarie Park increased 213 bps to 11.9% in a year to January 2023, which is the highest vacancy level since 2015. Despite the increasing vacancy across the market, Macquarie Park has the lowest vacancy rate across the competing North Shore markets.

By building grade, prime vacancy has increased from 8.2% in January 2022 to 11.0% in January 2023 with 18,382 sqm of negative net absorption reported in this period. Secondary vacancy slightly increased to 13.9% in January 2023, up from 13.3% in January 2022 and negative net absorption of 1,504 sqm. Vacancy for sublease space marginally declined by 12 basis points ("bps") to 1.5% over 12 months to January 2023.

The flight to quality trend has been a contributing factor to a decline in secondary grade occupancy as the pandemic has increased demand for prime grade buildings with higher ranked indoor environmental quality such as air handling systems and improved office layouts.
(Exhibit 7)

2.4 Future Supply

Macquarie Park is currently the third largest metropolitan market in NSW, Macquarie Park has a total office stock of 908,869 sqm. With 70% of the stock being prime assets, Macquarie Park has the highest proportion of prime stock across NSW. Supported by the c.61,000 sqm of development expected to be delivered in 2023, Macquarie Park may exceed North Sydney to become the second largest commercial market in NSW.

The last two major office developments completed included the Glasshouse building (Building C), at 45-61 Waterloo Road in April 2020 and Macquarie Corporate Centre at 2 Banfield Road, developed by Goodman in late 2020.

By the end of 2023, Macquarie Park is expected to have the largest amount of new supply in over a decade. Array at 1 Eden Park Drive being developed by Kador Group is due for completion by the middle of the year which will deliver a 10,000 sqm A-grade office building to the market.

Developed by Frasers and Winten Property group is the Macquarie Exchange development at 396 Lane Cove Road. Upon completion this year, Macquarie Exchange will be the first fully carbon-neutral building in the market, across 18,000 sqm of A grade office space.

Furthermore, two buildings part of the M_Park development by Stockland are currently under construction and are scheduled for completion this year. These two buildings will deliver c.33,000 sqm of prime office space, one of which will become the new consolidated Australian Headquarters for Johnson & Johnson.

Looking further ahead, John Holland Group has obtained development approval for a further 50,000 sqm of prime office space at stage 2 of its Macquarie Square development. Frasers/Winten also has a further 56,000 sqm of prime office space DA approved at its Macquarie Exchange site.

With new development stock in the pipeline, Macquarie Park will be an attraction to occupiers seeking new prime grade stock at a significant discount to competing markets.
(Exhibit 8)

Exhibit 7 – Overall Vacancy and Net Absorption

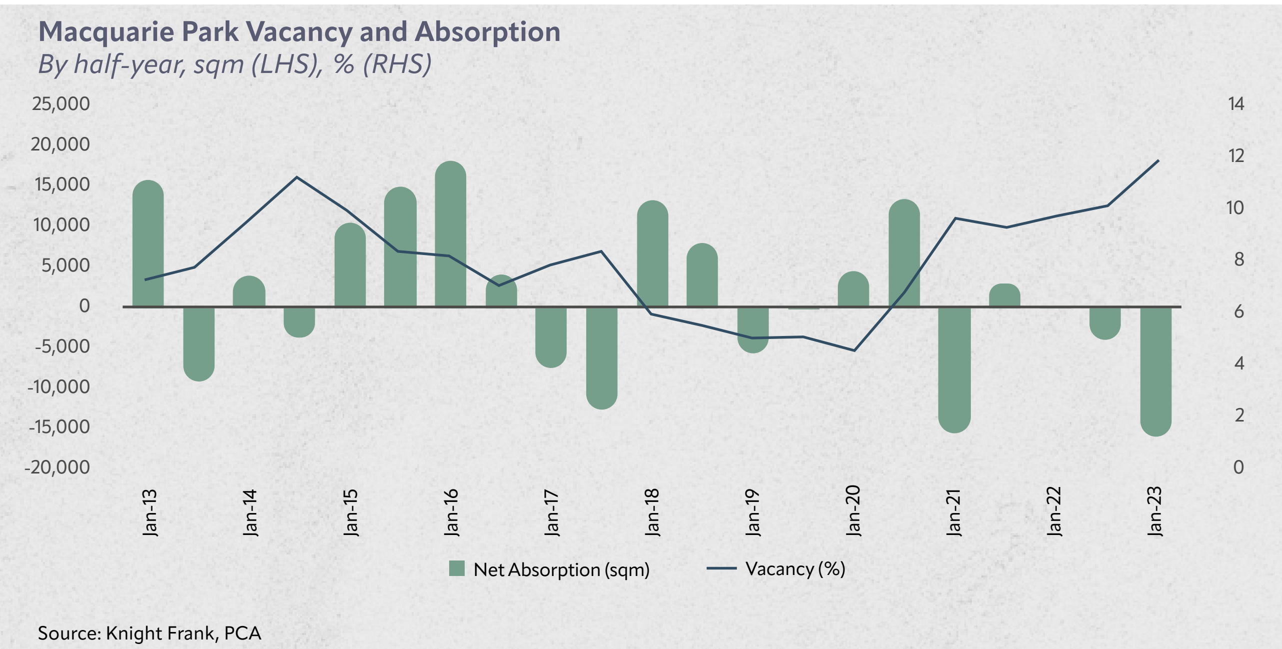
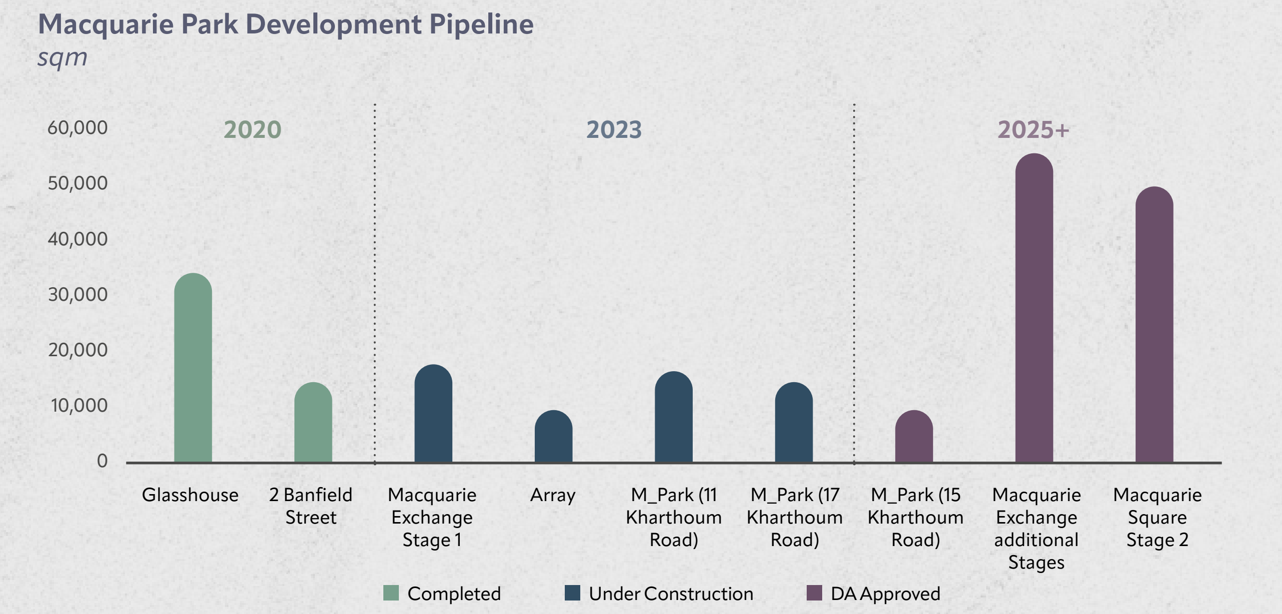


Exhibit 8 - Development Pipeline



Source: Knight Frank

2.5 Rental Performance

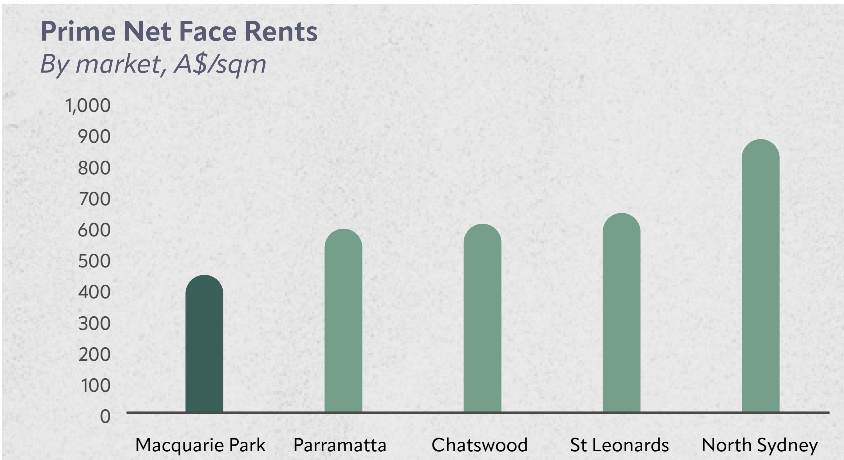
On a 12-month basis (to April 2023), average prime net face rents have increased 6.5% to measure A$448/sqm per year (A$560/sqm gross face rent[2]). Similarly, secondary rents have increased by 3.5% to average A$370/sqm (A$483/sqm gross face) over the 12 months to April 2023. On a net effective basis, prime rents increased by 6.5% to A$318/sqm in the 12 months to April 2023, with average prime incentives[3] averaging 29%. **(Exhibit 9)**

Macquarie Park currently runs at a 50% discount on a prime net face basis to North Sydney and offers the most competitive rent of all North Shore markets. There is scope for more rental growth in the future given its competitive discount and alternatives for occupiers to relocate to Macquarie Park into prime grade office space at a significant discount. **(Exhibit 10)**

[2] Gross face rent refers to the contractual rent including outgoings such as property and land taxes, insurance, repairs and maintenance, and management fees.

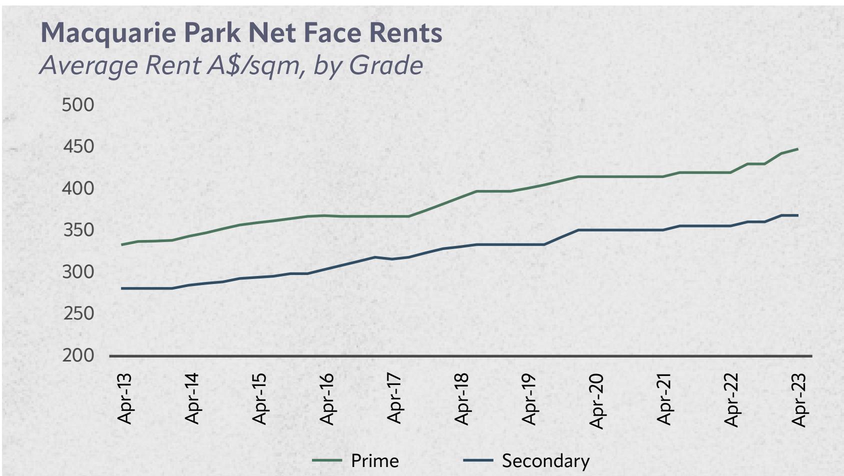
[3] Prime incentives refer to any incentives offered by the landlord such rent-free periods or contributions to new fit-out costs. Incentives are expressed as a percentage of gross face rent.

Exhibit 9 – Average Rents, Macquarie Park and Competing Markets, as at April 2023



Source: Knight Frank

Exhibit 10 – Macquarie Park Average Rents



Source: Knight Frank, PCA

AUSTRALIA PROPERTY MARKET RESEARCH

3.0 BELLA VISTA

3.1 Introduction

Bella Vista lies 35 km northwest of the Sydney CBD. The wider Bella Vista and Norwest area has seen rapid growth over the past two decades due to the scale of commercial and employment space the area offers. Accessibility has also been an influential and contributing factor in the area's rapid growth. Supported by Norwest's close proximity to the M2, M4 and M7 motorways, Parramatta, Macquarie Park and the Sydney CBD are all accessible within 20 or 30 minutes respectively by drive.

The Greater Sydney Commission's "A Metropolis of Three Cities" Report (September-22) includes the Bella Vista and Norwest precinct within its defined Central City District. Growing investment, business opportunities and jobs in strategic centres is a key planning priority of the Central City District Plan. The Plan builds on the existing strengths of each centre and emphasises the desirability of Norwest and Bella Vista as a commercial centre.

To facilitate this growth, the Norwest-Bella Vista corridor will be transformed into a transit-oriented, more vibrant and diversified centre with higher employment densities and a healthy mix of residential uses and supporting services. The opening of the Sydney Metro Northwest rail line has already strengthened the growth prospects and connectivity of the precinct. **(Exhibit 11)**

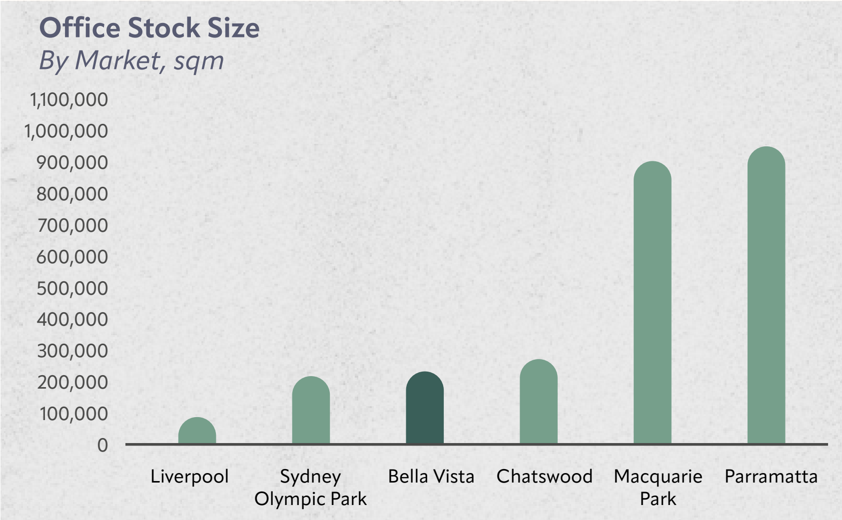
3.2 Demand

The local employment market of the precinct has experienced significant growth over the past two decades, transforming from a farming and industrial precinct into a diverse employment centre. The precinct is characterised by a diverse range of business types, and it is estimated that there are 5,478 businesses currently operating within the precinct (Australian Bureau Statistics ("ABS"), June 2021).

Notably, the area caters to smaller businesses, with 86% of businesses being either sole traders or having one to four employees, which highlights the precinct's demand for strata suites. However, in terms of larger tenants the area also houses national headquarters for the ASX listed Woolworths Group. Other major tenants located in the precinct include ResMed, Subaru, AAMI Insurance and HWL Ebsworth Lawyers.

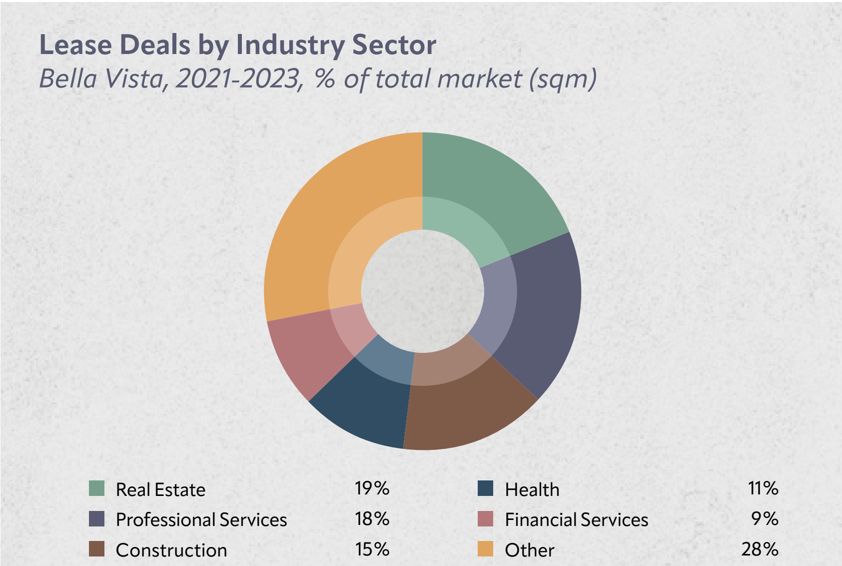
By industry sector (ABS, June 2021) Real Estate Services accounts for the largest proportion of businesses by employee count at 19%, followed by Professional services 18%, Construction Services 15% and Health sector workers 11%. This highlights the highly skilled talent pool within the precinct and the strong presence of highly educated white-collar employees. **(Exhibit 12)**

Exhibit 11 – Office Stock Size, Bella Vista and Competing Markets, as at January 2023



Source: Knight Frank, PCA, Arealytics

Exhibit 12 – Businesses by Industry type (%)



Source: Knight Frank, ABS

3.3 Vacancy

Historically, the Bella Vista market has seen significant preference for strata buildings, with the majority of office space accounting for this type of ownership. The Bella Vista commercial market is driven by demand for smaller suites. Given the office stock base in Bella Vista is approximately 238,000 sqm and with limited developments over the last few years, vacancy has remained tight to currently measure 4.5%, one of the lowest vacancy rates across all office metro markets in NSW. With a strong talent pool of white-collar workers and improved connectivity with Greater Sydney, vacancy is likely to remain tight in the precinct. **(Exhibit 13)**

3.4 Future Supply

New supply in Bella Vista remains limited with only one development recently completed over the last few years. New developments in the precinct have historically been concentrated on residential housing and apartments which bode well for its population growth and thus an increase in available workers for the office market.

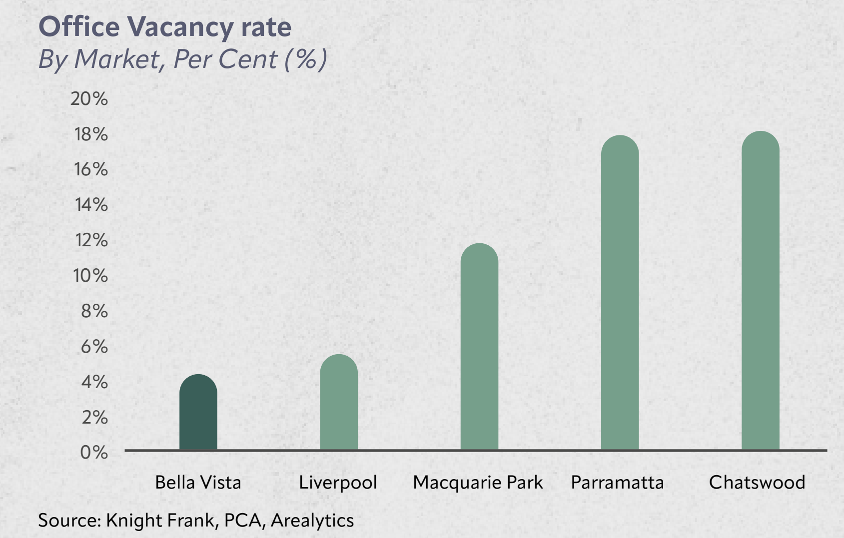
Recently completed is 8 Elizabeth Macarthur Drive developed by Mulpha. Known as "The Bond", the building comprises 7 storeys of commercial and retail strata suites across 10,775 sqm. The majority of the building has now either been leased or sold which highlights the interest for prime space within the Bella Vista precinct.

Another project that is seeking approval is Capital Corporation's site at 21-23 Lexington Drive. Capital Corporation is seeking approval for a mixed-use development which would encompass 16,500 sqm of office space.

3.5 Rental performance

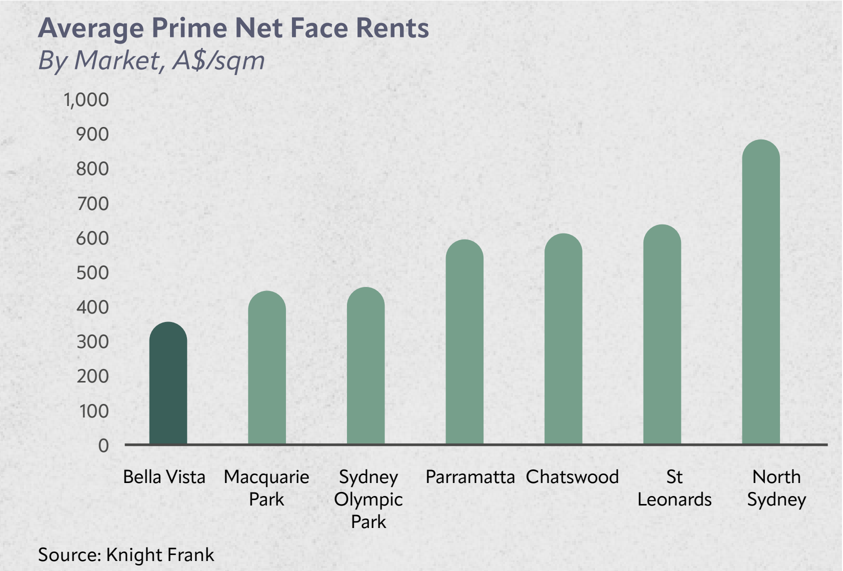
A lack of available leasing options, in conjunction with consistent tenant demand, have led to the resilience of face rents in Bella Vista. Similar to competing markets, prime net face rents have increased slightly over the last 12 months to an average of A$360/sqm (ranging from A$350-A$375 per sqm), with some top end office space achieving A$400/sqm. Incentive levels can average between 25% to 35%, depending on asset and owner. Bella Vista currently runs at a 40% discount on a prime net face basis to Parramatta. **(Exhibit 14 and 15)**

Exhibit 13 – Office Vacancy, Bella Vista versus Other Markets, as at January 2023



Source: Knight Frank, PCA, Arealytics

Exhibit 14 – Average rents, Bella Vista versus Other Markets, as at April 2023



Source: Knight Frank

AUSTRALIA PROPERTY MARKET RESEARCH

4.0 Investment

A$1.46 billion in investment volumes was recorded in 2022 across the North Shore markets, 30% above volumes recorded in 2021, whilst still down on the five-year annual average of A$1.9 billion. The decrease in activity mostly reflects the shortage of sellers and tightly held nature of the North Shore assets, particularly in Chatswood and St Leonards, where no assets have traded since December 2020.

Of the North Shore markets, North Sydney and Macquarie Park have been the most active since the beginning of 2021, accounting for 80% and 18% respectively of investment volumes over the 2021-2022 period.

Focusing on Macquarie Park, which is the third largest metropolitan office market in NSW nationally, pricing has begun to feel the impact of higher funding costs. Average prime yields in Macquarie Park have softened by 100 bps to 6.25% over the last 12 months, while secondary yields have seen a larger 125 bps adjustment to stand at 7.25%. The larger impact on pricing for secondary assets reflects greater caution over the outlook amidst higher rates and also elevated vacancy rates in secondary markets, which means they are subject to more leasing risk than prime assets. **(Exhibit 16)**

Specifically, in Bella Vista, transaction volumes for assets A$10 million and above are limited given it is a strata office dominant market. The last major transaction involved the Centuria Healthcare Property Fund ("CHPF") acquiring eight strata titles within "The Bond" at 8 Elizabeth Macarthur Drive, this translated to 53% of the building's total net lettable area of c.5,700 sqm. The fund acquired the strata titles for A$66.2 million in mid-2022. Prior to this, the only other major transaction is AIMS APAC REIT acquisition of the Woolworths national headquarters at 1 Woolworths Way for A$463 million in late 2021. **(Exhibit 17 and 18)**

Exhibit 15 – Average rents, Bella Vista versus Other Markets

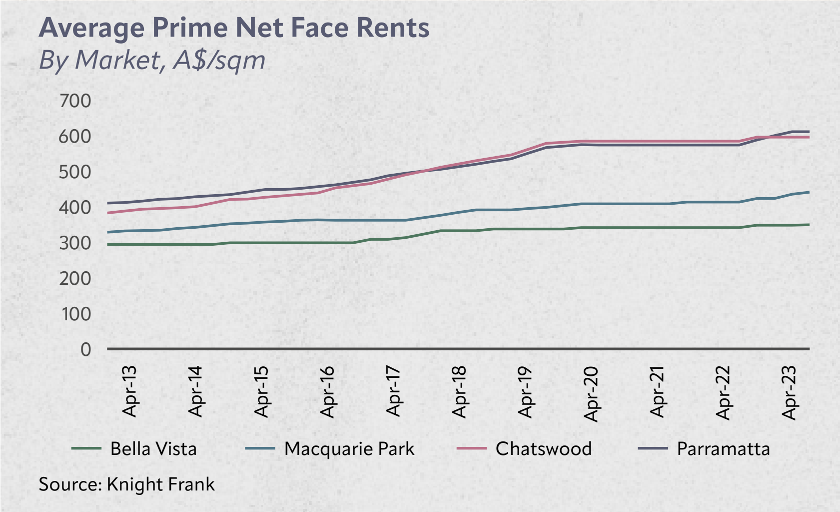


Exhibit 16 – Average Yields, by Markets, as at April 2023

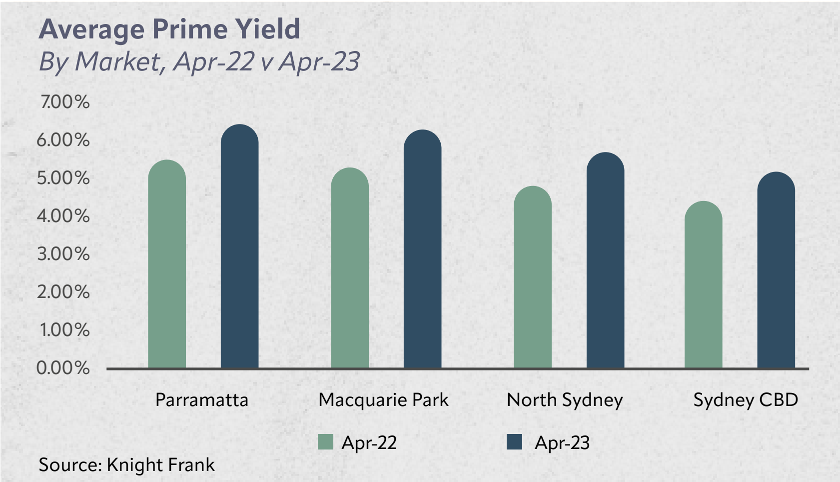


Exhibit 17 – Investment Transaction Values, by Markets

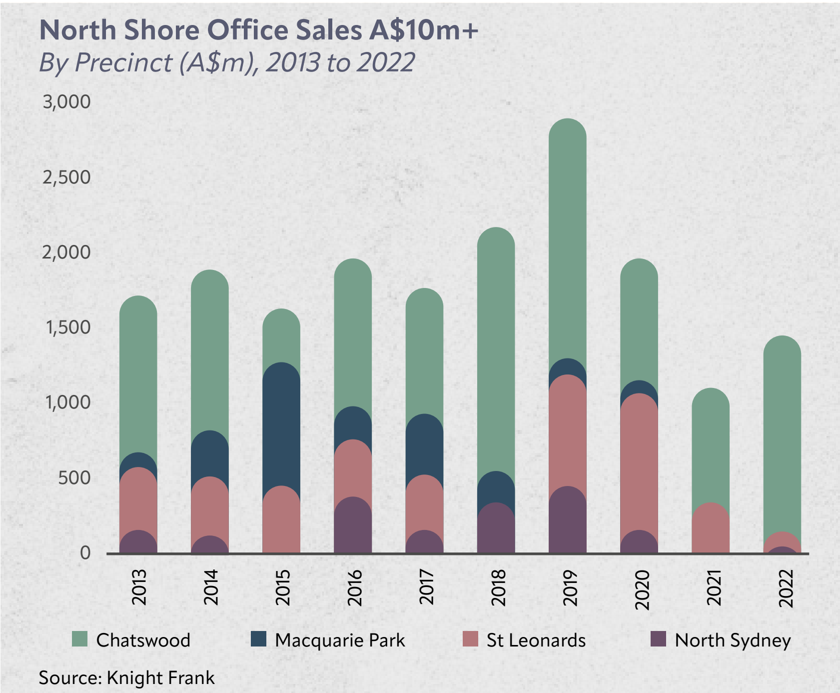


Exhibit 18 – Sales Transactions

Property	Price (A$m)	Core Market Yield (%)	NLA SQM	A$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
8-24 Kippax Street, Surry Hills	123.3	5.56	8,408	14,659	0.6	Canva	KMS	Nov-22
50 Miller Street, North Sydney	148.0	5.50	10,357	14,290	U/D	Sun Venture	Summer Capital	Nov-22
32 Carrington Street, Sydney	38.5	4.50	2,127	18,101	2.6	April Group	Brookfield	Sep-22
36 Carrington Street, Sydney	70.5	4.30	2,874	24,530	4.1	AFIAA	Brookfield	Sep-22
74 Castlereagh Street, Sydney	160.0	4.20	5,640	28,369	1.8	Charter Hall	Country State Development Pty Ltd	Sep-22
73 Miller Street, North Sydney	400.0	4.61	19,114	20,927	7.4	Private Investor	ESR	Aug-22
15 Talavera Road, Macquarie Park	111.5	5.39	12,646	8,813	2.2	LaSalle Investment Management	ESR	Aug-22
157 Walker Street, North Sydney	125.0	5.00	8,928	14,001	U/D	GPT Wholesale Office Fund (GWOF)	Marprop Real estate investors and GLL real estate partners	Jun-22
165 Walker St, North Sydney	68.8	5.00	5,200	13,231	1.5	Roxy Pacific	Intera Group	Jun-22
285a Crown Street, Surry Hills	116.2	4.90	4,727	24,582	6.1	The Shakespeare Group	LaSalle Investment Management	Jun-22
88 Walker Street, North Sydney	170.0	5.40	11,700	14,530	U/D	LaSalle Investment Management	N/A	May-22
20 Smith Street, Parramatta	87.3	5.01	7,352	11,868	1.5	Scheinberg Family	Australian Unity	May-22
4-6 Bligh Street, Sydney	210.0	4.40	10,027	20,943	3.0	Private Investor	Real Estate Capital asia partners IV fund	Apr-22
51 Berry Street, North Sydney	66.3	4.68	3,541	18,724	4.1	Private Investor	Property Bank Australia and Security Capital Corporation	Mar-22
19 Harris St, Pyrmont	185	4.83	12,549	14,742	2.2	Elanor Investor group managed fund	AEW Capital	Mar-22
101 Miller Street, North Sydney (50%)	330.0	5.11	37,473	17,613	3.6	CapitaLand Integrated Commercial Trust (CICT)	Nuveen Real Estate	Jan-22
Darling Quarter, Sydney (50%)	625.0	4.10	61,000	20,492	12.5	Allianz representing National Pension Service of Korea in its AREAP Core 1 Fund	Abu Dhabi Investment Authority	Jan-22

Source: Knight Frank
WALE – Weighted Average Lease Expiry

AUSTRALIA PROPERTY MARKET RESEARCH

5.0 GOLD COAST

5.1 Introduction

City Economy & Population
Sustained Population Growth Aligned with Increased Commercial Demand

The Gold Coast is Australia's sixth largest city with an estimated population of 647,824 as at June 2022, reflecting an annual growth of 2.2% (data from ABS). The strong lifestyle benefits of living on the Gold Coast has continued to attract residents as demonstrated by the fact that 61% of the population increase in 2020-21 was due to migration. Internal migration (relocation within Australia) accounted for 80% of population growth, with 6,745 people relocating to Gold Coast from within Australia. High level data shows that Queensland had the highest population growth rate of any state for the twelve months up to September 2022 at 2.2%. Nationwide, population growth was back to the long-term average of 1.6% as offshore migration recovers from the recent lows. Queensland population growth is driven by net interstate migration gains (+46,623) which accounts for 42% of the population uplift with offshore migration of +42,805 also higher.

Population projections (Queensland Government, 2018) indicate average annual population growth of 2.0% for the 25 years from 2016 to 2041 in the Gold Coast Region. Net interstate migration is forecasted to remain a key driver of this population growth with an estimated total net inflow of 129,000 persons between 2016 and 2041. This is expected to equate to 28% of Queensland's total net interstate migrants.

Infrastructure Investment Remains High

The Gold Coast has continued to attract high levels of investment in both private and public sector projects to facilitate the growth of the city and additional population base.

Major future infrastructure or projects underway include the following identified projects. **(Exhibit 19)**

5.5 Industrial Market

The Gold Coast industrial market is somewhat fragmented with the majority of large warehousing and freight movement taking place in Brisbane distribution centres as the South/South East/South West industrial precincts of Brisbane are only 50-70 km from the central Gold Coast. The Gold Coast industrial market largely serves local parcel and last mile delivery, local businesses and fabricators and smaller format trade outlets and service centres.

Legacy industrial assets may be found along the length of the Gold Coast, generally to the west of the Gold Coast Highway or Bermuda Street as high underlying land value has largely forced a change of use closer to the coast. Concentrations of industrial assets are located in Arundel, Molendinar, Southport, Nerang, Burleigh Heads, Currumbin Waters in Queensland and Tweed Heads/Tweed Heads South in northern NSW. In many of these locales, bulky retail is intermixed with industrial use, particularly along arterial roads. It should be noted that there is significant industrial

Exhibit 19 – Key Infrastructure Project Pipeline in Gold Coast Region

Property	Purchaser	Vendor
Coomera Connector	A$2.16 billion - north-south road connector to duplicate the M1	Stage 1 underway, completion 2025
Light Rail Stage 3	A$1.04 billion to extend the line from Broadbeach to Burleigh Heads, a 6.7km stretch with eight new stations.	Construction commenced early 2022 with a three-year timeline.
Light Rail Stage 4	A$1.5 billion - Final stage to connect the Gold Coast Airport with the light rail system	To be completed prior to 2032.
Health & Knowledge Precinct	200ha innovation hub - A$5 billion total investment	Underway, completion of final stage by 2030
Southport CBD Rejuvenation	A$5 billion total investment	Ongoing public & private sector investment
Three new heavy rail stations	As part of the cross-river rail project, three new railway stations will be added to the line in the Gold Coast – Pimpama, Hope Island and Merrimac. A$120 million	Underway – completion 2024
Brisbane-Gold Coast faster rail project	Track upgrade and duplication $A2.6 billion	Stage 1 delivery 2028
M1 Pacific Motorway	Varsity Lakes -Tugun upgrade	Underway completion late 2023

development throughout the suburbs of Yatala, Stapylton and Ormeau, and despite technically being within the Gold Coast Council region they are adjacent to, and considered part of, the Brisbane industrial market rather than the Gold Coast market.

Industrial rents across the Gold Coast are as much a function of the cost to develop industrial space as from the level of industrial demand. The high underlying value of the land, particularly closer to the coast requires higher rents for new developments to be feasible. While new construction has been limited, recent evidence for new product in Arundel indicates A$145-170/sqm net rent for pure warehouse style space. Older-style existing assets or fabrication facilities range from A$90 to 120/sqm net rent, while industrial assets that compete with or have a trade retail or bulky retail use can achieve net rents of A$170 – 210/sqm. The above rents apply for assets with 1,000 sqm+, with a significant premium currently in force for smaller products such as work stores or smaller industrial strata units.

Industrial assets in the Gold Coast have traditionally been heavily weighted towards owner occupiers and private investors, with the majority of assets not of the scale to attract major institutional investors. As the city continues to mature this will change, with Logos purchasing and developing additional space at a 59,000 sqm multi-tenanted facility as a recent example. **(Exhibit 20)**

5.6 Outlook

The Gold Coast region remains one of the fastest-growing areas in Australia with further population growth contributing to the maturation of the Gold Coast property markets. Ongoing population growth will continue, with the building up of the workforce and expanding the breadth and depth of services, construction and products required to service the Gold Coast area. This provides for a sustained growth profile for both the industrial and office markets.

The construction of new industrial facilities within the central Gold Coast precinct is expected to remain limited with much of the land having a higher and better use given the strong demand from residential developments closer to the coast. This will see demand concentrated for existing industrial assets, highlighting the potential for further rental growth as vacancy will remain limited. Greatest demand has recently been in evidence for smaller premises of 100 – 500 sqm servicing local businesses, trades and also wealthy private part-time residents who need to store cars, boats and other bulky items.

The downside to limited land suitable for industrial development in the Gold Coast is that this will inherently limit the scale and opportunity of the market. Large-scale industrial users may not be able to find suitable premises within proximity to the Gold Coast Central Business District and will instead remain based within the Brisbane market, potentially expanding there to service the Gold Coast rather than taking satellite premises in the Gold Coast itself. The relatively short commute of 40-80 minutes means most industries can be served from the main Brisbane industrial precincts, particularly the South East.

Exhibit 20 – Industrial sale transactions in Gold Coast

Property	Price (A$m)	Core Market Yield (%)	NLA SQM	A$/sqm NLA	WALE	Purchaser	Vendor	Sale Date
22 Rudman Pde, Burleigh Heads#	32.0	4.4 passing	5.5ha land	582 on land	Short term leaseback	JJ Richards	Rudman Commercial	Sep 22
3-11 Fremantle St, Burleigh Heads^	8.2	3.2 passing	2,068	3,965 on bld 1,170 on land	u/d	Firestar Industrial Developments	GTs Holdings Pty Ltd	Mar 22
328 Brisbane Rd, Arundel~	21.43	4.8	10,311	1,940	1.5	Cambooya Properties	Private Investors	Dec 21

Existing quarry with a short-term leaseback to quarry operator, nil improvements but site is benched as per its quarry use
^ Building is leased to an indoor sports operator with c1,600sqm balance land available for development
~ multi-tenanted facility with eight separate buildings, some trade retail tenants
Source: Knight Frank /RCA

We believe in building a foundation for tomorrow that is strong, sustainable, and inclusive. In achieving a sustainable future, we have embedded sustainability across our business operations and strive to minimise our impact on the environment while investing in the people and communities that surround us. We are also committed to building a portfolio that is resilient to environmental risks to protect long-term value for our stakeholders.

FOUNDATION FOR **TOMORROW**

Shaping A Sustainable Future

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This Sustainability Report covers AIMS APAC REIT's ("AA REIT") approach towards sustainability in our business operations and our performance and progress on material economic, environmental, social and governance ("ESG") issues for the period 1 April 2022 to 31 March 2023 ("FY2023"). Unless otherwise stated, environmental data presented in this report relates only to the 18 properties in Singapore which were under the Manager's operational control (FY2022: 19 properties) and employee-related information in this report refers to employees of the REIT Manager and of AIMS APAC Property Management Pte. Ltd. (the "Property Manager"), located in Singapore.

We publish our sustainability reports annually. This is our seventh Sustainability Report and our reports for previous years are available on our website, https://www.aimsapacreit.com/sustainability.html.

Reporting Frameworks

This report has been prepared in accordance with the Global Reporting Initiative's ("GRI") Standards 2021. We have adopted GRI Standards as our reporting framework, as we believe it provides robust disclosure guidance and is widely accepted as a global standard for sustainability reporting. The full GRI content index can be found on pages 111 to 114.

This year, we have also started to adopt the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") in our climate change reporting in accordance with requirements from the Singapore Exchange ("SGX") and the Monetary Authority of Singapore ("MAS"). Our TCFD disclosures can be found on page 95 to 98.

This report complies with the reporting requirements of the Singapore Exchange Securities Trading Limited Sustainability Reporting Guide Listing Rules 711A, 711B and Practice Note 7.6 Sustainability Reporting Guide. This Sustainability Report has been internally audited by a third-party, BDO Advisory Pte Ltd.

Feedback

We welcome feedback on our Sustainability Report and any aspect of our sustainability performance. Please address all feedback to investorrelations@aimsapac.com.

BOARD STATEMENT

Dear Stakeholders,

In the last few years, we have seen a pivotal shift in the expectations of the role businesses play in society. The global pandemic has also created significant additional momentum for change by reinforcing the importance of building a sustainable business. At AA REIT, we recognise the responsibilities we have towards our various stakeholders which include investors, customers, business partners, as well as the communities we operate in, and we strive to deliver on that responsibility.

As the Board of AA REIT, we continue to provide oversight over the identification of ESG issues that are relevant and material to our business. In FY2023, we reviewed and refreshed what we have identified as our key material topics and have set new targets and commitments as part of our efforts to reinforce our sustainability focus. The identified topics have been recognised as having significant potential to impact our business and influence the decisions of our stakeholders.

In the interest of advancing our ESG agenda, we have formalised a framework to ground and guide our sustainability efforts. As we strive to embed ESG and sustainability considerations into our business and investment decisions, the framework serves to provide an overarching view as to how we think about these issues. Alongside this, we have outlined a five-year roadmap with several initiatives targeted specifically to help us achieve our ambitious short, medium and long-term ESG goals, which are measurable and strategic.

These goals include an ambitious commitment to reduce 42% of our Scope 2 greenhouse gas emissions by FY2030, from a FY2020 base year. Furthermore, this target was set in-line with the Science Based Targets initiative ("SBTi"), and in accordance with the goals of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels. This target was determined through a carbon baselining exercise which led to the identification of initiatives to reduce our carbon footprint.

In our efforts to mitigate the effects of climate change, we have taken our first steps towards assessing climate-related risks and opportunities by conducting a climate risk assessment of our portfolio and office headquartered in Singapore. The high-level results of this effort can be found on pages 97 to 98. In this year's report, we are providing disclosures in accordance with the TCFD recommendations for the first time, which include an overview of our climate governance, strategy, risk management approach, identified climate-related risks and our metrics and targets. This also marks our continued commitment towards greater accountability and transparency.

Other key environmental highlights in FY2023 included our partnership with SP Group to install rooftop solar photovoltaic ("PV") systems across six of our industrial, logistics and warehouse properties by December 2023. The total solar PV is estimated to produce a combined 14,500 megawatt-hours of energy per year, which will help avoid over 5,900 tonnes of carbon emissions.

On the social front, we remain committed to nurturing an inclusive and supportive culture. We also made progress on diversity and inclusion, with 61% of our workforce being women and having at least 20% representation of female Directors on the Board[1]. We continued our efforts to provide the best environment for our employees, supporting their well-being through a series of health and wellness initiatives and ensuring the highest standards of safety, fairness and working conditions. In the community, we partnered with non-profit organisations such as the Food Bank Singapore to distribute food bundles to 100 lower-income families and Habitat for Humanity to rehabilitate home conditions for three vulnerable families. We will continue to show our support to local charities to help improve the lives of vulnerable members of the local community.

The seventh Sustainability Report for FY2023 ("SR FY2023") details our efforts and achievements made on the ESG front during the year and is the culmination of hard work by the team. We would like to express our gratitude to everyone who has contributed to our sustainability journey. Looking ahead, there is more work to be done as we look to drive sustainability trajectory within our business and operations. We look forward to providing all of you with favourable updates on our progress in our roadmap in the coming years.

The Board of Directors

AIMS APAC REIT Management Limited

[1] As at 1 April 2023, following the stepping down of Mr Kheng Hwa as an Independent Non-Executive Director effective on 31 March 2023.

FY2023 ESG Highlights

Established Sustainability Framework to embed sustainability into our business strategies

- Development of a five-year sustainability roadmap to drive ESG performance

Inked solar partnership to add 14,500 Megawatt-hours (MWh) of renewable energy per year

- Completed the installation of solar panels on two out of six properties in FY2023

Achieved BCA Green Mark Gold Plus certification for 7 Bulim Street in Singapore

Contributed to 103 households through our community service outreach initiatives with a 72% staff participation rate

Reviewed and updated our Board Diversity Policy

- Achieved target of having at least 20%[2] representation of female directors

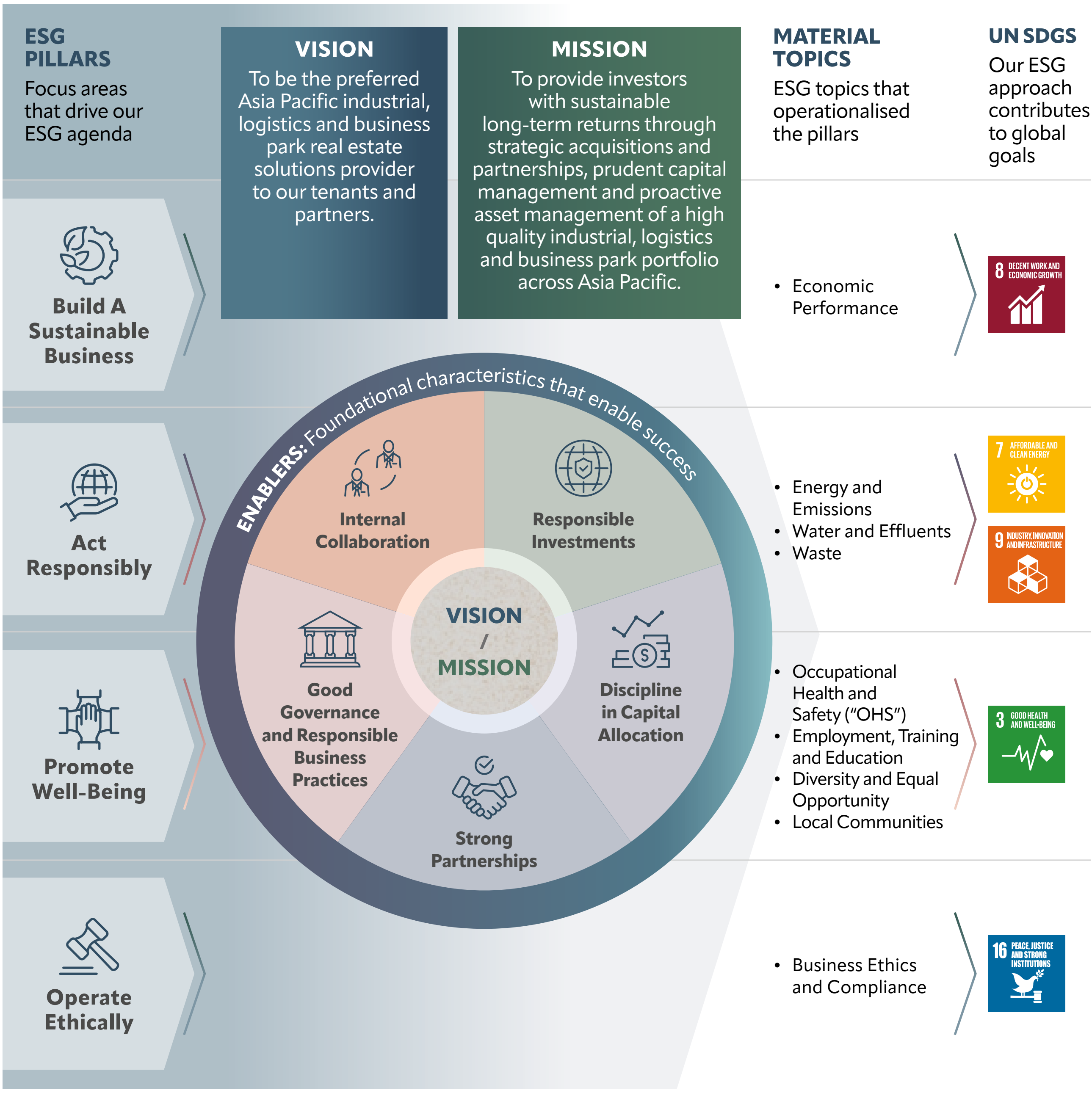
[2] As at 1 April 2023, following the stepping down of Mr Kheng Hwa as an Independent Non-Executive Director effective on 31 March 2023.

SUSTAINABILITY FRAMEWORK

At AA REIT, we recognise that we have a role to play in creating a sustainable future and are committed to sustainable and responsible growth. We strive to embed sustainability into our business practices and processes in order to reduce any adverse environmental and social impact of our operations while playing a role in the betterment of the communities we operate in.

This year, our sustainability strategy has been reinforced by our sustainability framework that seeks to ground and guide our long-term sustainability strategy and reaffirmed by our roadmap and targets. To fulfill our duty as a responsible corporate citizen, we strive to set a firm foundation for tomorrow by creating positive economic, environmental and social impact. To this end, we have developed and implemented relevant policies, procedures and practices to manage sustainability issues efficiently across our business operations.

Our sustainability framework supports the vision of the UN Sustainable Development Goals ("UN SDGs") and we have adopted five of the 17 SDGs which are most applicable to our business and our ESG material topics.



SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

We believe that sustainability, together with accountability and transparency, is a tenet of good governance. Our ESG framework is supported by a strong governance structure which involves the Board of Directors and senior management's commitment and oversight on ESG priorities. ESG-related indicators are also integrated into the Key Performance Indicators as part of the annual appraisal process for employees from relevant functions. All members of the Board of Directors have also received ESG training.

SUSTAINABILITY GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

AA REIT's Board of Directors provides strategic directions and oversees the determination and management of material ESG factors and targets of the REIT. The Board of Directors receives quarterly updates from the Sustainability Council.

SUSTAINABILITY COUNCIL

The Sustainability Council ("SC") is led by the Chief Executive Officer and supported by the Sustainability Manager and comprises the heads of department from every business function. The SC is responsible for the driving of sustainability strategy and objectives, overseeing and approving the implementation of initiatives, tracking of targets for continuous improvement and reviewing of sustainability performance. The SC meets at least quarterly and is supported by the Sustainability Working Committee.

SUSTAINABILITY WORKING COMMITTEE

The Sustainability Work Committee ("SWC") is led by the Sustainability Manager and Portfolio Manager, and is comprised of senior members across the various business function. The SWC is involved in implementing, executing and monitoring sustainability policies and practices, collecting of data and collaborating with the various business functions in managing ESG matters within the organisation. Critical concerns are communicated to the Board and Sustainability Council through the SWC. The SWC meets at least once a month.

INTERNAL AUDIT

Independent and objective assurance and advice on all matters related to the achievement of objectives

STAKEHOLDER ENGAGEMENT

At AA REIT, we believe that active stakeholder engagement allows us to build meaningful and mutually beneficial relationships. We regularly engage with our stakeholders throughout the year on many topics and through a variety of platforms to understand what is important to them and how our business can be a force for good. This regular, continual stakeholder engagement also keeps us abreast of evolving needs and expectations, and shapes our strategies and initiatives as we strive to remain relevant. Key stakeholders were determined based on significance of impact on and by operations of AA REIT.

Key Stakeholders	Key Topics and Concerns	Engagement Methods[3]	Frequency of Engagement
Employees	• Health and safety • Fair and competitive employment practices • Talent development • Equality and diversity • Compensation and other benefits	• Town halls	• Bi-annually
		• Constant review of Occupational Health & Safety standards by OHS committee	• Throughout the year
		• Training and development programme	• Throughout the year
		• Recreational and wellness activities	• Throughout the year
		• Career development performance appraisals	• Annually
		• Employee Handbook	• Throughout the year

[3] Includes virtual engagements, where applicable.

Key Stakeholders	Key Topics and Concerns	Engagement Methods[3]	Frequency of Engagement
Investment Community	• Sustainable distributions • Operational and financial performance • Asset and capital management • Business strategy and outlook • Timely and transparent reporting	• Investor conferences, webinars, face-to face meetings and Non-Deal Roadshows	• Throughout the year
		• Annual General Meeting	• Annually
		• Website, announcement, management presentations, press release, webcasts of half-year and full-year results briefings	• Throughout the year
		• Results briefings and business updates for investors and analysts	• Quarterly
		• Site visits	• Annually
Current and Potential Tenants	• Quality and maintenance of assets • Environmentally sustainable buildings • Safety and security of premises • Tenant engagement • Tenant satisfaction • Responsiveness to tenant requests and feedback	• Tenant survey	• Annually
		• Tenant meetings	• Throughout the year
		• Improving efficiency of buildings	• Throughout the year
		• Encourage and support tenants' ESG initiatives	• Throughout the year
		• Fitting-out manuals	• Throughout the year
Business Partners	• Safe working environment • Fair and reasonable business practices • Stronger relationships	• Review of third-party service providers ("TPSPs")	• Throughout the year
		• Meetings, inspections and networking events	• Throughout the year
		• Communicating standard operating procedures (where applicable)	• Throughout the year
		• Ensuring robust health and safety requirements are met by TPSPs during the selection process and execution of contracts	• Throughout the year
		• Conveying the integrity of the procurement process	• Throughout the year
		• Screening of suppliers based on environmental and social criteria	• Throughout the year
Government, Regulators and Industry Bodies	• Business ethics and regulatory compliance • Good corporate governance	• Responses to public consultations	• Throughout the year
		• Participation and membership in industry forums and associations	• Throughout the year
Local Communities	• Impact and contribution to the communities AA REIT operates in	• Corporate social responsibility ("CSR") events	• Throughout the year

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

To identify the ESG factors that matter most to our business and our key stakeholders, we conduct materiality assessments on a regular basis. The materiality assessment helps us to identify and prioritise the topics to guide and set our ESG strategies. The process involves identifying ESG-related topics based on industry mega-trends and stakeholder feedback. AA REIT surveys internal and external stakeholders to rank these factors based on their significance. Responses from the stakeholders' surveys are assessed to create a materiality matrix which is used to finalise the topics.

Material Topics

In July 2022, the Manager completed a materiality assessment exercise. The FY2023 material topics were reviewed, refreshed and approved by the Board and Sustainability Council, after taking into consideration the stakeholders' survey results, a peer analysis and a benchmarking assessment against established standards and frameworks in sustainability. We had also established targets for each of our key material topics and are in the process of strengthening the policies and process of the data supporting them. For FY2023, there were two new material topics, namely Waste and Diversity & Equal Opportunity. The material topics for FY2023 are presented below.

Categories	Material Topic	Targets	U.N. Sustainable Development Goal Mapping
Build a Sustainable Business	Economic Performance	**Perpetual Target:** • To provide investors with sustainable long-term returns	SDG 8: Decent work and economic growth
Act Responsibly	Energy and Emissions	**Short-term Target:** • To commence installation of energy-efficient fittings and equipment at 20 Gul Way and 135 Joo Seng in FY2024 **Medium-term Target:** • To generate 15,000 MWh of solar energy per year by FY2025 • 45% of total tenants on Green Leases by FY2025 (based on number of leases) • To actively engage tenants for the collection of Scope 3 emissions **Long-term Target:** • Adopted target aligned with the SBTi criteria: commit to 42% reduction in Scope 2 emissions by FY2030, from FY2020 base year	SDG 7: Affordable and clean energy SDG 9: Industry, innovation and infrastructure
	Water and Effluents	**Short-term Target:** • Progressively install water efficient fittings certified under the PUB's Water Efficiency Labelling Scheme (or equivalent) for toilets **Medium-term Target:** • To actively engage master tenants in single-user properties for collection of water consumption data **Long-term Target:** • Reduce water intensity by 18% by FY2030, from FY2020 base year	

Categories	Material Topic	Targets	U.N. Sustainable Development Goal Mapping
Act Responsibly (cont'd)	Waste (NEW)	**Short-term Target:** • To collect accurate waste data for all properties with operational control by end of FY2024 • To encourage waste recycling across properties with operational control **Medium-term Target:** • To actively engage master tenants in single-user properties for collection of waste data	SDG 7: Affordable and clean energy SDG 9: Industry, innovation and infrastructure
Promote Well-being	Occupational Health and Safety	**Perpetual Target:** • Zero incidents resulting in staff permanent disability or fatality • Conduct OHS committee meetings every quarter	SDG 3: Good health and well-being
	Employment, Training and Education	**Perpetual Target:** • Achieve average training hours of at least 15 hours per employee per annum	
	Diversity and Equal Opportunity (NEW)	**Perpetual Target:** • Commit to fair employment practices by ensuring that all individuals receive the same opportunities for hiring, advancement and benefits • Zero cases of validated discrimination	
	Local Communities	**Perpetual Target:** • To participate in two CSR initiatives annually	
Operate Ethically	Business Ethics and Regulatory Compliance	**Perpetual Target:** • Zero material incidents of non-compliance with regards to anti-corruption laws and regulatory compliance	SDG 16: Peace, justice and strong institutions

SUSTAINABILITY REPORT

BUILDING A SUSTAINABLE BUSINESS

We are committed to delivering strong financial returns to our investors in a socially responsible manner. Our strategic investments and partnerships are structured to create a positive impact for our Unitholders and communities, while ensuring the long-term resilience of our portfolio.

OUR APPROACH

Incorporate sustainability risk elements in risk management approach	Progressively adopt and promote climate-resilient practices	Incorporate sustainability risk elements in risk management approach

Economic Performance

AA REIT's mission is to provide investors with sustainable financial returns while making a positive impact in the communities we operate in. In FY2023, AA REIT delivered a Distribution per Unit of 9.944 Singapore cents, 5.1% higher than in FY2022. For detailed information regarding our economic performance, please view the Financial Statements section of our Annual Report, found on pages to 143 to 219 and our Capital Management section found on pages 35 to 36.

The rights of creditors, which comprise the lending banks, are protected with a healthy interest coverage ratio and gearing ratio well below the regulated limits. Quarterly internal compliance reviews are also conducted to ensure that various capital management metrics remain compliant with loan covenants.

In driving sustainable growth, the Manager adopts a disciplined and prudent capital management approach.

Key Initiatives in FY2023:

Strategic planning through annual budget review exercise:

- The Manager carries out an annual budget review exercise which provides a long-term view on AA REIT's financial performance and leads to the formulation of long-term strategies for the business. To ensure accountability and responsibility, a regular review of the budget is carried out, and the overall financial performance is regularly reported to the Board.

Review of service charges for Singapore properties to address inflationary pressures:

- In view of rising property-related costs such as labour, material and electricity, the Manager has implemented higher service charges for its Singapore properties with effect from 1 January 2023. This has allowed AA REIT to mitigate the impact of rising inflation rates.

Entering into long-term contract with vendors to mitigate rising operational costs:

- The Manager regularly reviews expiring term contracts (e.g. cleaning services, security services). In view of rising operational costs, the Manager strives to enter into longer contract durations with vendors to reduce volatility of AA REIT's financial performance.

Proactive hedging of interest rate risk and foreign currency risks:

- Through regular monitoring of interest rates and currency movements, AA REIT mitigates the impact of interest rate volatility and foreign currency risks via derivative financial instruments. Interest rate risks are mitigated via fixed rates borrowings and interest rate swaps. AA REIT mitigates foreign currency risks via forward currency hedges on a four-quarter rolling basis. As at 31 March 2023, 88% of AA REIT's borrowings are on fixed rates (including forward interest rate swaps) and 70% of its expected AUD distributable income is hedged into SGD.

Maintaining strong financial flexibility:

- The Manager adopts a prudent and disciplined approach to capital management. As at 31 March 2023, AA REIT's aggregate leverage was 36.1% with an overall blended debt funding cost of 3.4%. There are no refinancing requirements until FY2025. The available committed debt facilities and cash and bank balances of S$182.3 million provide AA REIT with the financial flexibility to manage its capital structure, to fund future developments and asset enhancement initiatives and capture any acquisition growth opportunities. Through its strong relationships with its financial institutional partners, AA REIT has access to well-diversified funding sources.

Environmental Risk Management

We are cognisant that climate change is presenting new and growing forms of financial risks to real assets. Beyond the physical impacts of climate change, increasing regulations and changing market preferences as part of the low carbon transition are influencing investment management and performance. As we strive to future-proof our portfolio, it is also imperative to take into account longer trends resulting from climate change as well as costs associated with mitigation actions and climate risk.

In FY2023, we set out to adopt TCFD recommendations for the first time and will be implementing a phased approach towards climate reporting. This is also in line with the MAS Guidelines on Environmental Risk Management ("EnRM") for Asset Managers as well as SGX requiring listed companies from the material and buildings industry to provide climate-related disclosures based on the TCFD recommendations from FY2025 onwards. Looking forward, we will be working with third parties on climate-related scenario analysis to evaluate the exposure of our portfolio to physical and natural hazards as well as ensure that we are prepared for changes in frequency and severity of extreme weather events.

The following section demonstrates AA REIT's approach to managing climate-related risks that may impact our business, with close reference to the four primary pillars of TCFD.

Key Components of TCFD Recommendations	AA REIT's Response
Governance **a) Describe the board's oversight of climate-related risks and opportunities.** **b) Describe management's role in assessing and managing climate-related risks and opportunities.**	• The Board provides strategic directions and oversees the determination, monitoring and management of material ESG factors of the REIT. This includes: › Considering the environmental risk profile in setting the firm's strategy plan; › Approving an environmental risk management framework and policies to assess and manage the environmental risk of assets managed; › Setting clear roles and responsibilities of the Board and senior management relating to oversight of environmental risk; and › Providing oversight in relation to building environmental risk management competency at the Board and management level. • Management, represented by the Sustainability Council, manages sustainability strategy and objectives, oversees the implementation of initiatives and set targets for continuous improvement. This includes: › Ensuring development and implementation of EnRM framework and policies, detailing how AA REIT incorporates environmental risk considerations in investment research, portfolio construction, risk management and stewardship practices; › Ensuring ESG commitments align with the environmental risk profile set by the Board through short, medium and long-term lens; › Establishing an internal escalation process for managing environmental risk; and › Providing regular updates to the Board on material environmental risk issues. • Please refer to the "Sustainability Governance" section on page 90 for more information.

SUSTAINABILITY REPORT

Key Components of TCFD Recommendations	AA REIT's Response
Strategy **a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.** **b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.** **c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**	• Management has integrated environmental risk into the existing Enterprise Risk Management process and accounts for environmental risk considerations in its investment process and at a portfolio level, which are monitored and appropriately managed where the risk is material. • Management has conducted a qualitative assessment of climate-related transition and physical risks for all its properties, considering short-term, medium-term to 2030 and long-term to 2050 time horizons per SGX recommendations for a phased TCFD approach. Please refer to page 97 for more information on the scenarios considered.
Risk Management **a) Describe the organisation's processes for identifying and assessing climate-related risks.** **b) Describe the organisation's processes for managing climate-related risks.** **c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.**	• The Board will periodically review the existing Enterprise Risk Management policy to ensure that environmental and climate-related risks are being appropriately captured and assessed to manage potential and actual impacts of environmental risk. • AA REIT acknowledges that achieving our sustainability goals will require building sustainability capabilities across our organisation. As such, we will introduce training and development programmes to upskill employees and Board members on the topic of environmental and climate-related risks. • Please refer to pages 97 to 98 for more information on AA REIT's climate-related risks identification and assessment process.
Metrics and Targets **a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.** **b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.** **c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.**	• Climate-related and environmental metrics such as energy consumption and intensity and Scope 1 and Scope 2 GHG emissions are disclosed in the Energy and Emissions section of this sustainability report. Please refer to page 99 for more information on AA REIT's target for energy and emissions. • AA REIT currently has long-term emissions reduction goals. Moving forward, AA REIT is exploring additional metrics and targets to measure relevant environmental risks and opportunities.

In FY2023, AA REIT conducted our inaugural qualitative environmental risk assessment and scenario analysis exercise to identify and assess the potential impacts of:

- Transition risks[4], under the Network for Greening the Financial System ("NGFS") net zero scenario and a business-as-usual ("BAU") scenario
- Physical risks[5], under the Intergovernmental Panel on Climate Change ("IPCC") RCP 2.6 (1.5°C) scenario and RCP 8.5 (4°C) scenario[6]

The net zero scenario assumes that the global mean temperature increases by the year 2100 from pre-industrial levels would be 1.5°C or less and will attract higher transition risks arising from the regulatory, market and technological changes in a lower-carbon and more environmentally sustainable economy.

The BAU scenario assumes that global mean temperature increases by the year 2100 would be more than 4°C, with higher physical risks arising from changes in the physical environment and climate.

The identified transition and physical risks were assessed for the following time horizons:

- Short-term: Within the next 2 years (by 2025)
- Medium-term: Within the next 2 to 7 years (by 2030)
- Long-term: Within the next 8 to 27 years (by 2050)

These time horizons are in-line with TCFD, IPCC and NGFS scenario analysis guidance.

The risks considered can be categorised as transitional risks and physical risks, and are listed in the table below.

Risk Type	Description	Possible Impacts and AA REIT's Response
Transition Risk		
Regulatory and policy	The risk of loss resulting from failure to comply with laws, regulations, contracts or court decisions relating to the impacts of climate change.	• Mandatory climate-related disclosures (and stricter sustainability reporting requirements) would result in additional costs as regulated companies create and maintain processes for carbon emissions monitoring. AA REIT is already capturing relevant data and working with stakeholders to improve the quality and timeliness of that data. • AA REIT is assessing and managing risk of capital financing being affected by non-compliance with GHG disclosure requirements by collecting and disclosing energy consumption and GHG emissions.
Reputational	The risk of damage to an organisation's image and brand as a result of its actions or perceived inaction on climate-related issues.	• AA REIT is managing potential reputational risks through regular and robust stakeholder engagement. Please see pages 90 to 91 for more information on AA REIT's stakeholder engagement efforts.

[4] Transition risks arise from the process of shifting towards a low-carbon economy, and can include regulatory changes, disruptive technological developments, and shifts in consumer and investor preferences.
[5] Physical risks arise from the impact of weather events and long-term or widespread environmental changes and can include increased severity of extreme weather events such as floods, rising mean temperatures, sea levels and weather patterns.

SUSTAINABILITY REPORT

Risk Type	Description	Possible Impacts and AA REIT's Response
Transition Risk		
Market	The risk of financial loss resulting from market changes.	• AA REIT understands that less desirable properties in locations vulnerable to climate change may lead to reduced occupier/tenant demand, reduction in customer base and reduced asset value and are incorporating such considerations into our investment approach. • We understand that inability to meet or keep up with market expectations for green technologies may result in the loss of competitive edge. This is one of the reasons we have endeavoured to install rooftop PV solar panels and are in the process of updating buildings with energy-efficient fittings. Please see pages 99 to 102 for more information.
Technology	The risk of obsolescence or increased operational cost resulting from the failure to adopt new technologies or business practices that address the impacts of climate change.	• Failure to implement new technologies that have the potential to address energy/emissions/water/waste demands in the operations may lead to a loss in market share and stranded assets. AA REIT is working towards upgrading its buildings to improve energy and water efficiency. • Neglecting the adoption of sustainable and eco-friendly technologies in the long run may lead to increased energy and operational expenditure. In FY2023, we made progress towards advancing our green technology journey by inking a partnership with SP Group to install 10.8 MWp of solar PV system which will collectively produce 14,500 MWh of energy per year, atop six of our Singapore properties.
Physical Risk		
Acute	Extreme weather such as flooding and fire caused property damage and business disruption.	• AA REIT is aware that flooding events may damage properties and disrupt the use of facilities. We are carefully monitoring this risk. • AA REIT is carefully monitoring fire events in Australia that may damage facilities and disrupt use of facilities.
Chronic	Long-term, persistent impacts of climate change on an organisation's assets, operations and supply chains.	• Extreme weather and rising temperature lead to higher cost of refurbishments and expense of up-front countermeasures and property insurance premium. AA REIT is carefully monitoring these risks.

Following the identification of climate-related risks, we are in the process of reviewing existing and potential mitigation actions to address and abate these risks, and will provide an update on our progress in our next Sustainability Report. We will be enhancing our Enterprise Risk Management Framework to identify, assess, monitor and manage climate-related risks and opportunities across our portfolio and are looking into conducting regular scans for exposure of our existing properties to physical risks and periodic climate-risk assessment to identify potential exposure to any new environmental risks or changes to prevailing environmental risks amid an evolving ESG landscape.

ACTING RESPONSIBLY

As a responsible corporate citizen, we strive to reduce our impact on the environment. We do so by working closely with our customers, developing and obtaining the necessary credentials for sustainable buildings and the generation of renewable energy.

OUR APPROACH

- Track, manage and reduce emissions and water consumption
- Encourage recycling and minimise waste generation
- Invest in energy-efficient fixtures and new technologies to improve the performance of our assets
- Review, calibrate and adopt ESG criteria in our investment and redevelopment processes

Our Progress

▶ FY2023 Targets	▶ FY2023 Achievements	▶ Targets
Energy and Emissions		
• Invest in new projects and existing properties to improve energy efficiency • Explore integrating new sustainable practices into our business operations • Measure and disclose our Scope 1 and 2 emissions in the medium-term with a view to include Scope 3 emissions in future	• Inked solar partnership with SP Group for the installation of 10.8 MWp of solar PV system which will collectively produce 14,500 MWh of energy per year, atop six of our Singapore properties • Completed carbon baselining exercise to benchmark our carbon footprint and AA REIT is reporting its Scope 2 emissions in SR FY2023	**Short-term Target:** • To commence installation of energy-efficient fittings and equipment at 20 Gul Way and 135 Joo Seng in FY2024 **Medium-term Target:** • To generate 15,000 MWh of solar energy per year by FY2025 • 45% of total tenants on Green Leases by FY2025 (based on number of leases) • To actively engage tenants for the collection of scope 3 emissions **Long-term Target:** • Adopted target aligned with the SBTi criteria: commit to 42% reduction in Scope 2 emissions by FY2030, from FY2020 base year
Water and Effluents		
Measure and evaluate the long-term sustainability of our water performance data and identify new water efficiency opportunities within our portfolio and new developments	• Commenced toilets upgrading and the installation of water efficient fittings for one Singapore property • Introduced initiatives to improve water management in properties	**Short-term Target:** • Progressively install water efficient fittings certified under the PUB's Water Efficiency Labelling Scheme (or equivalent) for toilets **Medium-term Target:** • To actively engage master tenants in single-user properties for collection of water consumption data **Long-term Target:** • Reduce water intensity by 18% by FY2030, from FY2020 base year

Our Progress

▶ FY2023 Targets	▶ FY2023 Achievements	▶ Targets
Waste [NEW MATERIAL TOPIC]		
Not applicable		**Short-term Target:** • To collect accurate waste data for all properties with operational control by end of FY2024 • To encourage waste recycling across properties with operational control **Medium-term Target:** • To actively engage master tenants in single-user properties for collection of waste data

Green Buildings

We recognise the role green buildings play in reducing negative impacts on the environment as well as the importance of green building certification standards to help attract and retain customers who value sustainability. As at 31 March 2023, we have four buildings with green building certifications in our portfolio, of which 7 Bulim Street in Singapore obtained the Building and Construction Authority ("BCA") Green Mark Gold Plus in FY2023.

These are the green building certifications within AA REIT's portfolio:

- 7 Bulim Street, Singapore: BCA Green Mark Gold Plus
- 1A International Business Park, Singapore: BCA Green Mark Gold
- Optus Centre, Australia: 5-stars NABERS energy rating and 5-stars NABERS water rating
- Woolworths HQ, Australia: 4.5-stars NABERS energy rating

Going forward, the Manager will assess the feasibility of obtaining new green building certifications during the design and planning phase of new development projects, as well as during asset enhancement initiatives, where economically viable. We will also review our existing properties regularly for certification or recertification opportunities.

Energy and Emissions

AA REIT has committed to play our part to mitigate climate change by limiting global warming to 1.5°C. We adopt a two-pronged approach — improving building energy performance and reducing our carbon emissions through innovation and advancing best practices.

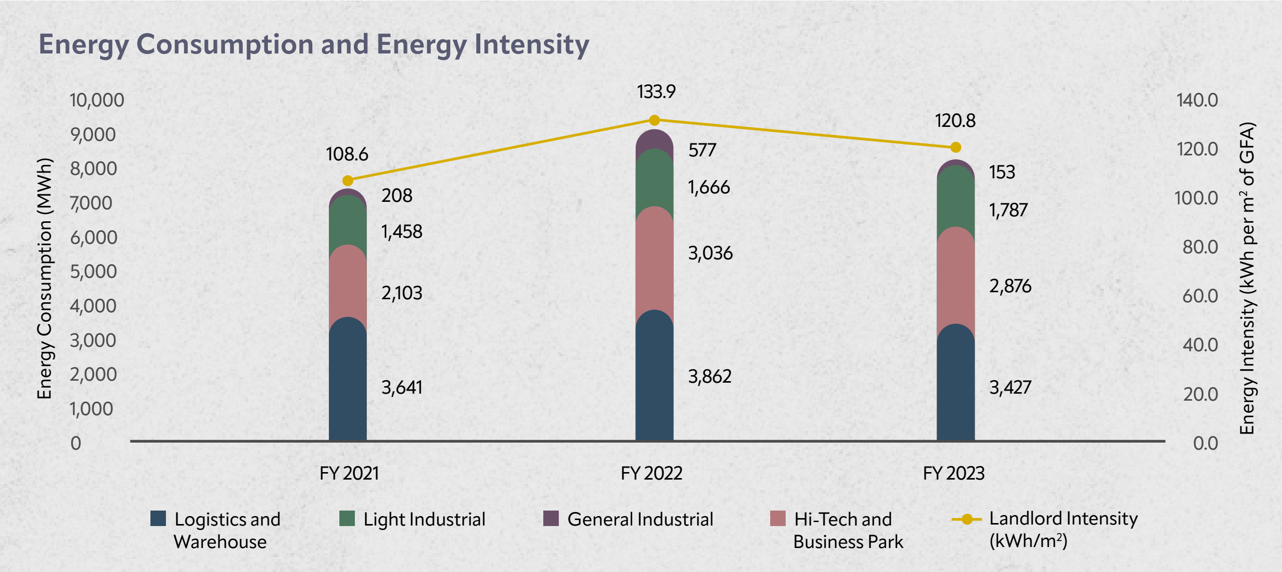
Our Performance[6]

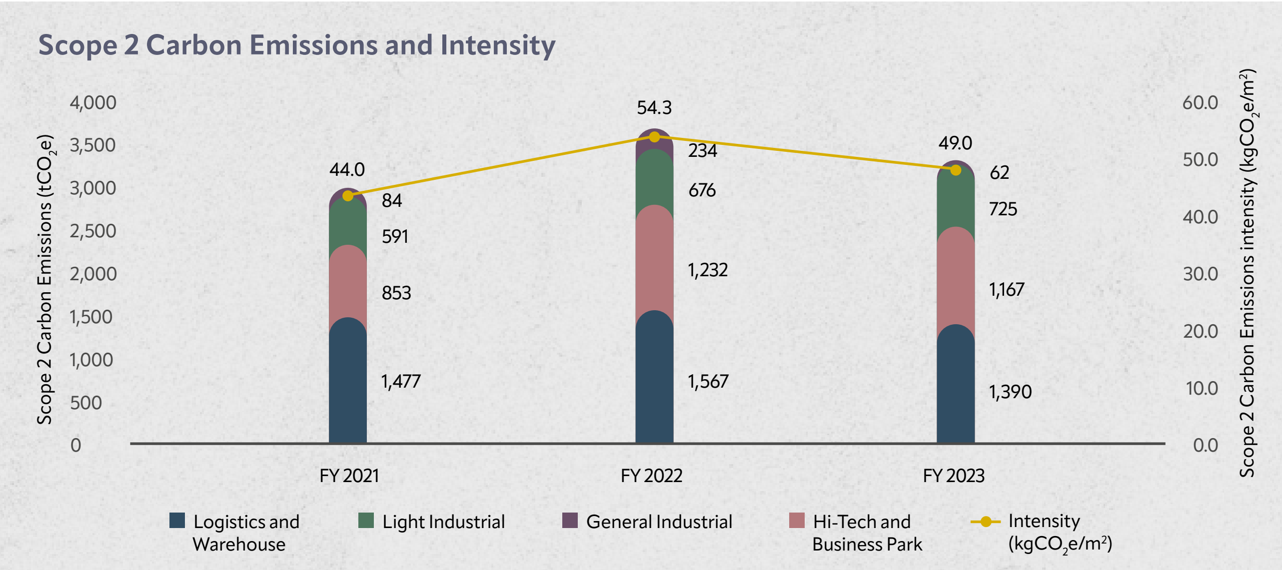
Energy consumption of AA REIT's properties comes predominantly from the use of electricity for lighting, air conditioning and mechanical ventilation ("ACMV") systems and lifts which translate to Scope 2 (indirect GHG) emissions. The energy consumption data presented in the following section reflects the landlord's energy consumption of buildings the Manager has operational control over. As the vast majority of total building carbon emissions from AA REIT's properties are from electricity use, the Manager only reports Scope 2 GHG emissions[7].

In FY2023, total energy consumption for our portfolio was 8,243 MWh, a reduction of 898 MWh compared to FY2022. Correspondingly, average building electricity intensity reduced by 9.8% from 133.9 kWh/m^2 to 120.8 kWh/m^2 of common area GFA. As part of the Manager's efforts to track and improve its energy consumption, a third-party vendor was engaged in FY2022 to actively manage the efficiency of the chillers in 1A International Business Park. Since the engagement, the chiller has reported an improvement of 25% in energy efficiency.

6 The energy performance pertains only to the properties over which AA REIT has direct operational control. For the purpose of accurate comparison with previous years, we have conducted a like-for-like comparison by excluding the operational data from property 23 Tai Seng Drive, which was converted into a single-tenanted building in FY2023. This approach ensures that the comparison is consistent and reliable.

7 Scope 1 emissions are the result of activities from a company such as combustion of fuels for boilers, furnaces, turbines, or company owned and operated vehicles, physical or chemical processing or fugitive emissions resulting from the use of refrigeration and air conditioning equipment. AA REIT's buildings are connected to the electrical grid and, while AA REIT does use diesel generators in the event of power outages and there are some fugitive emissions, these were deemed negligible in FY2023 and we have chosen not to disclose it in this Sustainability Report. Further, AA REIT does not operate company-owned vehicles. Therefore, AA REIT has no Scope 1 emissions to disclose this year, and the disclosed Scope 2 emissions are the result of purchased electricity.





In FY2023, the total building GHG emissions of AA REIT's properties were 3,344 tonnes of CO_2 equivalent ("CO_2e"), a 364 tonnes decrease from 3,708 tonnes CO_2e in FY2022. Average building GHG emission intensity reduced by 9.8% from 54.3 $kgCO_2e/m^2$ to 49.0 $kgCO_2e/m^2$ over the same period.

In FY2023, the Manager concluded a carbon baselining study for its portfolio with respect to properties under its operational control and committed to a science-based target of a 42% reduction in scope 2 emissions by FY2030, (from FY2020 base year). Following the study, the Manager has established a carbon reduction roadmap to enable AA REIT to achieve its target. The roadmap entails initiatives such as the replacement of lifts and ACMV systems to more energy-efficient models across select properties, as well as the enhancement of procurement procedures to account for ESG considerations. Through our continued efforts towards achieving our long-term goal, we have been closely monitoring our progress. This year, we made significant strides by achieving a 25.6% reduction in scope 2 emission intensity, compared to our FY2020 carbon baseline emissions[8]. Our commitment to this long-term target remains steadfast, and we will continue to prioritise and invest in emission reduction initiatives to achieve our goal. The Manager intends to install energy-efficient fittings and equipment in two of its Singapore properties in FY2024. This includes the replacement of chiller at 135 Joo Seng with new energy-efficient models as well the upgrade to LED lightings at 20 Gul Way.

[8] Our calculation of carbon emissions and intensity for FY2020 is based on the carbon baselining study we conducted.

Environment Case Study

SOLAR PARTNERSHIP WITH SP GROUP

On 16 September 2022, AA REIT announced its partnership with SP Group, a leading provider of utilities and sustainable energy solutions in Asia Pacific, to install rooftop solar PV system across six of AA REIT's industrial, logistics and warehouse properties in Singapore by December 2023.

Upon completion, the 10.8 MWp combined solar PV system is expected to generate over 14,500 MWh of energy annually. The solar energy generated from the combined rooftop solar PV system is recognised as a renewable energy source and AA REIT will receive all the renewable energy certificates ("RECs") associated with the solar energy generated. These RECs can be used to offset carbon emissions by AA REIT.

As at 31 March 2023, the Manager has completed solar panel installations atop two of its properties in Singapore - 8 & 10 Pandan Crescent and 30 Tuas West Road. Collectively, these solar panel installations at these 2 properties have a capacity of 1.63 MWp.

Water and Effluents

We seek to reduce our environmental impact through sustainable management of natural resources. This includes water which is a scarce resource in most parts of the world. Even though water consumption from AA REIT's business activities is negligible with most of the use of water relating to our common areas (i.e. bathrooms and pantries) and chiller plant systems, we are committed to improving water management across our portfolio of properties and to encourage our tenants to use water responsibly.

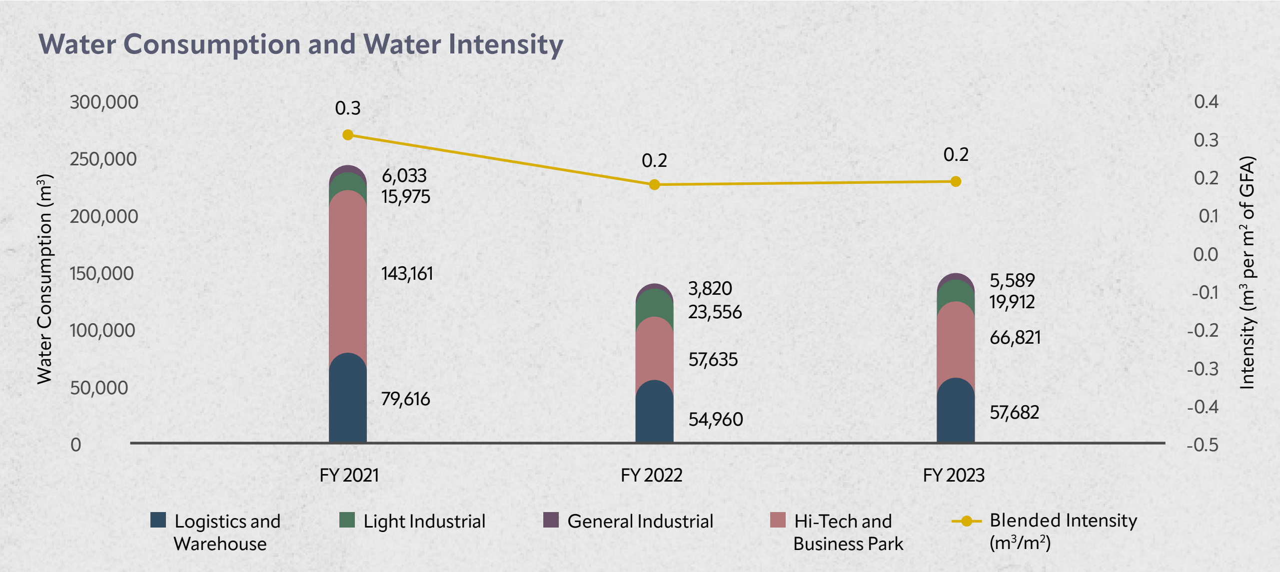
Our Performance[9]

We have adopted various water management practices to reduce water usage and actively track our water consumption to analyse usage patterns. This allows us to identify opportunities to improve water efficiency. The Property Manager performs regular inspections on water-related systems and carries out regular maintenance to prevent and address water leakages issues. In FY2023, water conservation posters, including QR codes to report leaks to ensure fast rectifications, were placed in toilets.

The Manager also strives to install water-efficient fittings certified under the Public Utilities Board's ("PUB") Water Efficiency Labelling Scheme (or equivalent). In recognition of AA REIT's efforts in water management, two of AA REIT's properties in Singapore, 1 Bukit Batok Street 22 and 8 Tuas Avenue 20, are certified by PUB as Water Efficient Buildings ("WEBs"). In Australia, Optus Centre has attained a 5-star (Excellent) NABERS water rating. In FY2023, the Manager also commenced toilet upgrading at 15 Tai Seng, which saw the installation of water-efficient fittings. Moving forward, the Manager will progressively install water-efficient fittings for toilets during their upgrading.

In FY2023, total building water consumption for our properties was 150,004 m^3, of which landlord consumption accounts for 53%. Water intensity as per landlord's consumption for FY2023 was 1.16 m^3/m^2.

[9] The water performance data pertains only to the properties over which AA REIT has direct operational control. For the purpose of accurate comparison with previous years, we have conducted a like-for-like comparison by excluding the operational data from property 23 Tai Seng Drive, which was converted into a single-tenanted building in FY2023. This approach ensures that the comparison is consistent and reliable.



Waste

We are stepping up to improve waste practices across our business. The Manager intends to track and report the amount of waste produced and recycled in buildings with operational control in FY2024. The data collection will enable the Manager to better engage tenants with an aim to reduce waste generation at its properties, as well as establish targets to track and measure its waste management performance. As the majority of waste generated in our properties is attributable to tenant activities, the Manager aims to encourage and promote tenant awareness on recycling. By the end of FY2024, recycling bins will be set up across all buildings with operational control.

Improving Visibility of Tenant Environmental Data

Due to the nature of our typical lease terms for single-tenant properties, we have limited visibility on our tenants' environmental data including energy, water, waste as well as GHG emissions in such properties. We recognise the importance of collecting such data which will allow us to better engage our tenants to operate more efficiently. To this end, we have commenced engaging with our tenants in single-tenant properties to receive their environmental data and hope to be able to share our progress in our next Sustainability Report. In FY2023, we also introduced "green" clauses into our standard leases in Singapore, whereby customers are required to provide us with environmental data. As at 31 March 2023, about 15% of our tenants are on green leases and we hope to increase this to 45% by the end of FY2025.

Supply Chain Responsibility

AA REIT strives to conduct business with vendors who share our commitment to high ethical standards and who operate in a socially responsible manner. We identify and manage issues across our supply chain through active governance and having risk management processes in place. As at 31 March 2023, AA REIT had a supply chain of approximately 150 active suppliers, including facility managers, maintenance service providers, contractors, professional consultants and financial institutions based mainly in Singapore.

Through our procurement processes, we strive to deliver the best value to our customers through the delivery of high quality products and services while reducing total costs and risks. Key practices include screening new suppliers based on environmental and social criteria depending on the nature of their services, including but not limited to safety performance track records, relevant International Organisation for Standardisation for Occupational Health and Safety Management System certifications and the National Environment Agency's ("NEA") Enhanced Clean Mark Accreditation Scheme. Service providers are also required to meet health and safety policies in the terms and conditions of their service contracts. The Property Manager conducts half-yearly performance reviews on our service providers.

PROMOTING WELL-BEING

Our employees are our greatest assets, and we value their contributions and strive to create an environment that fosters growth, development and well-being. Some of the ways we nurture and value our employees include providing an inclusive work environment that is safe, offering opportunities for learning and growth as well as recognising and rewarding their hard work and dedication. At the same time, we are also committed to support and contribute to the well-being of our tenants as well as the local communities we operate in.

OUR APPROACH

- Development of policies and investments in initiatives to keep employees engaged and to promote employee welfare
- Continue to reinforce an inclusive and supportive organisation culture which provide equal opportunities for all
- Continually validate effectiveness of our health and safety-related policies and processes to ensure employees' safety and wellbeing

Our Progress

FY2023 Targets	FY2023 Achievements	Targets
Occupational Health and Safety		
1. Zero instances of avoidable OHS incidents 2. Annually review employee safety and well-being practices 3. Enhance employee engagement	• Achieved zero instances of OHS incidents • OHS committee reviewed employee safety and well-being practices • Implemented series of team bonding activities and wellness initiatives	**Perpetual Target:** • Zero incidents resulting in staff permanent disability or fatality • Conduct OHS committee meetings every quarter
Employment, Training and Education		
1. Achieve an average of at least 26 hours of training per employee in FY2023 2. Maintain commitment to facilitating employee development that aligns with the long-term interests of the organisation and individual	• Achieved an average of 22.4 hours of training per employee in FY2023 • Continued to support employee development that aligns with the long-term interests of the organisation and individual	**Perpetual Target:** • Achieve average training hours of at least 15 hours per employee per annum
Diversity and Equal Opportunity [NEW MATERIAL TOPIC]		
Not applicable		**Perpetual Target:** • Commit to fair employment practices by ensuring that all individuals receive the same opportunities for hiring, advancement and benefits • Zero validated cases of discrimination
Local Communities		
1. Continue our outreach efforts by partnering with The Food Bank Singapore in FY2023 2. Encourage all our employees to actively participate in CSR activities for FY2023	• Partnered with The Food Bank Singapore and Habitat for Humanity to bless 103 households • Achieved a total staff participation rate of 72% for the CSR initiatives	**Perpetual Target:** • To participate in two CSR initiatives annually

Employment, Training and Education

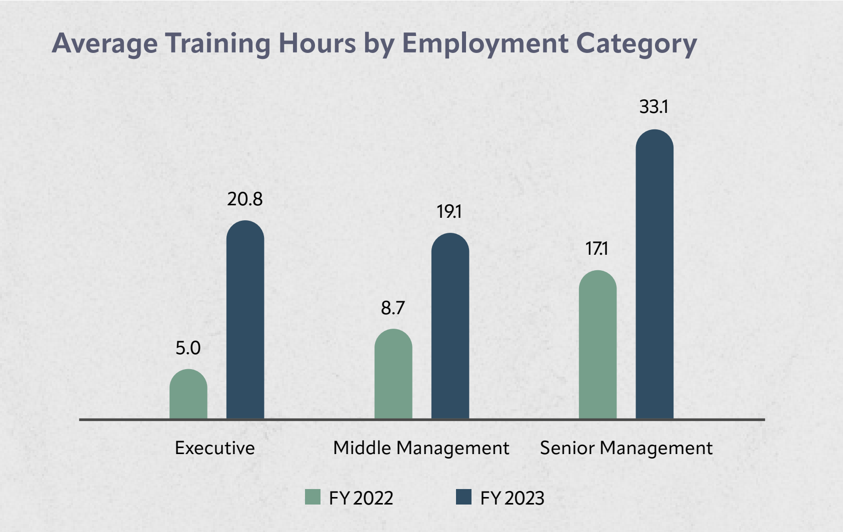
Profile of Our Workforce

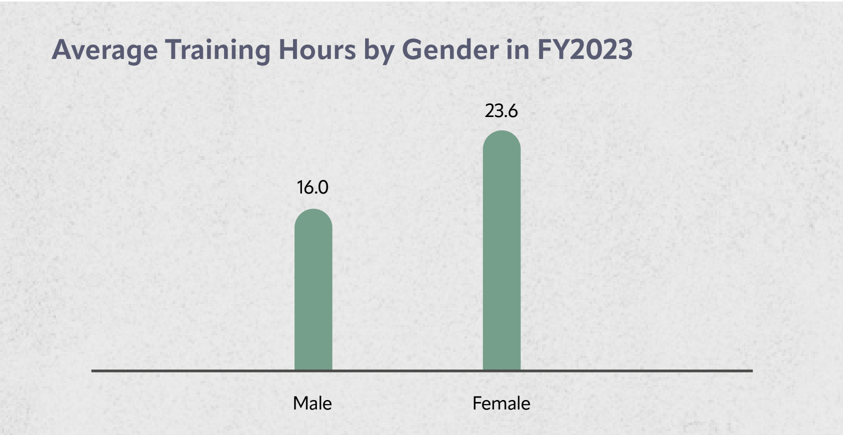
As at 31 March 2023, the REIT and Property Manager had a total of 39 permanent and full-time employees, compared to 40 staff in FY2022. In FY2023, there was a new hire rate of 44% and a turnover rate of 31%.

Employee Development

We believe in fostering a culture of continuous learning and development, alongside a fair appraisal system which takes into consideration multiple factors.

We strive to provide our employees with opportunities for growth, learning and development that align with their career goals and inspirations. We support professional training for employees by fully funding relevant training courses to help employees develop new skills, broaden their knowledge and advance their career. Our Employee Handbook details for employees the ways in which AA REIT supports their training and education.





We are also committed to making all reasonable efforts to reconcile the training and development needs of our employees with their family responsibilities by ensuring that training and development will take place during the employee's normal work hours as much as possible. This ensures that employees with family responsibilities are not disadvantaged in their access to training and skill acquisition.

In FY2023, each employee received an average of 22.4 hours of training, as compared to the Manager's FY2023 target of an average of 26 hours of training for each employee. The average training hours for each employee of the REIT Manager was 38.0 hours, whereas the average training hours for each employee of the Property Manager was 17.2 hours. In October 2021, the Property Manager internalised its facilities management function, which led to an increase in the number of employees within the Property Manager. Specifically, these employees had less regulatory mandated courses due to the nature of their job as compared to employees of the REIT Manager, which contributed to the significant difference in the training hours between the Manager and Property Manager. The Property Manager has reviewed its training policy and implemented a list of mandated courses for its staff to ensure the level of competency and to encourage more learning and development.

Notably, approximately 26% of the staff received training on ESG-related topics. As part of its five-year ESG roadmap, AA REIT hopes to upskill more of its employees in sustainability to meet the increasing expectations of stakeholders, better manage risks and opportunities and create a sustainable and responsible workplace culture.

Training programmes span across a diverse range of topics and the following table highlights some of the training courses attended by AA REIT employees in FY2023.

Training Courses	
Training Categories	**Examples of Training Programmes**
Finance & Capital Markets	• Green and Sustainable Finance, Opportunities and Challenges • Capitalisation Valuation – Methods and Processes • Fundraising for REITs • APAC REITs: Current Market Trends and Impact of Rising Interest Rates
Business Ethics & Risk Management	• Anti-Money Laundering and Counter-Terrorism Financing Refresher Training • REITS Rules and Ethics Course • Realigning Risk Management and Governance Changing Business Environment
Information and Technology	• Annual IT Security and PDPA Awareness Training and Updates • Leading in the Age of Digital Transformation for Finance Sector Organisations
ESG Training	• LED - Environmental, Social and Governance Essentials • Due Diligence on ESG risks - Why it Matters and How to Prepare for it • Rediscovering Renewable Energy Certificate • Tactical Ways to Address Sustainability in the Built Environment
Health and Safety	• Implement Incident Management Processes • Standard First Aids CPR AED • Response to Fire Incident in Workplace
Personal Improvement	• Developing Influencing Skills to achieve successful outcomes • Negotiation Skills • Cultivating Mindfulness in the Workplace

The Company also adopts a fair appraisal system for all eligible permanent employees[10]. Staff performance is appraised based on a balance scorecard approach which focuses on agreed key performance indicators across four key areas: Financial, Customer, Internal Process, Learning and Growth. In FY2023, 100% of employees received a regular performance and career development review which allows them to receive feedback on their performance, help align their work with organisational goals, facilitate career development and enhances talent retention. Such performance appraisals are conducted in a supportive and constructive manner.

Diversity and Equal Opportunity

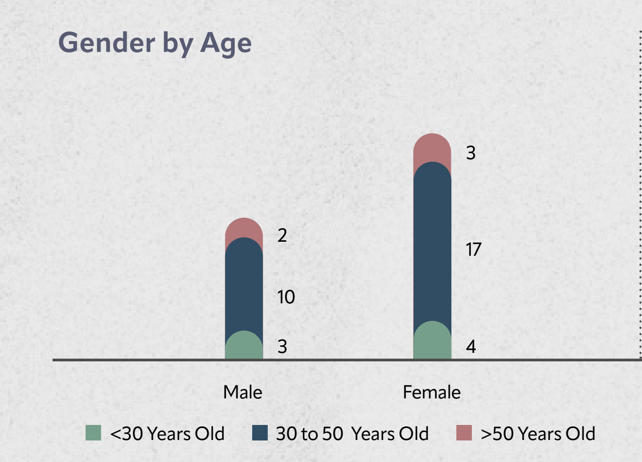
We believe that an inclusive workplace that celebrates differences will improve workplace productivity and overall company performance. We are committed to valuing diversity and inclusiveness by ensuring that all our employees have equal opportunities.

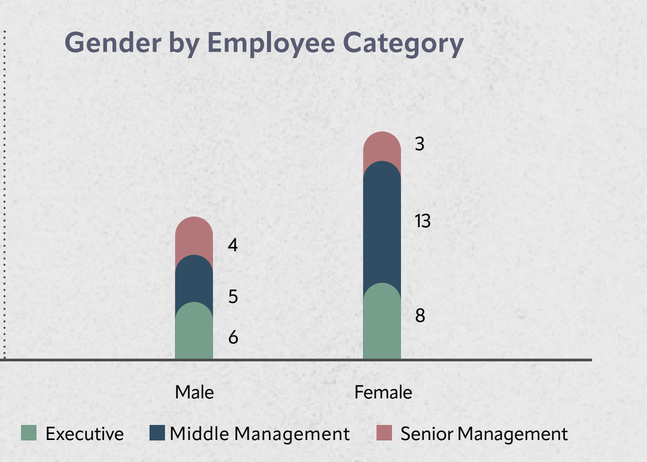
As an equal opportunity employer, we strive to attract, develop and retain talent with a wide range of characteristics and from diverse backgrounds. We do not discriminate against gender, age, religion, ethnicity, disability or sexual orientation. Our employment practices are based on merit and guided by the Tripartite Guidelines on Fair Employment Practices and the Ministry of Manpower's Fair Consideration Framework. AA REIT's Employee Handbook also prohibits any form of discrimination, victimisation, bullying or harassment.

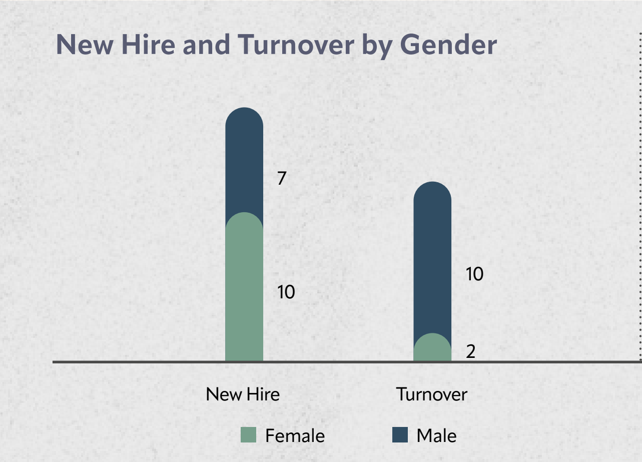
AA REIT is also committed to create a supportive workplace for women. As at the end of FY2023, women accounted for 59% of our new hires and 62% of our total workforce. Women also held 43% of senior management role and accounted for 20% of Board representation[11]. AA REIT's commitment to diversity and equal opportunity extends to the Board, for which we have an aspirational target of at least 20% representation of female Directors on the Board. More details are illustrated in charts on the right.

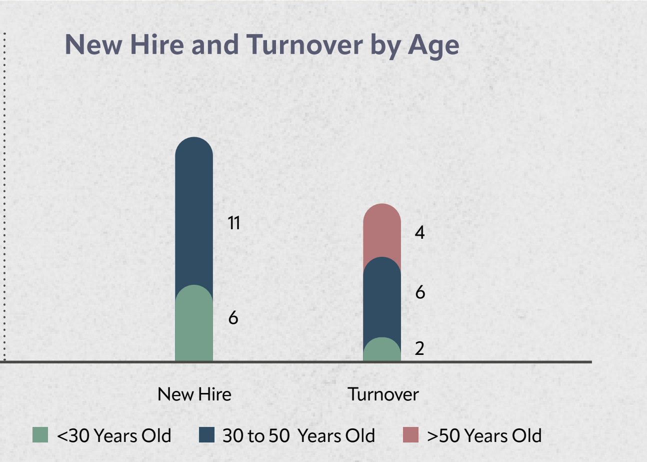
[10] Eligible permanent employees exclude new hires with less than six months of service and employees who have resigned, among others.
[11] As at 1 April 2023, following the stepping down of Mr Kheng Hwa as an Independent Non-Executive Director effective on 31 March 2023.

Employee Breakdown:









Occupational Health and Safety

Providing a safe working environment for our employees is of paramount importance to us, and we are committed to safeguarding the well-being of all employees. Therefore, we have implemented robust health and safety related policies and practices, which are regularly reviewed and updated to ensure compliance with the latest regulations and best practices. We also take into account OHS risks into our enterprise risk management framework by identifying, assessing and mitigating risks that can lead to accidents, injuries or illnesses in the workplace.

The OHS Committee, established in FY2017, oversees and drives OHS activities, including real-time review of OHS standards, implementing appropriate work practice control measures and keeping staff informed of any regulatory updates. The OHS Committee has key representatives from all departments, meets at least quarterly and is responsible for:

- Strengthening and reviewing occupational health and safety management processes, including appropriate education and training
- Implementing appropriate work practice control measures and providing regulatory updates to our staff
- Enhancing employees' risk awareness
- Organising and encouraging social initiatives to improve employees' physical and mental wellness

Our health and safety related policies such as the Workplace Health and Safety Policy and our Business Continuity Plan are made available to all employees. Furthermore, all employees are briefed on fire evacuation plans, appointed first aiders and units responsible for executing tasks during an emergency and location of our safety kit. All staff are also briefed on the Business

Continuity Plan ("BCP"), and we execute emergency drills annually to ensure that all staff are familiar with the actions they need to take during an emergency. The BCP is also reviewed regularly to reflect changes in the current operating environment and changes in the organisation.

We also take OHS considerations into our supplier selection processes, to ensure a safe and healthy workplace for our third-party service providers. Some of our efforts include:

- Screening potential service providers based on their safety performance track records
- Ensuring suppliers in Singapore are held to the required to standards depending on the nature of their services (e.g. ISO 9001, ISO 14001, bizSAFE Level)
- Requiring appointed third-party service providers to meet health and safety policies that have been included in the terms and conditions of their service contracts

The Property Manager carries out routine inspections of the properties regularly to identify and address any potential hazards immediately. These routine inspections cover various aspects such as electrical safety, fire safety and hazardous materials handling. Bi-weekly meetings are also held to highlight any recurring issues. The Property Manager team also undergoes training programmes such as first-aid courses and site incident controller courses.

Beyond taking care of our employees' physical well-being, we also care for their mental and emotional health through providing access to health and wellness initiatives. All employees are provided with medical and insurance coverage and a flexi-benefit scheme which can be utilised for health screening or any services that are relevant to their health and wellness needs such as dental and optical. All eligible employees are entitled to parental leave and we make monthly contributions to our Singapore employees' Central Provident Fund accounts. In FY2023, two eligible employees took parental leave.

AA REIT also celebrates employees through its long-service awards at their 5, 10, 15, 20 years or more to express appreciation and to enhance retention.

During the year, wellness activities include providing employees with weekly fruits supply, organising a financial wellness talk for employees to increase financial literacy and conducting team bonding activities. We also committed to designate every last Friday of the school term in Singapore as "Eat with Your Family Day" to encourage employees to leave work early to enjoy a meal with their loved ones, in support of greater family bonding. In FY2023, team bonding activities include a Survivor Day-Out, hosting of festive celebrations, such as a Chinese New Year lunch and lucky draw, as well as monthly birthday celebrations.

SURVIVOR DAY-OUT!

In December 2022, AA REIT held its first in-person corporate team bonding since COVID-19, during which all staff came together for a Survivor challenge. Staff had to work through multiple daunting obstacles and challenges that put their team's determination, teamwork, communication and survivor skills to test. The challenges required staff to come together and pull through as one, as they aim to outdo and outperform each other. The event ended with a finale Tug-Of-War challenge.

Local Communities

Our Progress

▶ FY2023 Targets	▶ FY2023 Achievements	▶ Targets
Encourage all our employees to actively participate in targeted CSR activities for FY2023	Completed two CSR activities with total staff participation rate of ~72%	**Perpetual Target:** • To participate in two CSR initiatives annually

Tenant and Community Engagement

We believe in the importance of tenant engagement to jointly create an attractive workplace environment for them and their employees. We regularly meet up with tenants to discuss important issues and initiatives and to provide them with an opportunity to voice their feedback. This also allows us to identify and manage risks and opportunities related to social and environmental impacts and develop initiatives that create value for our stakeholders.

In FY2023, we conducted a tenant satisfaction survey to gather feedback on our services, facilities as well as their ESG considerations, and achieved a response rate of approximately 20%. In response to tenants' feedback, the Manager is looking into installing electric vehicles ("EV") charging stations at select properties in FY2024. The charging stations, which will be open to tenants and the public, will also support the adoption of EVs in Singapore. Going forward, the Manager will continue to work with tenants to improve the response rate of the tenant satisfaction survey.

To raise awareness about climate change and in conjunction with the annual Earth Day, an email was also sent to all tenants to encourage them to practice "Lights Off" for Earth Hour on 25 March 2023.

In FY2023, we continued to promote the spirit of community engagement and social responsibility amongst our employees. We partnered with The Food Bank Singapore, a charitable organisation, and Habitat for Humanity, a non-profit organisation, in Singapore for our corporate social responsibility programmes. 72% of the staff participated in at least one of these initiatives, which saw 103 homes being positively impacted.

HOME REHABILITATION WITH HABITAT FOR HUMANITY SINGAPORE

On 11 November 2022, in partnership with Habitat for Humanity Singapore, volunteers from the AA REIT team participated in Project HomeWorks to help the underprivileged in Singapore. Project HomeWorks aims to help elderly and financially under-privileged Singaporeans to rehabilitate their homes into a safe and sanitary state.

Volunteers worked on decluttering, re-organising and sanitising the homes, and dealt with problems like infestations, repairing or replacing old furniture as well as repainting the homes.

DISTRIBUTION OF FOOD BUNDLES WITH THE FOOD BANK SINGAPORE

On 24 February 2023, in collaboration with The Food Bank Singapore, volunteers from AA REIT team packed 100 food bundles for door-to-door distribution to bless the elderly residents living in Ang Mo Kio rental blocks.

OPERATING ETHICALLY

AA REIT believes that the integrity of our business is paramount to building investors and stakeholder confidence. We maintain a rigorous corporate governance framework and hold ourselves to the highest ethical standards. We strive to maintain compliance with all applicable laws and regulations as well as best practices with regards to business governance and occupational health and safety.

OUR APPROACH

- Establish clear corporate governance processes through range of policies and processes
- Conduct anti-corruption training for employees to improve awareness
- Review and refine policies and processes to consider changes in regulatory landscape and best practices and ensure compliance

Our Progress

FY2023 Targets	FY2023 Achievements	Targets
Continue to maintain zero incidents of corruption	Zero cases of corruption received by employees or officers	**Perpetual Target:** • Zero material incidents of non-compliance with regards to anti-corruption laws and regulatory compliance

Anti-corruption, Business Ethics and Regulatory Compliance

Preventing Corruption and Upholding Integrity

AA REIT adopts a zero-tolerance policy against bribery, fraud, embezzlement and other forms of corrupt activities. All employees have been informed that AA REIT will not hesitate to investigate and to report incidents of internal fraud to the appropriate authorities. In FY2023, we conducted an anti-money laundering and counter-terrorism financing training session for employees.

All employees are also given a copy of the Employee Handbook which details the Code of Conduct as well as requirements for all employees to uphold the highest standards of professional behaviour. It covers an extensive list of topics which include, integrity and fair dealing, conflict of interest, workplace behaviour and equal opportunity, stance towards gifts and rewards and disciplinary actions amongst others.

Our Whistle-Blowing Policy and Complaints Process provide channels for employees to report concerns of suspected wrongdoing and raise their grievances without fear of negative repercussions. We strive to address these claims and misconduct in a timely manner.

Maintaining Business Ethics

We maintain a robust conflict of interest disclosure process that applies to all employees and members of the Board. There is also a Conflict of Interest Policy which sets out the principles and procedures to adhere to in managing any conflicts of interest, which is made available to all employees.

Across our supply chain, we apply a set of stringent and appropriate risk management procedures for outsourcing and procurement of goods and services to prevent corruption and bribery. Three quotes for contract value above a pre-agreed threshold are obtained for all procurements unless the necessary waivers are obtained. In the case of substantial contract sums, a pre-qualification and tender process would be conducted. The supplier that fulfils the necessary criteria would be awarded the tender

Policies in place to ensure compliance and best practices:

- Conflict of Interest policy
- Employees Code of Conduct
- Interested party & related party policy
- Whistle blowing policy
- Personal data protection policy
- Enterprise risk management

accordingly. Key criteria include prior performance, track record, pricing, financial standing, safety and litigation records and compliance with legal requirements in the selection process for suppliers.

Any material outsourcing to service providers is also done in line with MAS guidelines and evaluation is done based on financial strength and resources, corporate governance, business reputation, culture, compliance, as well as quality assurance and security management standards.

Ensuring Regulatory Compliance

We are committed to complying with the laws and regulations in the countries in which we operate. We have in place robust protocols and processes to address regulatory requirements, which include identifying, assessing, monitoring and managing regulatory compliance risks, financial risks and technology risks. For more information on our approach to risk management, please refer to pages 116 to 118. The Board of Directors and all employees are also encouraged to go for regular training in relation to regulatory trends and developments.

We closely monitor regulatory and industry developments and actively engage with regulators as well as industry bodies to enhance the compliance capabilities within our organisation. AA REIT is a member of the REIT Association of Singapore ("REITAS"), the representative voice of the Singapore REIT sector.

GRI Content Index

GRI Standard/ Other Source	Disclosure		Section	Page Number
GRI 2: General Disclosures 2021	**Organisation and its reporting practices**			
	2-1	Organisational details	About this report	86
	2-2	Entities included in the organisation's (cont'd) sustainability reporting	About this report	86
	2-3	Reporting period, frequency and contact point	About this report	86
	2-4	Restatements of information	About this report	86
	2-5	External Assurance	External assurance has not been sought for this year's Sustainability Report. AA REIT will consider this in the future as our reporting matures, in line with sustainability reporting regulations.	N/A
	Activities and workers			
	2-6	Activities, value chain and other relationships	Supply chain responsibility; Stakeholder engagement	90-91, 103
	2-7	Employees	Employment, training and education	105-107
	2-8	Workers who are not employees	AA REIT is looking to progressively report the disclosure when such capabilities are available.	N/A

GRI Content Index

GRI Standard/ Other Source	Disclosure		Section	Page Number
GRI 2: General Disclosures 2021	**Governance**			
	2-9	Governance structure and composition	Sustainability governance	90
	2-10	Nomination and selection of the highest governance body	Corporate Governance report	119-142
	2-11	Chair of the highest governance body	Corporate Governance report	119-142
	2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability governance	90
	2-13	Delegation of responsibility for managing impacts	Sustainability governance	90
	2-14	Role of the highest governance body in sustainability reporting	Sustainability governance	90
	2-15	Conflicts of Interest	Corporate Governance report	119-142
	2-16	Communication of critical concerns	Anti-corruption, business ethics and regulatory compliance	110-111
	2-17	Collective knowledge of the highest governance body	Sustainability governance	90
	2-18	Evaluation of the performance of the highest governance body	Corporate Governance report	119-142
	2-19	Remuneration policies	Corporate Governance report	119-142
	2-20	Process to determine remuneration	Corporate Governance report	119-142
	2-21	Annual total compensation ratio	AA REIT regards compensation information of employees to be of a confidential and sensitive nature, thus the annual total compensation ratio is not disclosed in this report.	N/A
	Strategy, policies, and practices			
	2-22	Statement on sustainable development strategies	Board statement	87
	2-23	Policy commitments	Anti-corruption, business ethics and regulatory compliance	110-111
	2-24	Embedding policy commitments	Anti-corruption, business ethics and regulatory compliance	110-111
	2-25	Process to remediate negative impacts	Stakeholder engagement; Anti-corruption, business ethics and regulatory compliance	90-91, 110-111
	2-26	Mechanism for seeking advice and raising concerns	Anti-corruption, business ethics and regulatory compliance	110-111
	2-27	Compliance with laws and regulations	Anti-corruption, business ethics and regulatory compliance	110-111
	2-28	Membership associations	Stakeholder engagement	90-91
	Stakeholder engagement			
	2-29	Approach to stakeholder engagement	Stakeholder engagement	90-91
	2-30	Collective bargaining agreements	Not applicable, as AA REIT does not have trade unions	N/A

GRI Content Index

GRI Standard/ Other Source	Disclosure		Section	Page Number
GRI 3: Material Topics	3-1	Process to determine material topics	Materiality assessment	92-93
	3-2	List of material topics	Material topics	92-93
	3-3	Management of material topics	Economic performance; Energy and emissions; Water and effluents; Waste; Occupational health and safety; Employment, training and education; Diversity and equal opportunity; Local communities; Anti-corruption, business ethics and regulatory compliance	94, 100-102, 102-103, 103, 107-108, 105-106, 106-107, 109, 110-111
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Economic performance	94
	201-2	Financial implications and other risks and opportunities due to climate change	Environmental risk management	95-98
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	AA REIT is vigilant against the risk of corruption. The Group has in place a suite of thorough anti-corruption policies and procedures to mitigate this risk.	N/A
	205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption, business ethics and regulatory compliance	110-111
	205-3	Confirmed incidents of corruption and actions taken		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Diversity and equal opportunity	106-107
	401-3	Parental leave	Occupational health and safety	107-108
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Diversity and equal opportunity	106-107
	405-2	Ratio of basic salary of women to men	AA REIT regards compensation information of employees to be of a confidential and sensitive nature, thus the remuneration ratio of women to men is not disclosed in this report.	N/A
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational health and safety	107-108
	403-2	Hazard identification, risk assessment, and incident investigation		
	403-3	Occupational health services		
	403-4	Work participation, consultation, and communication on occupational health and safety		
GRI 403: Occupational Health and Safety 2018	403-5	Worker training on occupational health and safety	Occupational health and safety	107-108
	403-6	Promotion of worker health		
	403-9	Work-related injuries		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Employment, training and education	105-106
	404-2	Programs for upgrading employee skills and transition assistance programs		
	404-3	Percentage of employees receiving regular performance and career development reviews		

GRI Content Index

GRI Standard/ Other Source	Disclosure		Section	Page Number
GRI 302 Energy 2016	302-1	Energy consumption within the organisation	Energy and emissions	100-102
	302-2	Energy consumption outside of the organisation	AA REIT is working to improve engagement throughout our value by obtaining energy consumption data from our tenants, suppliers, and other stakeholders. Data availability is currently not within the organisation's control, and we aim to disclose energy consumption within our value chain once the relevant information is made available to us.	N/A
	302-3	Energy intensity	Energy and emissions	100-102
	302-4	Reduction of energy consumption	AA REIT is looking to progressively report the disclosure when such data are available.	N/A
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	AA REIT does not operate company-owned vehicles. AA REIT's buildings are connected to the electrical grid and, while AA REIT does use diesel generators in the event of power outages and there are some fugitive emissions, these were deemed negligible in FY2023 and we have chosen not to disclose it in this Sustainability Report. Therefore, AA REIT has no Scope 1 emissions to disclose this year.	N/A
	305-2	Energy indirect (Scope 2) GHG emissions	Energy and emissions	100-102
	305-3	Other indirect (Scope 3) GHG emissions	AA REIT is working to improve engagement throughout our value chain, in order to obtain emissions data from our tenants, suppliers, and other stakeholders. Data availability is currently not within the organisation's control, and we aim to disclose our Scope 3 GHG emissions once the relevant information is made available to us.	N/A
	305-4	GHG emissions intensity	Energy and emissions	100-102
	305-5	Reduction of GHG emissions	AA REIT is looking to progressively report the disclosure when such data are available.	N/A
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Water and effluents	102-103
	303-2	Management of water discharge-related impacts		
	303-3	Water withdrawal		
	303-4	Water discharge	AA REIT does not currently track its water discharge from its operations, and is working to disclose in the future when such information is available.	N/A
	303-5	Water consumption	AA REIT does not have water consumption, as all water withdrawn is used for cleaning purposes and then discharged into the sewer systems where it will be treated or re-used.	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Waste	103
	306-2	Management of significant waste-related impacts		
	306-3	Waste generated	AA REIT does not currently track its waste generated and disposal as the majority of waste generated in the properties are from tenant activities. The Manager intends to track and report the amount of waste produced in buildings with operational control in FY2024.	N/A
	306-4	Waste diverted from disposal		
	306-5	Waste directed to disposal		

APPENDIX: ASSUMPTIONS AND METHODOLOGY

This section explains the boundaries, methodologies and assumptions used in the computation of AA REIT's sustainability data and information.

Employees Data

"Employees" refer to all employees of the REIT Manager and the Property Manager. The employee data does not include contractors engaged to perform certain property management services.

New Hires and Turnover

- New hires are defined as employees who joined the organisation during the financial year. The new hire rate is represented as the number of new hires divided by the total number of employees as at the end of the financial year and is expressed as a percentage.
- Turnovers are defined as employees who left the organisation during the financial year. The annual turnover rate is represented as the employees who left the organisation during the financial year divided by the total number of employees as at the end of the financial year and is expressed as a percentage.

Training Hours and Regular Performance and Career Development Reviews

- The average training hours that employees have undertaken during the reporting period is represented as total training hours by gender or by employee category over total number of employees by gender or by employee category.
- The percentage of employees receiving regular performance and career development reviews is calculated by total employees who received a regular performance and career development review during the reporting period over the total number of employees.

Occupational Health and Safety

Work-related injuries are defined as a negative impact on an employee's health arising from exposure to hazards at work. Injuries as a result of commuting incidents are only included if the transport has been organised by the Manager. The rate of work-related injuries is computed based on 1,000,000 man-hours worked.

Environmental Data

Data reported relates to the 18 properties (out of 29 properties) that are within the operational control of the Manager.

Energy Consumption and Intensity

Energy consumed across AA REIT's properties only involves purchased electricity. Energy consumption data only includes landlord's area.

Energy consumption and intensity included only properties with full year data for FY2021, FY2022, FY2023. Energy intensity is derived by taking total energy consumption divided by the GFA of common areas.

GHG Emissions and Intensity

GHG emissions are reported in line with the guidance from the GHG Protocol Corporate Accounting and Reporting Standard. The GHG Protocol Corporate Standard classifies a company's GHG emissions into three "scopes":

- Scope 1 emissions: direct emissions from owned or controlled sources
- Scope 2 emissions: indirect emissions from the generation of purchased energy
- Scope 3 emissions: all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Given that any energy consumption by AA REIT's tenants would be considered Scope 3, and therefore out of scope for this year's disclosures, AA REIT will only disclose energy consumption and emissions from its properties' common spaces. GHG and intensity includes only properties with full year data for FY2021, FY2022 and FY2023.

Direct (Scope 1) GHG emissions are calculated using emission factors and global warming potential rates from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the IPCC Fifth Assessment Report.

A location-based method is adopted for the calculation of energy indirect (Scope 2) GHG emissions. Grid emission factors used are obtained from authoritative release data from all regions of operation, including:

- Australian Government Clean Energy Regulator's Emissions and Energy Reporting System for 2021-22, New South Wales: 0.79 kg CO_2e/kWh, Queensland: 0.8 kg CO_2e/kWh
- Singapore Energy Statistics 2022 published by the Energy Market Authority in Singapore: 0.4057 kg CO_2e/kWh

We have adopted the latest available emission factor using the average operating margin ("OM") method for the reporting period.

The GHG intensity is derived by taking total energy direct (Scope 1) GHG and energy indirect (Scope 2) GHG emissions divided by the GFA of common areas.

Water Consumption

Water consumption data for FY2021, FY2022 and FY2023 includes data for the whole building. Water consumption for landlord area only has been reported for FY2023. Data only includes properties with full year data available.

RISK MANAGEMENT REPORT

ENTERPRISE RISK MANAGEMENT ("ERM") FRAMEWORK

Risk management is a fundamental part of AA REIT's business strategy to ensure Unitholders' interests are protected.

Risk Governance

The Board of Directors is responsible for the governance of risk. It is assisted by the ARCC to provide an overview of risk management at the Board level. The ARCC meets on a quarterly basis or more frequently, if required and these meetings are attended by the Chief Executive Officer as well as other key management staff. The ARCC is assisted by the Head of Risk and Compliance and Risk and Compliance Officers on risk management issues.

Risk Management Process

The Management has adopted an ERM framework to create a robust and rigorous corporate governance structure. This approach systematically identifies major risks that confront AA REIT, estimates the significance of those risks in business processes and addresses the risks in a consistent and structured manner. Key risks, mitigating measures and Management actions are continually identified, reviewed and monitored by Management as part of the ERM framework.

A robust internal control system and an effective independent audit review process make up the ERM framework, which addresses financial, operational, compliance as well as aspects of information technology, environmental and climate change risks to safeguard Unitholders' interests and AA REIT's assets and also to manage risks. The Manager is responsible for the design and implementation of effective internal controls. The internal auditor carries out independent reviews to test the design and implementation to provide reasonable assurance to the ARCC on the adequacy and effectiveness of the internal control system.

KEY RISKS IN FY2023

AA REIT reviews and updates risk management systems and methodology yearly so as to manage risks in accordance with its current business conditions, preserve capital and enhance Unitholders' value. The key risks that were identified in FY2023 include but are not limited to the following:

External Risks

Economic and Geopolitical Risk

Geopolitical risks, tight supply conditions pose uncertainties in the global economy. To manage such economic and geopolitical risk, the Manager keeps abreast on the real estate market through research, and monitors the economic, geopolitical and political developments across the globe closely. The Manager will seek suitable acquisition opportunities to enhance the resilience of the portfolio.

Environmental and Climate Change Risks

With the increasing focus on reducing carbon emissions and associated climate change regulations, the Manager strives to implement environmentally friendly initiatives to improve the environmental performance of AA REIT's properties to mitigate environmental and climate change risks. As part of its commitment to reduce carbon emissions, the Manager sets targets to reduce carbon emissions, increase renewable energy generation, as well as initiatives to improve water and energy efficiency. AA REIT has also embarked on its five-year sustainability roadmap to drive ESG performance. The Manager will strive to achieve Green Mark Certification for buildings which undergo redevelopment and asset enhancement initiative, where economically feasible and viable. On 16 September 2022, the Manager announced that AA REIT and SP Group had entered into a partnership agreement to install rooftop solar PV systems across six of its properties in Singapore by December 2023.

Strategic Risks

Investment / Market risk

All investment proposals (such as redevelopment or asset enhancement initiatives of existing properties or acquisitions of new properties/investments) are subject to rigorous and disciplined assessment by Management. In addition, the investment proposals are further robustly reviewed and discussed with the Business Review Committee ("BRC"). The BRC will then consider the appropriateness of the potential transaction before making a recommendation to the Board. The role of the BRC is set out on page 122 of this Annual Report. Risk assessment is an important aspect of the evaluation process. Each investment proposal submitted to the Board for approval is accompanied by an assessment of risk factors and risk mitigation strategies.

AA REIT's portfolio faces real estate market risks such as the volatility in rental rates and occupancy rates due to supply and demand for industrial and business park premises which may have an adverse effect on property yields. In order to mitigate such risks, the Manager has an established and diversified tenant base and adopts proactive tenant management strategies to retain and secure tenants. Regular feedback is also obtained from tenants to foster close landlord-tenant relationships. Where the opportunity arises, the Manager will embark on asset enhancement activities and redevelopment opportunities to improve the value, performance and competitiveness of the properties in AA REIT's portfolio.

Operational Risks

All operations are aligned to AA REIT's focus on generating sustainable rental income to deliver secure and stable distributions and provide long-term capital growth to Unitholders. Measures include prompt lease renewals to reduce vacancies, prudent control of property expenses and an annual maintenance programme to maintain and enhance AA REIT's properties. The Manager has also established operating and reporting policies and procedures to manage day-to-day operational activities, which are reviewed and updated periodically to ensure relevance and effectiveness as well as compliance with latest legislations and regulations. The Manager also practises risk transfer by procuring relevant insurance policies to mitigate certain financial losses.

Project Management Risk

The construction and redevelopment of investment properties usually takes a few years to complete, depending on the project size and complexity of the development. There is potential risk that such redevelopment and construction projects may not be completed within the anticipated time frame and budget. A Project Control Group is formed for each construction or redevelopment project. This group meets regularly to monitor and ensure that the project is progressing within the timeline and budget.

Business Interruption / Pandemic Risk

In the event of unanticipated catastrophic events such as COVID-19, the Manager has in place standard property operating procedures ("SOP"), Business Continuity Plan ("BCP") as well as a crisis communication plan that is reviewed and tested regularly to ensure minimal impact on potential operational disruptions to critical business activities.

Occupational Health and Safety Risks

The Manager puts the health and safety of its stakeholders first. Safety practices have been incorporated into AA REIT's SOPs, routine checks at the properties are performed by the Property Manager regularly to ensure compliance with regulatory requirements. The Property Manager ensures that licences and permits are renewed.

Credit Risk

Credit risk is mitigated by conducting tenant credit evaluations at the investment due diligence stage prior to the acquisition of an asset. For new and sizeable leases, credit risk assessments are performed by the Property Manager prior to signing lease agreements. The finance and asset management teams monitor the amounts owed by tenants on an ongoing basis. Credit risk is further mitigated by security deposits either in the form of cash or bankers' guarantees issued by financial institutions with sound credit ratings.

Cash and fixed deposits are placed with financial institutions which are regulated by MAS. Transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

Human Capital Risk

Loss of key management personnel or inability to attract, grow and retain key talent can cause disruptions

RISK MANAGEMENT REPORT

to the business operations and hinder the achievement of strategic business goals. Human Capital Risk is mitigated by putting in place a competitive remuneration and benefits plan, talent management and offering staff development and training opportunities.

Financial Risks

Foreign Exchange Risk

AA REIT is exposed to fluctuation of the AUD against the SGD. The Manager's strategy is to achieve a natural hedge through the use of Australian dollar denominated borrowings and currency forwards to hedge the foreign currency income distributable from Australia, thereby mitigating the foreign exchange risk. As at 31 March 2023, the AUD borrowings hedge approximately 60% of the carrying value of AA REIT's investments in Australia.

Interest Rate Risk

Over the course of the financial year, most central banks have tightened their monetary policies which resulted in higher interest rates, affecting the returns to the Unitholders. The Manager adopts a proactive interest rate management strategy to manage the risk associated with adverse movement in interest rates. The Manager monitors interest rate risk regularly to limit AA REIT's interest exposure from adverse movements in floating interest rates. The Manager enters into hedging transactions to partially mitigate the risk of interest rate fluctuations through the use of interest rate swaps (including forward starting interest rate swaps) and/or fixed rates borrowings. As at 31 March 2023, 71% (or 88% hedged including forward starting interest rate swaps) of AA REIT's total borrowings have been hedged, with its interest cover at 3.8 times.

Liquidity Risk

The Manager maintains an efficient use of cash and debt facilities in order to balance the costs of borrowing and ensuring sufficient availability of credit facilities to meet its financial obligations, working capital and committed capital expenditure requirements. In addition, the Manager also monitors AA REIT's cash flow position and requirements to meet any operational needs and short-term financing obligation as well as compliance with the *Property Funds Appendix - Appendix 6 to the Collective Investment Schemes Code* in relation to limits on total borrowings. AA REIT's ability to raise funds from both banks and capital markets has enabled AA REIT to diversify its sources of funding to avoid over-reliance on any single source of funding. As at 31 March 2023, the Group and the Trust have total cash and bank balances of S$13.2 million and undrawn committed facilities of approximately S$169.1 million to fulfil their liabilities as and when they fall due. There is no refinancing requirements in the next 12 months.

Compliance Risks

Regulatory and Compliance Risks

The Manager, being a capital markets services licence holder, is required to comply with the applicable laws and regulations governing AA REIT and the Manager, as listed on page 119. Any changes in these regulations may affect AA REIT's operations and results.

The employees of the Manager keep abreast of changes in legislation and regulations through training and attending talks and briefings. Various internal procedures have been put in place to facilitate staff awareness and ensure compliance to the applicable laws and regulations.

Cyber Security and Information Technology ("IT") Risks

Ongoing business digitalisation exposes the business to IT-related threats which may comprise the confidentiality, integrity and availability of AA REIT's information, assets and systems. IT controls and cybersecurity measures are put in place and reviewed on a ongoing basis to address any IT-related risks. Training on IT security awareness is conducted regularly to raise IT security awareness on the evolving threats such as spotting potential phishing attempts and other cybersecurity threats. On an annual basis, the Manager conducts the BCP and annual disaster recovery exercise to ensure timely recoverability of its critical IT systems.

CORPORATE GOVERNANCE

OUR ROLE

AIMS APAC REIT ("AA REIT" or the "Trust") is a real estate investment trust constituted pursuant to trust deed dated 5 December 2006 (as amended, varied or supplemented from time to time) ("Trust Deed"). AA REIT is listed on the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST") and is externally managed by AIMS APAC REIT Management Limited (the "Manager"), who holds a capital markets services licence issued by the Monetary Authority of Singapore ("MAS") to conduct real estate investment management activities. The sponsor of AA REIT is AIMS Financial Group (the "Sponsor").

The Manager has general powers of management over the assets of AA REIT. The Manager's main responsibility is to manage the assets and liabilities of AA REIT in the best interests of the unitholders of AA REIT ("Unitholders"). This is done with a focus on generating rental income and, where appropriate, increasing the value of AA REIT's assets over time so as to enhance the returns from the investments, and ultimately distributions and total return to the Unitholders.

The primary role of the Manager is to set the strategic direction in AA REIT and make recommendations to HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of AA REIT (the "Trustee"), on any acquisition, divestment and enhancement of the assets of AA REIT in accordance with the stated investment strategy of AA REIT.

Other main functions and responsibilities of the Manager include:

(a) using its best endeavours to ensure that the business of AA REIT is carried out and conducted in a proper and efficient manner and to conduct all transactions with or on behalf of AA REIT at arm's length and on normal commercial terms;

(b) ensuring compliance with relevant laws and regulations. The framework of relevant legislations and guidelines governing AA REIT include:

   i. the Listing Manual issued by SGX-ST (the "Listing Manual");
   ii. the Securities and Futures Act 2001 ("SFA");
   iii. the Code on Collective Investment Schemes (including Appendix 6 thereon on property funds) (the "Property Funds Appendix");
   iv. the Code of Corporate Governance 2018 (the "CG Code");
   v. written directions, notices, codes and other guidelines that may be issued by the MAS from time to time;
   vi. the Trust Deed; and
   vii. tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of AA REIT and its Unitholders;

(c) preparing annual business plans for review by the Board of Directors of the Manager (each, a "Director" or collectively, "Directors" or "Board"), including forecasts on revenue, net property income, capital expenditure, explanation of major variances to previous plan(s), commentary on key issues and relevant assumptions. These plans explain the performance of AA REIT's assets;

(d) managing the finances of AA REIT, including accounts preparation, capital management, coordination of the budget process, forecast modelling and corporate treasury functions;

(e) attending to all regular communications with the Unitholders; and

(f) supervising the property manager, AIMS APAC Property Management Pte. Ltd. ("Property Manager") which performs the day-to-day property management functions (including but not limited to lease management, property management, maintenance and administration) pursuant to the property and investment management agreements in respect of the properties located in Singapore, and the Australian Investment Manager, AA REIT Management Australia Pty Limited, in respect of properties located in Australia.

The Manager also considers sustainability issues in key impact areas and integrates these considerations as part of its management of AA REIT. The sustainability efforts of the Manager and AA REIT are set out in the Sustainability Report section of this Annual Report.

CORPORATE GOVERNANCE

AA REIT, constituted as a trust, is externally managed by the Manager and therefore, has no personnel of its own. The Manager appoints experienced and well-qualified personnel to run the day-to-day operations of the Manager and AA REIT. All Directors and employees of the Manager are remunerated by the Manager and not by AA REIT.

The Trust Deed outlines certain circumstances under which the Manager can be removed by notice in writing given by the Trustee upon the occurrence of certain events which includes by way of a resolution duly proposed and passed by a simple majority of the Unitholders present and voting at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

OUR CORPORATE GOVERNANCE CULTURE

We believe that strong and effective corporate governance is imperative to the long-term success of AA REIT. Accordingly, we are committed to upholding high standards of corporate governance and operate in keeping with the spirit of the CG Code when discharging our responsibilities as the Manager.

This Corporate Governance report describes the corporate governance policies and practices that were in place during the financial year ended 31 March 2023 ("FY2023") from the CG Code, and where applicable, the Listing Manual and the Companies Act 1967 ("Companies Act").

For FY2023, AA REIT has complied with the principles of the CG Code in all material aspects and, where there are variations from any of the provisions of the CG Code, explanations are provided together with reasons for the variations as well as details of how the practices adopted are consistent with the aim and philosophy of the relevant principle of the CG Code.

BOARD MATTERS

The Board's conduct of affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Board's duties and responsibilities

The Board is responsible for the overall management and corporate governance of the Manager and of AA REIT. It provides leadership, sets strategic directions and ensures that the necessary financial and human resources are in place for the Manager to meet its objectives in managing the assets and liabilities of AA REIT in the best interests of the Unitholders. The Board oversees the management of AA REIT by setting standards and goals for the management team of the Manager ("Management"), monitors the achievement of the targets set and Management's performance. It also establishes a framework of prudent and effective controls, which enables risks to be assessed and managed to safeguard the Unitholders' interests and the assets of AA REIT.

The Board also makes key decisions and provides guidance and direction to Management at these meetings. The Manager has adopted a set of internal guidelines which sets out the limits of its financial authority. The Board's approval is required for material transactions, including but not limited to the acquisition, redevelopment and/or divestment of investment properties, material asset enhancement initiatives, adoption of the valuation of properties, annual budget for operating/capital expenditure, distributions to Unitholders, bank borrowings and hedging strategies, release of business updates, half year and full year financial results as well as arrangements in relation to bank signatories. Such matters are clearly communicated to the Management in writing. Appropriate delegations of authority and approval sub-limits are also provided at Management level to facilitate operational efficiency. The Board also reviews the risks to the assets of AA REIT and acts upon recommendations from both the internal and external auditors of AA REIT.

The Board and special board committees ("Board Committees") may also make decisions by way of resolutions in writing. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations, and resolutions in writing are circulated to all Directors for their consideration and approval.

Directors of the Manager are fiduciaries and are collectively and individually obliged to act objectively in the best interests of AA REIT and its Unitholders. Directors hold the Management accountable for performance. Where any Director has a conflict of interest or appears to have a direct/deemed interest in a particular matter under discussion by the Board, such Director will be required to declare his or her interest, recuse himself or herself from deliberation on the matter and abstain from voting on the matter. Compliance by such Director will be duly recorded in the minutes of meeting or written resolutions. To set the appropriate tone-from-the-top, the Board has put in place a code of conduct and ethics applicable to all employees of the Manager to set the desired organisation culture as well as to ensure proper accountability within the Manager.

The Board is also responsible for identifying key stakeholder groups and recognises that their perceptions affect AA REIT's reputation.

Board meeting and activities

The Board meets regularly, at least once every quarter and as warranted by particular circumstances, to discuss and review the strategies and policies and their execution, and the affairs of AA REIT.

The Manager's Constitution permits Board meetings to be held by way of telephone or video conference or similar communication equipment or any other form of audio or audio visual instantaneous communication by which all persons participating in the meeting are able to hear and be heard by all other participants, at least four times each financial year. If a Director is unable to attend a Board meeting or Board Committee meeting, he/she will still receive all the Board papers tabled for discussion at that meeting. The Director will review the Board papers and will advise the Chairman or Board Committee if he/ she has any views and comments on the matters to be discussed so that they can be conveyed and tabled at the meeting for discussion.

In FY2023, the Board had been updated during Board meetings and at specially convened meetings by the relevant professional advisors, auditors and Management in areas that may affect AA REIT's business such as relevant legislation and regulations, corporate governance practices, changes in risk management, financial reporting standards and other industry-related matters. Management also provides the Board with information in a timely manner through regular updates on financial results, market trends and business developments. Directors are also encouraged to participate in industry conferences, seminars and training programmes in connection with their duties.

Management provides the Board with complete, timely and adequate information on all AA REIT and/or Manager matters which require the Board's deliberation. Proposals to the Board and/or Board Committees for decisions or mandates sought by Management are in the form of Board papers and/or Board Committee papers that contain explanatory background to the matter, facts, analysis, resources needed, conclusions and recommendations.

Ongoing reports relating to the operational and financial performance of AA REIT are provided to the Board periodically to enable them to exercise effective oversight over AA REIT. Directors are briefed by the Management during Board meetings, at specially convened sessions or via circulation of Board papers. Any material variances in respect of budgets and forecasts are also duly disclosed and explained to the Board. Additionally, reports by independent external analysts on AA REIT are forwarded to the Board from time to time to keep Directors apprised of analysts' views on AA REIT's performance.

The Company Secretary of the Manager (the "Secretary") works with the Chairman and the Chief Executive Officer to ensure that Board papers and the agenda are provided to each Director in advance of the Board meetings so that they can familiarise themselves with the matters prior to the Board meetings. Senior executives who can provide additional insights into matters to be discussed are also requested to attend the Board meetings to address any questions that the Board may have. AA REIT's auditors are also invited from time to time to attend such meetings.

The Board has separate, independent and unfettered access to Management and the Secretary as well as to any information that it may require at all times. The Secretary or her designated representative attends all Board meetings and Board Committee meetings to record the minutes of the meeting. The Secretary renders assistance to the Board as may be necessary and helps to ensure that the applicable rules and regulations are complied with. The appointment and removal of the Secretary is a Board reserved matter.

The Directors, either individually or as a group, may at the Manager's expense seek independent professional advice where necessary to discharge their duties effectively.

Board committees

In the discharge of its functions, the Board is supported by Board Committees which also serve to ensure that there are appropriate checks and balances. These Board Committees are the Audit, Risk and Compliance Committee ("ARCC") and the Nominating and Remuneration Committee ("NRC"). The ARCC and NRC are chaired by Independent Directors and report to the Board.

The Board may form other Board Committees from time to time. The composition of each Board Committee is also reviewed regularly, and as and when there are changes to Board membership. Where appropriate, changes are made to the composition of the Board Committees to ensure there is a balance of diversity of skills, experience and gender, and fostering active participation and contributions from Board Committee members.

The Board comprises members with a breadth of skills and experience in accounting and finance, banking and capital markets, real estate, construction, investment, merger & acquisitions, legal, innovation and technology, and environmental, social and governance . The current Board members are as follows:

Director	Board membership	Audit, Risk and Compliance Committee	Nominating and Remuneration Committee
Mr George Wang	Chairman, Non-Executive Non-Independent Director	–	Member
Mr Chia Nam Toon[1]	Non-Executive Lead Independent Director	Member	Member
Mr Chong Teck Sin	Non-Executive Independent Director	Chairperson	–
Ms Vivienne Zhaohui Yu[2]	Non-Executive Independent Director	Member	Chairperson
Mr Peter Michael Heng	Non-Executive Independent Director	Member	Member

1 Mr Chia Nam Toon was appointed as Non-Executive Independent Director on 8 February 2023 and Non-Executive Lead Independent Director on 25 April 2023.
2 Ms Vivienne Zhaohui Yu was appointed as Non-Executive Independent Director on 1 February 2023 and Chairperson of NRC on 25 April 2023.

The profiles of the Directors and other relevant information are set out on pages 21-25 of this Annual Report.

Each of these Board Committees operates under delegated authority from the Board with clear written terms of reference. However, the Board retains overall responsibility for any decisions made by the Board Committees. Other Board Committees may be formed as dictated by business imperatives and/or to promote operational efficiency.

Information on the ARCC can be found in the section "Audit, Risk and Compliance Committee" of this Annual Report. Information on the NRC can be found in the "Board membership", "Board performance" and "Remuneration matters" sections of this Annual Report.

The Manager is also assisted by the Business Review Committee ("BRC"), which comprises senior representatives from the Manager and the Sponsor to review the business operations and asset management of AA REIT. Where appropriate, the Manager will submit the recommendations of the BRC to the Board for consideration. The minutes of meetings of the BRC are circulated to the Board for information.

The number of Board and Board Committee meetings held in FY2023 as well as the attendance of each Director at these meetings are set out in the table below:

	Board meetings	ARCC meetings	NRC meetings	Annual General Meeting
Number of meetings held in FY2023	5	4	4	1
Board members				
Mr George Wang	5	n/a	4	1
Mr Ko Kheng Hwa	5	4	4	1
Mr Chong Teck Sin[1]	5	4	3	1
Mr Peter Michael Heng	3	3	4	1
Mr Chia Nam Toon[2]	–	–	1	–
Ms Vivienne Zhaohui Yu[2]	–	–	1	–

n/a Not applicable as Director is not a member of the ARCC.
1 Mr Chong Teck Sin attended all the NRC meetings by invitation.
2 Ms Vivienne Zhaohui Yu and Mr Chia Nam Toon joined the Board on 1 February 2023 and 8 February 2023 respectively.

The Manager issues a formal letter of appointment to each Director upon appointment, setting out the Director's duties and obligations. Newly appointed Directors undergo an induction and orientation program upon their appointment, where they are briefed on their roles and responsibilities as Directors of the Manager, business activities of AA REIT and its strategic directions and the contribution the Directors would be expected to make, including the time commitment and any participation in Board Committees.

Newly appointed Directors will also be brought on site visits to selected AA REIT properties to facilitate a more complete understanding of AA REIT's business and operations. A Director who has no prior experience as a director of a listed company will be required to attend the necessary modules of the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors in order to acquire relevant knowledge of what is expected of a listed company director. The LED Programme focuses on comprehensive training of directors on compliance, regulatory and corporate governance matters which should allow first time directors to have a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, the Listing Manual and the CG Code. The Manager allocates each Director with an annual training budget and recommends relevant and/or necessary training courses and programmes for the Directors' participation.

Board composition and guidance

Principle 2: The Board has appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board independence

The Board considers and assesses the independence of each Director in accordance with the requirements of the Listing Manual, the CG Code and the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB) Regulations"). The SF(LCB) Regulations requires at least half of the Board to comprise independent directors where the Unitholders do not have the right to vote on the appointment of directors of the Manager. Provision 2.2 of the CG Code provides that independent directors make up a majority of the Board where the Chairman is not independent. Provision 2.3 of the CG Code further provides that non-executive directors should make up a majority of the Board.

Mr George Wang, Chairman of the Board, is the founder and Chief Executive Officer of AIMS Financial Group and is not an Independent Director. The current composition of the Board is in keeping with prevailing guidelines and regulations, consisting of five members[1], of whom majority are Non-Executive Independent Directors.

Under Provision 2.1 of the CG Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with AA REIT/the Manager, its related corporations, its substantial Unitholders/ shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of a director's independent business judgement in the best interests of AA REIT.

Regulations 13D to 13H of the SF(LCB) Regulations impose additional independence requirements on the Directors. Under the SF(LCB) Regulations, a Director is considered to be independent if the Director:

(a) is independent from the management of the Manager and AA REIT;
(b) is independent from any business relationship with the Manager and AA REIT;
(c) is independent from every substantial shareholder of the Manager and every substantial unitholder of AA REIT;
(d) is not a substantial shareholder of the Manager or a substantial unitholder of AA REIT; and
(e) has not served as a director of the Manager for a continuous period of nine years or longer.

A Director who does not satisfy any condition mentioned in the aforementioned (a) to (c) may nevertheless be treated as an Independent Director of the Manager if the Board is satisfied that the Director is able to act in the best interests of all Unitholders of AA REIT as a whole.

1 Mr Ko Kheng Hwa stepped down as Non-Executive Lead Independent Director of the Manager on 31 March 2023.

The independence of each Independent Director is reviewed and assessed by the NRC annually, taking into consideration independence requirements set out in the Listing Manual, the CG Code as well as the SF(LCB) Regulations. The NRC assesses whether each of the Independent Directors has any relationships or circumstances which could affect his or her independent status and makes its recommendations to the Board. If the Board deems a Director to be independent notwithstanding the existence of such relationships or circumstances, it shall disclose such information in full and provide its reasons accordingly. Each Independent Director is required to recuse himself or herself from the assessment of his or her independence.

The following paragraph sets out the outcome of the assessment carried out by the NRC on the independence of the Independent Directors for FY2023:

During the year, the Independent Directors, being Mr Ko Kheng Hwa, Mr Peter Michael Heng, Mr Chong Teck Sin, Mr Chia Nam Toon and Ms Vivienne Zhaohui Yu do not have any relationships and are not faced with any of the circumstances identified in the CG Code, SF(LCB) Regulations and Listing Manual, or any other relationships which may affect their independent judgement. The NRC considered whether each of them has demonstrated independence in character and judgement in the discharge of his responsibilities as a Director and concluded that each of them has acted with independent judgement. The NRC is therefore of the view that the Independent Directors have exercised independent judgement in the discharge of his or her duties and responsibilities.

Pursuant to Regulation 13E(b)(i) of the SF(LCB) Regulations and the CG Code, the Board, after considering the assessment and recommendation of the NRC above, is satisfied that:

All Independent Directors (i) are independent from the management of the Manager and AA REIT during FY2023; (ii) are independent from any business relationship with the Manager and AA REIT during FY2023; (iii) are independent from every substantial shareholder of the Manager and every substantial Unitholder of AA REIT during FY2023; (iv) are not a substantial shareholder of the Manager or a substantial Unitholder of AA REIT during FY2023; and (v) have not served as a Director of the Manager for a continuous period of nine years of longer as at the last day of FY2023.

Mr George Wang is the founder and Chief Executive Officer of AIMS Financial Group, which owns the Manager, the Property Manager and such other Sponsor-related entities as set out on page 21 of this Annual Report and is a substantial Unitholder of AA REIT. Therefore, during FY2023, Mr George Wang is deemed to have a management relationship with a related corporation of the Manager and a business relationship with the Manager and AA REIT. Mr Wang is a substantial shareholder of the Manager and a substantial Unitholder of AA REIT. Mr Wang has served on the Board for more than nine years as at 31 March 2023 as he was first appointed to the Board on 7 August 2009. As at 31 March 2023, Mr George Wang was able to act in the best interests of all Unitholders of AA REIT as a whole and the Board is satisfied that Mr George Wang was able to act in the best interests of all Unitholders of AA REIT as a whole.

The Directors actively participate in setting and developing strategies and goals for Management as well as reviewing and assessing Management's performance. This enables Management to benefit from the external, diverse and objective perspectives of the Independent and Non-Executive Directors on issues that are brought before the Board. The Non-Executive Directors meet informally without the presence of Management regularly on a need-to basis and the Chairman of such meeting will communicate feedback of such meetings to the Chairman of the Board and/or the Board, as appropriate.

Board diversity policy

The Manager is committed to building a diverse and inclusive culture which promotes the inclusion of different perspectives and insights. The Board, with the recommendation of the NRC, has adopted a Board Diversity Policy which sets out the Manager's approach to achieve diversity on its Board.

Under the Board Diversity Policy, the NRC will, when nominating qualified and suitable candidates for appointment to the Board, ensure that the Board remains sufficiently diverse to reflect a range of viewpoints to facilitate effective decision-making. With diverse skills, experience and gender being important aspects of diversity, the NRC will strive to ensure that there is adequate mix of skills, experience and gender on the Board. To this end, our Board Diversity Policy has been formalised to include a target of at least 20% representation of female Directors on the Board.

In determining the optimum composition for the Board, the Board Diversity Policy also provides for the NRC to consider a combination of factors, including differences in:

- Skills, industry and business experiences;
- Gender;
- Age;
- Geographical background and nationalities; and
- Tenure of service

The Board has adopted a skills matrix which classifies the skills, knowledge, and professional experience of the Board into several broad categories such as:

- Accounting and finance;
- Banking and capital markets;
- Real estate and construction;
- Investment;
- Mergers and acquisitions;
- Legal;
- Innovation and Technology; and
- Environmental, social and governance.

The Board reviews, on a regular basis, whether the composition and mix of the Board remain appropriate for the Manager's purpose and strategic objectives and whether the skills covered are relevant to address existing and emerging business and governance issues of the Manager and AA REIT. The final decision on selection of Directors will be based on merit against the objective criteria set and after giving due regard for the benefit of diversity on the Board.

AA REIT is committed to implementing the Board Diversity Policy, and any progress made towards the implementation of such policy, will be disclosed in this Annual Report, as appropriate. The NRC will review the Board Diversity Policy and objectives from time to time as appropriate and if necessary, recommend changes for the Board's approval.

During FY2023, the Board has reviewed its size and composition and is of the view that the current Board comprise Directors with an appropriate balance and diversity of skills, experience, knowledge and gender which is relevant to AA REIT's operations and evolving needs of AA REIT's business.

Board changes

In FY2023, the Board welcomed two new Non-Executive Independent Directors, Ms Vivienne Zhaohui Yu and Mr Chia Nam Toon. Ms Yu's extensive experience in the areas of banking and finance adds further diversity and strength to the Board, while Mr Chia being a veteran in the real estate and fund management industry will be a valuable resource to the Board and management team.

With the new additions, each Director can continue to bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. The Board is satisfied that the present size and composition of the Board and the Board Committees are appropriate and enable constructive debate as well as effective decision-making in the best interests of the Unitholders of AA REIT.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The roles of Chairman and Chief Executive Officer are separate and the positions are held by two separate persons in order to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the Chief Executive Officer are not related to each other.

There is clear separation of roles and responsibilities between the Chairman and the Chief Executive Officer which has been set out in writing. The Chairman is responsible for the overall leadership and management of the Board to ensure its effectiveness on all aspects of its role. This includes setting the agenda of the Board in consultation with the Chief Executive Officer and ensuring that adequate time is available for open discussion and robust debate of all agenda items, in particular strategic issues. The Chairman also ensures that the Directors receive complete, adequate, clear and timely information. In addition, the Chairman facilitates the contribution of Non-Executive Directors, encourages constructive relations between the Non-Executive Directors and Management, ensures effective communication with Unitholders and promotes a high standard of corporate governance. The Chairman also ensures that the Board works together with integrity and competency and that the Board engages Management in constructive debate on strategy, business operations, enterprise risk and other plans. On the other hand, the Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager and AA REIT.

Provision 3.3 of the CG Code provides for the appointment of an independent director to be the lead independent director in certain circumstances, including where the Chairman is not independent. During FY2023, Mr Ko Kheng Hwa was the Lead Independent Director in accordance with Provision 3.3 of the CG Code. Mr Chia Nam Toon assumed the role Lead Independent Director with effect from 25 April 2023. The Lead Independent Director has the discretion to hold meetings with the Independent Directors without the presence of the Non-Independent Directors and Management as he deems appropriate or necessary and to provide feedback to the Chairman after such meetings. The Lead Independent Director is available to Unitholders if the Unitholders have concerns and for which contact through the Chairman, the Chief Executive Officer or the Chief Financial Officer, has failed to resolve or is inappropriate.

Board membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating and Remuneration Committee (NRC)

The NRC members are appointed by the Board and support the Board in nominating matters relating to the Manager in accordance with the NRC's written terms of reference. The NRC currently comprises four Directors, the majority of whom, including NRC Chairperson, are Independent Directors. The current members of the NRC are as follows:

Ms Vivienne Zhaohui Yu	Chairperson
Mr Chia Nam Toon	NRC Member
Mr Peter Michael Heng	NRC Member
Mr George Wang	NRC Member

The composition of the Board, including the selection of candidates for new appointment to the Board, is determined using the following principles:

- the Board should comprise Directors with a broad range of commercial experience, including expertise in accounting and finance, banking and capital markets, real estate, construction, investment, merger and acquisitions, legal, innovation and technology, environmental, social and governance;

- the Board should comprise Directors with balance and diversity of thought and background to facilitate effective decision-making; and

- at least half of the Board should comprise Independent Directors.

The NRC administers nominations to the Board, reviews the structure, size and composition of the Board and reviews the performance and independence of the Directors. In addition, as part of regulatory requirements, prior approval from MAS is sought for any change of the Chief Executive Officer or of any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

Roles and responsibilities of NRC

The NRC has written terms of reference setting out its scope and authority in performing the functions of the nominating committee, which include assisting and/or making recommendation to the Board in matters relating to:

- the review of the structure, size and composition of the Board and the Board Committees;
- the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the Chief Executive Officer and key management personnel;
- the development of a transparent process and criteria for evaluation of the performance of the Board, its Board Committees and Directors, including assessing whether Directors are able to commit enough time to discharge their responsibilities and the maximum number of listed company board representation which a Director may hold;
- the review of training and professional development programmes for the Board and its Directors, including but not limited to, training on sustainability matters as prescribed by the SGX-ST;
- the appointment of Directors (including alternate directors, if any);
- the review and confirmation of the independence of each Director annually; and
- the Manager's targets, plans and timelines for achieving diversity on the Board (including the review of the Manager's progress in achieving such diversity targets within the timelines).

The Manager adopts a comprehensive and detailed process in the selection of new Directors. The selection of candidates is evaluated taking into account various factors, including the current and mid-term needs and goals of AA REIT, and hence, the Manager, as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts, recommendations or through external consultants. The Board, in consultation with the NRC, will consider AA REIT's and the Manager's strategic goals, business direction and needs. The NRC will conduct interviews with the candidates, and nominate the candidate deemed most suitable for appointment to the Board.

As more than half of the Board comprises Independent Directors, the Manager will not be voluntarily subjecting any appointment or re-appointment of Directors to voting by Unitholders.

In FY2023, none of the Directors has appointed an alternate director.

Review of Directors' ability to commit time

The NRC considers whether each Director is able to and has been adequately carrying out his duties as a Director, taking into consideration, *inter alia*, the Director's other publicly listed company board representations and other principal commitments. In addition, the NRC also takes into consideration, *inter alia*, a qualitative assessment of each Director's contributions as well as any other relevant time commitments. Although some of the Directors have other listed company board representations and commitments, the Board has determined through a formal assessment of the Board's performance that each individual Director has devoted sufficient time and attention to his role as a Director and to the affairs of the Manager. Based on the attendance and level of participation at the Board and Board Committee meetings held in FY2023, the Board is of the view that such appointments do not hinder the Directors from discharging their duties adequately and diligently and therefore believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The Board does not wish to exclude from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

CORPORATE GOVERNANCE

Board performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that each of its board committees and individual directors.

The NRC performs an annual assessment on the effectiveness of the Board as a whole, each of its Board Committees and individual Directors. Each Director will complete a questionnaire and the aggregated evaluation results will be reported to the NRC. Following the NRC discussion and review of the overall evaluation, the NRC will recommend to the Board key areas for improvement and follow-up action, where necessary, with a view of enhancing the effectiveness of the Board, the Board Committees and individual Directors in the discharge of its and their duties and responsibilities.

Board evaluation as an ongoing process

In FY2023, this evaluation was conducted internally. However, the NRC has the discretion to engage external consultants to conduct the evaluation, if it deems necessary. In respect of the Board's and Board Committees' assessment, the evaluation categories covered in the questionnaire include Board composition, performance and strategy, Board procedures, environmental, sustainability and governance, access to information by the Board, management of the Manager's performance, Director development, risk management and internal controls. As part of the questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision-making process. A Director's peer evaluation was also carried out wherein each Director assesses other members of the Board. The evaluation categories include Director's contributions, conduct and interpersonal skills, knowledge of the industry and business which AA REIT and the Manager operate in as well as strategic thinking. In FY2023, the NRC is of the view that the Directors, the Board as a whole and the Board Committees have fared well against the performance criteria, as positive ratings were received for all the attributes in the evaluation categories. Accordingly, the NRC is satisfied with the performance of the Directors, the Board and the Board Committees.

The Board takes cognisance that contributions by an individual Director may be in the form of providing objective perspectives on issues, facilitating business opportunities and strategic relationships with external parties and being accessible to Management outside of formal Board and/or Board Committee meetings.

REMUNERATION MATTERS

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

AA REIT, constituted as a trust, is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experienced and qualified personnel to manage the day-to-day operations of the Manager and AA REIT.

The NRC has written terms of reference setting out the scope and authority in performing the functions of a remuneration committee, which include assisting the Board in matters relating to:

- reviewing and making recommendation to the Board on the Manager's remuneration framework for the Board and key management personnel by taking into account all relevant legal and regulatory requirements including the principles and provisions of the CG Code. In doing so, the NRC shall ensure that:

  (a) a significant and appropriate proportion of executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. The performance-related remuneration must be aligned with the interests of Unitholders and promotes the long-term success of AA REIT;

  (b) the remuneration of non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities; and

  (c) the remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of AA REIT and key management personnel to successfully manage AA REIT for the long term;

- reviewing and recommending to the Board on the specific remuneration packages for each Director, Chief Executive Officer and key management personnel;

- reviewing the ongoing appropriateness and relevance of the Manager's remuneration policy;

- obtaining reliable and relevant market benchmarks through the appointment of independent remuneration consultants whenever deemed necessary; and

- considering all aspects of renumeration, including termination terms. When reviewing the Manager's obligations arising in the event of the termination of an executive Director's or key management personnel's contract of service, it is to ensure that such contract of service contains fair and reasonable termination clauses which are not overly generous.

No member of the NRC is involved in any decision relating to his or her own remuneration.

The remuneration policy adopted by the Manager is in line with AA REIT's business strategies and enables the Manager to attract, motivate, reward and retain quality employees. Key management personnel remuneration which is payable wholly in cash comprises a fixed component, a variable component and other employee benefits. The fixed component comprises the base salary and compulsory employer's contribution to the employees' Central Provident Fund ("CPF"). The variable component is in the form of short-term and longer-term bonuses, and the Board, with the support of the NRC, reviews the eligibility of employees for such bonuses on an annual basis. The NRC also takes reference from the local market practices in setting the Manager's employee remuneration and benefits policies. Currently, there are no unit-based incentive schemes or award schemes in place to reward employees as part of the remuneration package. The NRC has access to independent remuneration consultants as and when required. No external remuneration consultants were engaged for FY2023.

The compensation structure for the variable component is comprehensive and structured, and directly linked to corporate and individual performance, as well as the performance of AA REIT through the incorporation of appropriate key performance indicators ("KPIs") that are specific, measurable, result-orientated and time-bound. A year-end review is carried out to measure actual performance against the KPIs while taking into consideration qualitative factors such as business environment, regulatory landscape and industry trends to determine a variable year-end bonus that is commensurate with the performance achieved. A portion of the variable year-end bonus is deferred for key employees to incentivise them to strive for short and longer term performance. In determining the actual quantum of the variable component of the remuneration to be paid, the NRC would take into account the extent to which the KPIs have been met. The KPIs of the Manager include distribution per unit growth of AA REIT. This will allow alignment of the Manager's employees' interests with those of AA REIT's Unitholders and other stakeholders and promotes the long-term success of AA REIT.

Independent Directors are paid fixed basic fees for their Board and Board Committee memberships by the Manager. In determining the quantum of the fees, the Manager took into account factors such as effort, time spent and responsibilities of the Directors, and they are not overcompensated to the point that their independence may be compromised. Directors' fees are reviewed periodically to benchmark such fees against the amounts paid by other listed real estate investment trusts. No Director decides on his or her own fees. Currently, there are no unit-based incentives or awards in place to reward Directors as part of the remuneration package. The NRC will periodically review and re-evaluate this option.

Directors' fees

Directors' fees are paid by the Manager. For FY2023, the Directors' fees paid in cash were as follows:

Directors' fees	FY2023	FY2022
Board Members		
Mr George Wang	–	–
Mr Ko Kheng Hwa	S$90,000[1]	S$90,000
Mr Chong Teck Sin	S$82,500[2]	S$80,000
Mr Peter Michael Heng	S$70,000	S$72,500[3]
Mr Chia Nam Toon	S$10,208[4]	–
Ms Vivienne Zhaohui Yu	S$11,667[5]	–

1 Mr Ko Kheng Hwa stepped down as the Non-Executive Lead Independent Director on 31 March 2023.
2 Includes a S$2,500 fee for chairing the FY2022 AGM in July 2022.
3 Includes a S$2,500 fee for chairing the FY2021 AGM in July 2021.
4 Mr Chia Nam Toon was appointed as Non-Executive Independent Director on 8 February 2023.
5 Ms Vivienne Zhaohui Yu was appointed as Non-Executive Independent Director on 1 February 2023.

Remuneration policy for key management personnel

The Board is cognisant of the requirements under Principle 8 and Provision 8.1 of the CG Code for listed issuers to make certain remuneration disclosures, *inter alia*, the amounts and breakdown of the Chief Executive Officer's remuneration, and the names, amounts and breakdown of the remuneration of at least the top five key management personnel (who are not Directors or the Chief Executive Officer) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

However, the Board has reviewed, assessed and decided against such disclosures for the following reasons:

- the spirit of Principle 8 of the CG Code is to enable shareholders of the company to assess the remuneration levels of the Chief Executive Officer and key management personnel vis-à-vis the performance of the company as the remuneration is paid by the company and would impact the net returns to shareholders. However, in the current structure of AA REIT, the remuneration of the Directors and employees of the Manager are not paid out of the deposited property of AA REIT (listed issuer). Instead, they are remunerated directly by the Manager, which is a private company. The fees that the Manager received from AA REIT for FY2023 have been fully disclosed under the "Interested Person Transactions" section of the Annual Report;

- there is no misalignment between the remuneration of the Directors and the key management personnel of the Manager, and the interests of the Unitholders given that their remuneration is not linked to the gross revenue of AA REIT and is paid out of the assets of the Manager and not out of AA REIT. In addition, the remuneration policy and performance-based compensation structure of the Manager have been disclosed to facilitate a better understanding of the relationships between remuneration, performance and value creation; and

- given the confidentiality and sensitivity of remuneration matters, the Board firmly believes that the disclosure of the remuneration of the Chief Executive Officer and the top five key management personnel of the Manager (whether in exact quantum or in bands of S$250,000) would be prejudicial to the interests of AA REIT and its Unitholders. The current management team has been serving the Manager and AA REIT effectively. It is important for the Manager to retain such talent for the long-term interests of AA REIT and its Unitholders and to ensure the stability and continuity of the business operations with a competent and experienced management team at the helm. In view of the competitive conditions and the specialised skill sets required in the Singapore real estate and Singapore REIT industry, such disclosure of remuneration may potentially result in staff movement. Therefore, the Board believes that not disclosing the remuneration will be in the best interests of AA REIT and the Unitholders and the interests of AA REIT and the Unitholders will not be prejudiced as a result of such non-disclosure.

The Manager believes that, notwithstanding the variation from the abovementioned Provisions, the current disclosures remain consistent with the aims and philosophy of Principle 8 of the CG Code.

In FY2023, there were no employees of the Manager who were substantial shareholders of the Manager, substantial Unitholders of AA REIT or immediate family members of a Director, the Chief Executive Officer, any substantial shareholder of the Manager or any substantial Unitholder of AA REIT.

ACCOUNTABILITY AND AUDIT

Risk management and internal controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Role of the Board and ARCC in ensuring sound internal controls and effective risk management practices

The Board recognises the importance of sound internal controls and effective risk management practices to good corporate governance. As such, the Manager has put in place a system of internal controls comprising procedures and processes to safeguard AA REIT's assets, Unitholders' interests and to manage risks. The Board has overall responsibility for risk governance, determines AA REIT's levels of risk tolerance and risk policies and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems, including financial, operational, compliance and information technology controls. The ARCC assists the Board in overseeing the risk management framework and policies for AA REIT.

The Board, in consultation with Management, has established a risk identification and management framework and has implemented risk management policies and processes covering areas of significant risks such as anti-money laundering and countering of terrorism, financial risk management, outsourcing risk, business continuity risk and technology risk management to ensure that AA REIT maintains a sound system of risk management and internal controls to safeguard Unitholders' interests and AA REIT's assets as well as achieving strategic objectives and value creation. The framework strengthens AA REIT's capability to recognise and capitalise on new challenges and opportunities so as to value-add to Management's decision-making, business planning and operational management and as a protection for investors.

The internal auditors conduct reviews of the adequacy and effectiveness of the material internal controls (including financial, operational, compliance and IT controls) and risk management systems and any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal auditors are reported to and reviewed by the ARCC. The Board, through the ARCC, reviews the adequacy, effectiveness, independence, scope and results of the internal audit function to ensure that a robust risk management framework and internal control system is maintained.

Role of Head of Risk and Compliance

The Head of Risk and Compliance's role is to provide oversight and co-ordination of risk management to the Manager and AA REIT. The Head of Risk and Compliance is assisted by the Risk and Compliance Officers. Periodic updates will be provided by the Head of Risk and Compliance to the ARCC on AA REIT's and the Manager's risk profiles. Such updates would include an assessment of key risks, current status, mitigating measures put in place, effectiveness of such mitigating measures, and any action plans to be undertaken by Management to manage such risks.

Information on risk management can be found in the section "Risk Management Report" on pages 116 to 118 of this Annual Report.

Board's comment on internal controls and risk management

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer of the Manager that: (a) the financial records have been properly maintained; (b) the financial statements of AA REIT and its wholly-owned subsidiaries ("Group") and the Trust give a true and fair view of the operations and finances of the Group and the Trust which comprise the financial position and portfolio holdings of the Group and the Trust as at 31 March 2023, and (c) the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Investment Funds" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. The Board has also received assurance from the Chief Executive Officer and the relevant key management personnel that the system of risk management and internal controls in place are adequate and effective to address the risks that the Manager considers relevant and material to the current business environment as at 31 March 2023.

Based on the enterprise risk management framework established and maintained by the Manager, work performed by the internal and external auditors, reviews conducted by Management and various Board Committees including the ARCC as well as the assurance from the Chief Executive Officer and relevant key management personnel, the Board is of the opinion that the system of risk management and internal controls was adequate and effective to address the risks (including financial, operational, compliance and information technology risks), which the Board considers relevant and material to its current business environment as at 31 March 2023. The ARCC concurs with the Board on its opinion. No material weaknesses in the systems of risk management and internal controls were identified by the Board or the ARCC in the review for FY2023.

The Board notes that the system of risk management and internal controls established provides reasonable but not absolute assurance that AA REIT will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Audit, Risk and Compliance Committee (ARCC)

The ARCC members are appointed by the Board. The ARCC is comprised entirely of Non-Executive Independent Directors. The current members of the ARCC are:

Mr Chong Teck Sin	ARCC Chairperson
Mr Peter Michael Heng	ARCC Member
Mr Chia Nam Toon	ARCC Member
Ms Vivienne Zhaohui Yu	ARCC Member

Members of the ARCC are appropriately qualified to discharge their responsibilities as they possess the requisite recent and relevant accounting or related financial management expertise or experience. None of the ARCC members are former partners or Directors of AA REIT's existing auditing firm, KPMG LLP, within the previous two-year period, nor does any of the ARCC members have any financial interest in KPMG LLP. The number of ARCC meetings held and corresponding attendance for the financial year are set out on page 122 of this Annual Report.

The ARCC is governed by written terms of reference and has explicit authority to investigate any matter within its terms of reference. The ARCC has full access to and cooperation by Management, the internal and external auditors and has full discretion to invite any Director or senior executive to attend its meetings. The ARCC is reasonably resourced to enable it to discharge its functions properly. The ARCC is kept updated whenever there are changes to the financial reporting standards or issues that may have an impact on the financial statements of AA REIT.

Key Responsibilities of ARCC:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of AA REIT and any announcements relating to its financial performance;

- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls as well as risk management systems;

- reviewing the assurance from the Chief Executive Officer and Chief Financial Officer on the financial records and financial statements and the assurance from the key management personnel regarding the adequacy and effectiveness of the risk management and internal control systems;

- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Manager's internal audit functions;

- making recommendations to the Board on the proposals to the Unitholders on the appointment, re-appointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors; and

- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

Role of the ARCC Chairperson

The ARCC Chairperson is responsible for ensuring that the ARCC meetings run efficiently and each agenda item is thoroughly and thoughtfully discussed by all members of the ARCC. The ARCC Chairperson is often the key contact between the ARCC members and the Board, as well as senior management and the auditors. Responsibilities of the ARCC Chairperson also generally include the planning and conducting of the ARCC meetings, overseeing reporting to the Board, encouraging open discussion during ARCC meetings and maintaining active ongoing dialogue with management and both internal and external auditors.

Reviews conducted by ARCC during the year:

During FY2023, the ARCC's activities included the following:

- The ARCC performed independent reviews of AA REIT's business updates, half year and full year financial results before recommending to the Board for approval on the release of the financial statements and SGXNET announcements relating to AA REIT's financial statements. In conducting its review of the audited financial statements of AA REIT prepared by Management of the Manager, the ARCC also assessed significant financial reporting issues and judgements, including the consistency and appropriateness of accounting policies and the quality and completeness of disclosures so as to ensure the integrity of the financial statements of AA REIT and any SGXNET announcements relating to AA REIT's financial statements. The ARCC also reviewed the key audit matter as reported by the external auditors for FY2023, as set out below. The key audit matter for this financial year remains unchanged from the previous financial year.

Key audit matter	How the issue was addressed by the ARCC
Valuation of investment properties	The external valuations are conducted by independent professional valuers who have the appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. The valuers are changed at least once every two years to provide independent and fresh perspectives to the valuation process. The valuers have substantially considered all known information as at the date of valuation into their valuation assessment. The external auditors reviewed the external valuations prepared by the independent professional valuers and noted that the valuation methodologies used which included capitalisation, discounted cash flows and/or direct comparison were consistent with generally accepted market practices. The external auditors also determined that the key assumptions used in the valuations, were generally within the range of market data available as at 31 March 2023. Where assumptions were outside the expected range, the additional factors considered by the external valuers were consistent with other corroborative evidence. The ARCC held discussions with the external auditors and Management to assess the valuation methodologies and assumptions applied including the reasonableness of the market rental growth, capitalisation rates, discount rates and terminal capitalisation rates adopted by the valuers as well as comparable market transactions and are satisfied that the valuation method and estimates are generally within the range of market data as at 31 March 2023 and the valuation reports are prepared in accordance with recognised appraisal and valuation standards. The valuation of investment properties was an area of focus for the external auditors. Please refer to pages 146 to 147 of this Annual Report for the key audit matter as reported by the external auditors in the audit report for FY2023.

Based on the review and discussions with Management and the external auditors, the ARCC is of the view that the financial statements prepared by Management are fairly presented and conform to generally accepted accounting principles in all material aspects.

- In performing its duties, the ARCC had met the external auditors without the presence of Management once during the year and confirmed that they had full access to and received full co-operation and support from the Management.

- The ARCC reviewed and approved the audit plan and scope of the external auditors on the audit of the full year financial statements.

- The ARCC also reviewed the nature and extent of the non-audit services provided to AA REIT by the external auditors for the financial year and was satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors.

The aggregate amount of fees paid and payable by the Group to the external auditors for FY2023 was approximately S$336,000, of which audit fees amounted to approximately S$268,000 and non-audit fees amounted to approximately S$68,000. The non-audit fees paid/payable to the external auditors mainly related to tax compliance services, tax advisory services and other tax services. The ARCC is satisfied that the external auditor's independence will not be compromised as the non-audit services engaged by the Manager are not prohibited under The Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities prescribed in the Fourth Schedule to the Accountant (Public Accountants) Rules under the Accountants Act (Chapter 2) (the "ACRA Code").

The ARCC has assessed the quality of work carried out by the external auditors based on factors such as time spent and the experience of the audit team assigned. The ARCC is satisfied with the adequacy, independence and objectivity of the external auditors and has recommended to the Board the re-appointment of KPMG LLP as the external auditors of AA REIT at the forthcoming annual general meeting.

The Board confirms, on behalf of AA REIT, that AA REIT has complied with the requirements of Rules 712 and 715 of the Listing Manual in respect of the suitability of the auditing firm for AA REIT.

- The ARCC reviewed and approved the internal audit plan and scope of the internal auditor's work and its audit programme. It reviewed the findings during the year and Management's responses thereto and it satisfied itself as to the adequacy of the internal audit function. The ARCC also met the internal auditors without the presence of Management once during the year and confirmed that they had full access to and received full co-operation and support from the Management.

- The ARCC reviewed the enterprise risk management framework and the policies and procedures put in place by Management to ensure that AA REIT's risk management and internal control systems are adequate and effective.

- The ARCC reviewed interested person/interested party transactions to ensure compliance with the Listing Manual and the Property Funds Appendix.

Whistle blowing policy

The Manager adopts a zero-tolerance stance against any form of illegal activity, including corruption, bribery and other impropriety involving its employees and associates, and will take all necessary steps to eradicate such conduct if discovered. Accordingly, a Whistle Blowing Policy has been put in place to provide a channel through which employees, being a director, executive, manager or other officer or contractor of the Manager (each, a "Whistleblower") may report in good faith and in confidence any reportable conduct, which in the view of the Whistleblower, is:

(a) dishonest;
(b) a fraudulent misappropriation of assets;
(c) corrupt;
(d) illegal or a breach of any applicable laws (including theft, drug sale/use, violence or threatened violence and criminal damage against property);
(e) unethical (either representing a breach of the Manager's code of conduct or generally);
(f) other serious improper conduct or gross mismanagement;
(g) an unsafe work-practice; or
(h) any other conduct which may cause financial or non-financial loss to the Manager or be otherwise detrimental to the interests of the Manager,

and arrangements are in place for independent investigation with appropriate follow-up action. Under the Whistle Blowing Policy, the Manager ensures that the identity of the Whistleblower is kept confidential and remains committed to protecting the Whistleblower against detrimental or unfair treatment. All employees can notify in writing of any reportable conduct to the Whistleblower Protection Officer or the Chairperson of the ARCC. The email address of the Whistleblower Protection Officer is compliance@aimsapac.com, and the Whistle Blowing Policy is available on AA REIT's website at https://www.aimsapacreit.com/whistle-blowing.html.

The ARCC is designated as the independent function to investigate all whistleblowing reports and is responsible for oversight and monitoring of whistleblowing. The ARCC reviewed the Whistle Blowing Policy and is satisfied that reportable conduct may be raised in confidence and that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

In FY2023, the Whistleblower Protection Officer or the Chairperson of the ARCC did not receive any report of reportable conduct.

Role of internal auditor

The ARCC decides on the appointment, termination and remuneration of the internal audit services and has a policy of assessing the need to rotate the internal audit function on a triennial basis. In 2020, Ernst & Young Advisory Pte Ltd ("EY") was re-appointed by the ARCC to provide internal audit services to review and assess the adequacy of AA REIT's internal control systems, including financial, operational, compliance and information technology controls over a three-year internal audit plan period. The internal auditor is independent of Management and reports directly to the ARCC and administratively to the Chief Executive Officer. EY has unfettered access to all the Manager's documents, records, properties and personnel, including unrestricted access to the ARCC and has appropriate standing within the Group. To ensure that the internal auditor's activities are performed competently, the internal auditor is guided by the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors and recruits and employs suitably qualified professional staff with the requisite skill sets and experience.

EY's role as the internal auditor is to assist the ARCC to reasonably ensure that Management maintains a sound system of internal controls by periodically monitoring the effectiveness the effectiveness of key controls and procedures. EY's scope of work includes risk assessments and compliance audits in order to check that internal controls are aligned with business objectives and in place to address related risks.

In FY2023, EY conducted audit reviews on the internal audit plan approved by the ARCC covering financial, operational, compliance and information technology controls using a risk-based auditing approach. Upon completion of each audit assignment, EY reported their audit findings and recommendations to Management who responded on the actions to be taken. EY also submitted internal audit reports, at least twice yearly, to the ARCC on the audit findings and follow-up actions taken by Management based on the recommendations. Through the ARCC's review of the internal audit reports, the ARCC is satisfied as to the independence, adequacy and effectiveness of the internal audit function with respect to FY2023 and the ARCC is of the view that the internal auditor is adequately resourced to perform its functions.

UNITHOLDERS' RIGHTS AND ENGAGEMENT

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Manager adopts the principle that all Unitholders should be treated fairly and equitably. It facilitates the exercise of ownership rights by all Unitholders through its commitment to ensuring continuous, clear and timely communication with Unitholders to promote a better understanding of AA REIT's business, and to promote a system of effective disclosure to key stakeholders.

The Listing Manual requires a listed entity to disclose to the market matters that could or might reasonably be expected to have a material effect on the price or trade of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders, various stakeholders and the investing community. The Manager's disclosure policy requires timely and full disclosure of all material information relating to AA REIT by way of public releases or announcements through the SGX-ST via SGXNET and on its corporate website at https://www.aimsapacreit.com on an immediate basis, where required by the Listing Manual. Where immediate disclosure is not practicable or not so required by the Listing Manual, announcements are made as soon as possible to ensure that Unitholders, stakeholders and the general market have parity of access to the information.

ANNUAL GENERAL MEETING (AGM)

In view of the COVID-19 pandemic, the previous AGM for FY2022 was held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Units Trusts and Debenture Holders) Order 2020 ("Meetings Order"). Unitholders could participate via live audio-visual webcast or live audio-only stream and submit their questions related to the resolutions to be tabled for approval at the AGM to the chairman of the AGM, in advance of the AGM. Responses to all substantial and relevant questions were published on AA REIT's website and on SGXNET prior to the AGM. Unitholders were allowed to vote by appointing the chairman of the AGM as their proxy to attend and vote on their behalf at the AGM.

On 15 December 2022, the Ministry of Law announced that the Meetings Order will cease with effect from 1 July 2023. As Singapore has progressively transitioned towards living with COVID-19 and meetings can take place physically, the Company has planned for its upcoming AGM on 24 July 2023 to be held in a wholly physical format, at the Big Picture Theatre at 168 Robinson Road, Capital Tower, Singapore 068912 ("AGM 2023"). There will be no option for Unitholders to participate virtually. Arrangements relating to attendance at the AGM 2023, submission of questions in advance of the AGM 2023, addressing or substantial and relevant questions prior to the AGM 2023 and voting by Unitholders (themselves or through duly appointed proxies) will be set out in the Manager's notice of AGM dated 22 June 2023. The below sets out AA REIT's usual practice for Unitholders' meetings when there are no pandemic risks and the Meetings Order is not in operation.

The Manager provides Unitholders with the opportunity to participate effectively in and vote at general meetings of shareholders and be informed of the rules, including voting procedures, that govern such meetings.

An AGM is held after the close of each financial year. The notice of AGM setting out all items of business to be transacted at the AGM is published on SGXNET and AA REIT's website. All Unitholders are entitled to receive a printed version of the Annual Report. Unitholders are sent a Notice of AGM and a proxy form with instructions on the appointment of proxies. As and when an extraordinary general meeting is to be held, Unitholders will receive a copy of the circular, containing details of the matters to be proposed and a proxy form with instructions on the appointment of proxies, for Unitholders' consideration and approval. Notices of all general meetings are issued via SGXNET. Prior to voting at an AGM or any other general meeting, voting procedures will be made known to the Unitholders to facilitate them in exercising their votes. An independent scrutineer is also appointed for the purpose of vote-taking and validation of votes at general meetings.

The Manager strives to give Unitholders a balanced and understandable assessment of AA REIT's performance, position and prospects. Unitholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed at the AGMs. All Directors (including the chairpersons of the respective Board Committees), Chairman of the Board, Chief Executive Officer, senior management of the Manager would be in attendance and the external auditors of AA REIT would also be present to address Unitholders' queries including any query on the conduct of audit and the preparation and content of the auditor's report. Directors' attendance at general meetings held during the financial year is disclosed on page 122 of this Annual Report. Any Unitholder who is unable to attend a general meeting is allowed to appoint up to two proxies to attend and vote on the Unitholder's behalf. A Unitholder who is a relevant intermediary (including but not limited to nominee companies, custodian banks or CPF agent banks), is entitled to appoint more than one proxy to vote on its behalf at the meeting through proxy forms sent in advance, provided that each proxy must be appointed to exercise the rights attached to a different unit or units held by such Unitholder, where the number of units shall be specified. The Manager has also taken measures to cater for the multiple proxy regime, in anticipation of attendance by beneficial Unitholders, such as those holding units through the CPF Investment Scheme, at general meetings.

Provision 11.4 of the CG Code requires an issuers' constitution to allow for absentia voting at general meetings. Article 61 of AA REIT's constitution allows each shareholder to vote in person or by proxy, attorney or other duly authorised representative. However, voting *in absentia* by mail, email or fax has not been implemented until concerns relating to issues of authentication of Unitholders' identity and other related security issues in this regard have been satisfactorily resolved. The Manager is of the view that its practice is consistent with Principle 11 of the CG Code as Unitholders have adequate opportunities to communicate their views on matters affecting AA REIT even when they are not attendance at general meetings. For example, Unitholders may appoint proxies to participate, on their behalf, at general meetings.

A separate resolution is proposed for each substantially separate issue at general meetings to safeguard Unitholders' interests and rights. The Manager conducts poll voting for the Unitholders and/or proxies present at the general meeting for the resolutions proposed at the general meeting to ensure transparency in the voting process and to better reflect the interests of Unitholders. The total number of votes for or against such resolutions and the respective percentages are made known to Unitholders at the general meeting and announced via SGXNET following the general meeting. Minutes of the general meeting recording the substantial and relevant comments made and questions raised by Unitholders, and responses from the Board and Management, are made available on AA REIT's website.

Distribution policy

Provision 11.6 of the CG Code encourages companies to have a policy on payment of dividends. The Manager's policy is to distribute at least 90.0% of AA REIT's taxable income, comprising substantially its income from the letting of its properties, after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion taking into account the needs of AA REIT for capital expenditure, working capital requirement and the liquidity position of AA REIT. Since AA REIT's listing in 2007, AA REIT has distributed 100.0% of its taxable income to Unitholders.

Unitholder engagement

The Manager has a dedicated investor relations department that regularly interacts with stakeholders to engage and facilitate communications. The investor relations function is headed by the Chief Executive Officer and Manager of Investor Relations, Partnerships & Sustainability. The Manager has put in place an Investor Relations Policy which outlines AA REIT's principles and framework to promote effective communication with Unitholders and to provide them with timely and equal access to all publicly available information of AA REIT so that Unitholders can continue to exercise their rights in an informed manner. The Investor Relations Policy also sets out the Manager's commitment to engage Unitholders and stakeholders through regular, effective and fair communication. The Manager conducts regular briefings and conference calls for analysts, institutional investors and media representatives which generally coincide with the release of AA REIT's results or disclosure of material transactions. During these briefings, the Manager reviews AA REIT's most recent performance or explains the transaction (where applicable) and solicits views of Unitholders and to address their concerns. Unitholders' views are also solicited during general meetings as the Unitholders are given opportunity to raise questions and clarify on any issues.

As provided for in the Investor Relations Policy, investors may subscribe to email alerts on AA REIT's corporate website for all announcements and SGXNET filings issued by AA REIT. Active Unitholder engagement, and continuous and informed dialogue between the Manager and Unitholders is a central tenet of good corporate governance. Unitholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or the Manager. Such questions, requests and comments can be addressed to the Investor Relations team via the Investor Relations contact available at AA REIT's website at investorrelations@aimsapac.com. Please refer to the "Investor Relations" section of this Annual Report for more information of the Manager's investor relations activities.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Manager believes that engaging stakeholders is critical for the long-term performance of AA REIT. The Manager has identified its key stakeholder groups based on importance, representation, responsibility, dependency and proximity to AA REIT's business. Such stakeholders include investors, analysts, media, tenants, banks, staff as well as the local community. The Manager adopts an inclusive approach by considering and balancing the needs and interests of key stakeholders, including sustainability issues, as part of the overall strategy to ensure that the best interests of stakeholders and the long-term business value of AA REIT are served. The Manager is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in AA REIT's business strategies and operations. The Manager has arrangements in place to identify and engage with key stakeholder groups from time to time to gather feedback on the sustainability issues most important to them.

Details of AA REIT's sustainability strategy, including its stakeholder engagement process and initiatives, can be found in the "Sustainability Report" section of this Annual Report.

The Manager maintains AA REIT's corporate website at https://www.aimsapacreit.com to facilitate communication and engagement with stakeholders and ensure that stakeholders have access to timely information on AA REIT.

ADDITIONAL INFORMATION

Dealings in AA REIT units

In line with Rule 1207(19) of the Listing Manual on Dealings in Securities, AA REIT has devised and adopted its own internal compliance code to provide guidance to its officers with regard to dealing by AA REIT and its officers in securities. AA REIT issues a memorandum to the Directors, officers and employees of the Manager on restrictions on dealings in the units in AA REIT:

(a) during the period commencing two weeks before the announcement of the Group's quarterly business updates and one month before the announcement of the Group's half year and full year results and ending on the date of announcement of the relevant business updates/results, and

(b) at any time while in possession of unpublished material or price sensitive information.

The Directors and employees of the Manager are also advised not to deal in the units on short-term considerations.

Each Director is required to give written notice to the Manager of the particulars of:

(a) units in AA REIT, being units held by him or her, or in which he or she has an interest and the nature and extent of that interest;

(b) debentures or units of debentures in AA REIT which are held by him or her, or in which he or she has an interest and the nature and extent of that interest; and

(c) such other securities, securities-based derivatives contracts or units in a collective investment scheme as the MAS may prescribe, which are held, whether directly or indirectly, by him or her, or in which he or she has an interest and the nature and extent of that interest.

(Collectively referred to as the "**Relevant Securities**")

The written notice must be given within two business days after the date he or she becomes a Director, or becomes a holder of, or acquires an interest in the Relevant Securities (whichever last occurs).

The Director should also give written notice to the Manager of particulars of any change in respect of the Relevant Securities, and such written notice must be given within two business days after the Director becomes aware of the change.

In addition, the Manager is required to announce via SGXNET the particulars of its holdings in the units and any changes thereto within one business day after the date on which it acquires or disposes of any units, as the case may be.

Dealings with conflicts of interest

The following main principles and procedures have been established to address potential conflicts of interest which may arise in managing AA REIT:

(a) the Manager is dedicated to managing AA REIT and will not directly or indirectly manage other real estate investment trusts;

(b) all executive officers of the Manager are employed by the Manager;

(c) all resolutions in writing of the Directors of the Manager in relation to matters concerning AA REIT must be approved by a majority of the Directors including at least one Independent Director;

(d) Independent Directors constitute majority of the Board;

(e) in respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any Directors appointed by the Sponsor and representing its interests shall abstain from voting on such matters. In such matters, the quorum must comprise a majority of the Independent Directors of the Manager and shall exclude such Directors of the Sponsor and/or its subsidiaries; and

(f) in respect of matters in which a Director or his associate has an interest, direct or indirect, such interested Director is required to disclose his interest and will abstain from voting on resolutions approving the said matter.

Code of conduct and ethics

The Manager adheres to an ethics and code of business as prescribed in its Employee Handbook that deals with issues such as confidentiality, business conduct, work discipline and conflict of interest. The policies also sets out work procedures and incorporate internal controls which ensure that adequate checks and balances are in place. The Manager also seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

All employees of the REIT Manager are required to make a declaration on an annual basis on any conflict of interest, any litigation issues and dealing in AA REIT units. As for new employees, they are briefed on the requirements set out in the Employee Handbook and are required to read and acknowledge the guidelines listed therein when they join the REIT Manager.

Business continuity management

The Manager has also put in place Business Continuity Plan ("BCP") for crisis management to response to business disruption to ensure resumption of business as unusual and minimise impact of adverse business interruptions.

Under the BCP, Management has identified the critical business functions, processes and resources, service recovery time and performed business impact analysis.

As part of the BCP, the Manager has performed disaster recovery tests simulating different scenarios to test the effectiveness of processes, procedures and escalation protocols. This holistic approach under the BCP serves to ensure organisational and staff preparedness and readiness to deal with adverse business disruptions such as acts of terrorism, cyber attacks, data breaches and epidemics.

This approach aims to minimise the negative impacts on operations, financial and reputation on AA REIT and allows the Manager to fulfil its obligations as the Manager to AA REIT.

Interested person/interested party transactions

The Manager has established an internal control system to ensure that all transactions with "interested person" (as defined in the Listing Manual) and "interested party" (as defined in the Property Funds Appendix) are undertaken at an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of AA REIT and the Unitholders. As a general rule, the Manager must demonstrate to the ARCC that such transactions satisfy the foregoing criteria which may include obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining two independent valuations of each of those real estate assets, with one of the valuers commissioned independently by the Trustee (having been conducted in accordance with paragraph 8 of the Property Funds Appendix).

The Manager maintains a register to record all interested person/interested party transactions which are entered into by AA REIT and the basis, including any quotations from unrelated parties and independent valuations obtained to support such basis, on which they are entered into. Further, the following procedures will be adhered to:

(a) all transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person/party during the same financial year) will be subject to review and approval of the ARCC at regular intervals;

(b) transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person/party during the same financial year) equal to or exceeding 5.0% of the Group's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph by the ARCC which may, as it deems fit, request advice on the transaction from independent sources or advisors, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders; and

(c) the ARCC's approval shall only be given if the transactions are at arm's length and on normal commercial terms and consistent with similar types of transactions with third parties which are not interested person/interested parties.

Where matters concerning AA REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of AA REIT with an interested person/interested party (which would include relevant associates thereof), the Trustee is required to ensure that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of AA REIT and the Unitholders and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. Furthermore, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested person/interested party. If the Trustee is to sign any contract with an interested person/interested party, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Appendix (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

AA REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transactions if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of the Group's latest audited net tangible assets.

Details of all interested person transactions (equal to or exceeding S$100,000 each in value) entered into by AA REIT during the financial year are disclosed on page 222 of this Annual Report.

Availability of Trust Deed

A copy of the Trust Deed and of any supplementary deed (including any amending and restating deed) are available for inspection at the registered office of the Manager during usual business hours.

Fees payable to the Manager

Pursuant to the Trust Deed, the Manager is entitled to receive fees payable out of the deposited property of AA REIT.

The methodology for the computation of the fees is disclosed on page 164 under the "Notes to the Financial Statements" section of this Annual Report.

The management fees are earned by the Manager for the management of AA REIT's portfolio of properties. The various fees earned by the Manager are further elaborated below:

(i) Base fee

The Manager is responsible for the ongoing management of the assets and liabilities of AA REIT for the benefit of the Unitholders. Accordingly, the Manager should be fairly compensated for its efforts in the overall management of AA REIT and it should enable the Manager to cover its operational, administrative and compliance overheads incurred in the management of the portfolio. The base management fee is calculated as a percentage of the Deposited Property (as defined in the Trust Deed) of AA REIT as it provides an appropriate metric to determine the resources required for managing the assets. As AA REIT grows its portfolio size, the complexity of management increases and the Manager is expected to expend greater effort in fulfilling its responsibilities.

(ii) Performance fee

The performance fee is only payable when the Manager has achieved certain levels of growth in the Distribution per Unit ("DPU") in the current financial year relative to the previous financial year. As the year-on-year growth of the DPU is in line with the interests of the Unitholders, the performance fee will spur the Manager to seek growth opportunities or embark on cost savings initiatives to improve the performance of AA REIT. The performance fee is calculated as a percentage of the Deposited Property (as defined in the Trust Deed) of AA REIT as it provides an appropriate metric to determine the resources required for such efforts taken to achieve the growth in DPU and aligns the interests of the Manager with Unitholders. The Manager is motivated and driven to achieve DPU growth by ensuring the long-term sustainability of the assets through proactive asset management strategies and asset enhancement initiatives. The performance fee is paid annually, in compliance with the Property Funds Appendix.

(iii) Acquisition fee and Divestment fee

These fees are essential to incentivise the Manager to continue to deliver long-term sustainable income to Unitholders, source for growth opportunities and yield-accretive acquisitions for AA REIT and to efficiently recycle capital through the divestment of under- performing or non-core assets. The Manager would have to carry out additional work as well as incur additional resources and time to source for various opportunities before a potential acquisition or divestment opportunity materialises into an eventuality. As such, the Manager should be fairly compensated for the efforts expended, costs incurred as well as time taken for such transactions.

FINANCIAL STATEMENTS

REPORT OF THE TRUSTEE

Year ended 31 March 2023

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of AIMS APAC REIT (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act 2001 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of AIMS APAC REIT Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the provisions of the trust deed establishing the Trust dated 5 December 2006, subsequently amended by the supplemental deed of appointment and retirement of Trustee dated 8 March 2007, the first amending and restating deed dated 8 March 2007, the first supplemental deed dated 31 May 2010, the second amending and restating deed dated 17 July 2017, the second supplemental deed dated 8 August 2018, the third supplemental deed dated 30 November 2018, the fourth supplemental deed dated 11 April 2019, the fifth supplemental deed dated 13 July 2020, the sixth supplemental deed dated 31 January 2022 and the seventh supplemental deed dated 6 April 2023 (collectively the "Trust Deed") between the Trustee and the Manager in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the year covered by these financial statements, set out on pages 149 to 219, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
HSBC Institutional Trust Services (Singapore) Limited

AUTHORISED SIGNATORY

Singapore
8 June 2023

STATEMENT BY THE MANAGER

Year ended 31 March 2023

In the opinion of the Directors of AIMS APAC REIT Management Limited (the "Manager"), the accompanying financial statements set out on pages 149 to 219, comprising the statements of financial position, statements of total return, distribution statements, statements of movements in Unitholders' funds and portfolio statements of the Group and of the Trust, the consolidated statement of cash flows of the Group and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of the Group and of the Trust as at 31 March 2023, and the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Investment Funds*" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager
AIMS APAC REIT Management Limited

GEORGE WANG
DIRECTOR

CHONG TECK SIN
DIRECTOR

Singapore
8 June 2023

INDEPENDENT AUDITORS' REPORT UNITHOLDERS OF AIMS APAC REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AIMS APAC REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the statements of financial position and portfolio statements of the Group and the Trust as at 31 March 2023, the statements of total return, distribution statements and statements of movements in Unitholders' funds of the Group and the Trust and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 149 to 219.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, portfolio statement, statement of total return, distribution statement and statement of movements in Unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and portfolio holdings of the Group and the financial position and portfolio holdings of the Trust as at 31 March 2023 and the consolidated total return, consolidated distributable income, consolidated movements in Unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in Unitholders' funds of the Trust for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Investment Funds* ("RAP 7") issued by the Institute of Singapore Chartered Accountants ("ISCA").

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties
(Refer to Note 4 to the financial statements)

Risk:
As at 31 March 2023, the Group owns a portfolio of investment properties comprising twenty-six properties which are located in Singapore, two properties which are located in Australia and a 49% interest in an investment property located in Australia held through a joint venture.

These investment properties are stated at their fair values based on valuations performed by independent external valuers engaged by the Group. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in determining the underlying assumptions to be applied.

Our response:
We assessed the Group's process for the selection of the external valuers, the determination of the scope of work of the external valuers, and the review and acceptance of the valuations reported by the external valuers. We evaluated the independence, objectivity and competency of the external valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We considered the appropriateness of the valuation methodologies applied against those applied by other valuers for similar property types, and the reasonableness of the key assumptions applied by the external valuers by benchmarking against industry data. Where the rates were outside the expected range, we undertook further procedures, held further discussions with the external valuers to understand the effects of additional factors considered in the valuations and corroborate with other evidence.

(Constituted in the Republic of Singapore pursuant to a Trust Deed)

Our findings:

The Group has a structured process in appointing the external valuers, and in reviewing and accepting their valuation results. The external valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out the work.

In determining the fair values of the Group's investment properties, the external valuers have adopted the Capitalisation Approach, Discounted Cash Flow Analysis and/or Direct Comparison method. The valuation methodologies used were consistent with generally accepted market practices.

The key assumptions applied were generally within the range of market data available as at 31 March 2023. Where the assumptions were outside the expected range, the additional factors considered by the external valuers were consistent with other corroborative evidence.

Other Information

The management of AIMS APAC REIT Management Limited, the Manager of the Trust (the "Manager"), is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of the auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The management of the Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the ISCA, and for such internal controls as the management of the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management of the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management of the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The responsibilities of the directors of the Manager include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT UNITHOLDERS OF AIMS APAC REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Manager.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Sarina Lee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
8 June 2023

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2023

	Note	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Non-current assets					
Investment properties	4	1,957,409	1,992,582	1,496,898	1,464,250
Subsidiaries	5	–	–	328,681	328,681
Joint venture	6	329,377	367,763	–	–
Trade and other receivables	7	3,465	3,086	3,465	3,086
Derivative financial instruments	11	12,064	9,989	8,041	7,216
		2,302,315	2,373,420	1,837,085	1,803,233
Current assets					
Investment property held for sale	4	12,153	–	12,153	–
Trade and other receivables	7	7,560	8,846	7,495	9,802
Derivative financial instruments	11	1,171	–	1,171	–
Cash and cash equivalents	8	13,223	21,395	7,728	11,599
		34,107	30,241	28,547	21,401
Total assets		2,336,422	2,403,661	1,865,632	1,824,634
Non-current liabilities					
Trade and other payables	9	15,101	13,135	15,101	13,135
Interest-bearing borrowings	10	790,988	817,782	390,011	405,184
Derivative financial instruments	11	–	1,495	–	1,495
Deferred tax liabilities	12	26,989	27,944	–	–
Lease liabilities	13	92,747	88,621	92,747	88,621
		925,825	948,977	497,859	508,435
Current liabilities					
Trade and other payables	9	37,598	39,767	32,442	33,832
Interest-bearing borrowings	10	–	35,206	–	–
Derivative financial instruments	11	–*	540	–*	540
Liabilities directly associated with the investment property held for sale	13	253	–	253	–
Lease liabilities	13	5,351	5,429	5,351	5,429
		43,202	80,942	38,046	39,801
Total liabilities		969,027	1,029,919	535,905	548,236
Net assets		1,367,395	1,373,742	1,329,727	1,276,398
Represented by:					
Unitholders' funds	14	993,849	1,000,196	956,181	902,852
Perpetual Securities holders' funds	15	373,546	373,546	373,546	373,546
		1,367,395	1,373,742	1,329,727	1,276,398
Units in issue and to be issued ('000)	16	725,039	716,583	725,039	716,583
Net asset value/net tangible asset per Unit attributable to Unitholders[1] ($)		1.37	1.40	1.32	1.26

* less than $1,000.

[1] Net asset value/net tangible asset is based on the net assets attributable to Unitholders and excluded the net assets attributable to Perpetual Securities holders. Number of units is based on Units in issue and to be issued at the end of the year.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF TOTAL RETURN

Year ended 31 March 2023

	Note	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Gross revenue	17	167,382	142,390	138,410	128,819
Property operating expenses	18	(44,872)	(39,205)	(44,864)	(39,200)
Net property income		122,510	103,185	93,546	89,619
Net foreign exchange (loss)/gain		(663)	(86)	11,110	(565)
Interest income		291	719	223	63
Distribution income from a subsidiary		–	–	25,495	23,983
Borrowing costs	19	(33,309)	(22,828)	(17,837)	(18,248)
Manager's management fees	20	(11,333)	(10,012)	(11,333)	(10,012)
Manager's performance fees	20	(4,476)	(4,619)	(4,476)	(4,619)
Other trust expenses	21	(6,440)	(4,595)	(2,216)	(1,582)
Non-property expenses		(55,558)	(42,054)	(35,862)	(34,461)
Net income before joint venture's profits		66,580	61,764	94,512	78,639
Share of profits of joint venture (net of tax)	6	16,039	48,140	–	–
Net income		82,619	109,904	94,512	78,639
Net change in fair value of investment properties		25,225	(5,828)	32,864	11,878
Net change in fair value of derivative financial instruments		4,270	8,219	3,678	9,178
Total return before income tax		112,114	112,295	131,054	99,695
Income tax credit/(expense)	22	1,747	(8,187)	792	(1,662)
Total return after income tax		113,861	104,108	131,846	98,033
Attributable to:					
Unitholders		93,361	89,241	111,346	83,166
Perpetual Securities holders		20,500	14,867	20,500	14,867
		113,861	104,108	131,846	98,033
Earnings per Unit (Singapore cents)					
Basic and diluted	23	13.01	12.59		

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

Year ended 31 March 2023

	Note	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Amount available for distribution to Unitholders at beginning of the year		16,911	20,493	16,911	20,493
Total return before income tax		112,114	112,295	131,054	99,695
Less: Amount reserved for distribution to Perpetual Securities holders		(20,500)	(14,867)	(20,500)	(14,867)
Net effect of tax adjustments	A	(24,929)	(8,516)	(61,787)	(33,411)
Other adjustments	B	(17,918)	(37,495)	–	–
		48,767	51,417	48,767	51,417
Amount available for distribution to Unitholders from taxable income		65,678	71,910	65,678	71,910
Distribution from tax-exempt income		–	2,242	–	2,242
Capital distribution		22,860	13,588	22,860	13,588
Amount available for distribution to Unitholders		88,538	87,740	88,538	87,740
Distributions to Unitholders during the year:					
2.900 cents per Unit for the period from 1 January 2021 – 31 March 2021		–	(20,493)	–	(20,493)
2.250 cents per Unit for the period from 1 April 2021 – 30 June 2021		–	(15,917)	–	(15,917)
2.500 cents per Unit for the period from 1 July 2021 – 30 September 2021		–	(17,686)	–	(17,686)
2.350 cents per Unit for the period from 1 October 2021 – 31 December 2021		–	(16,733)	–	(16,733)
2.360 cents per Unit for the period from 1 January 2022 – 31 March 2022		(16,911)	–	(16,911)	–
2.280 cents per Unit for the period from 1 April 2022 – 30 June 2022		(16,348)	–	(16,348)	–
2.420 cents per Unit for the period from 1 July 2022 – 30 September 2022		(17,376)	–	(17,376)	–
2.590 cents per Unit for the period from 1 October 2022 – 31 December 2022		(18,657)	–	(18,657)	–
		(69,292)	(70,829)	(69,292)	(70,829)
Amount available for distribution to Unitholders at end of the year		19,246	16,911	19,246	16,911
Number of Units entitled to distributions at end of the year ('000)		725,039	716,583	725,039	716,583
Distribution per Unit (Singapore cents)		9.944	9.460	9.944	9.460

Please refer to note 3.14 for the Trust's distribution policy.

DISTRIBUTION STATEMENTS

Year ended 31 March 2023

Note A – Net effect of tax adjustments

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Amortisation and write-off of borrowing transaction costs	1,300	1,224	1,300	1,224
Net foreign exchange loss/(gain)	879	162	(10,894)	641
Manager's management fees paid/payable in units	6,446	4,731	6,446	4,731
Manager's performance fees payable in units	4,476	4,619	4,476	4,619
Land rent paid on investment properties	(8,897)	(8,726)	(8,897)	(8,726)
Interest expense on lease liabilities	3,604	3,488	3,604	3,488
Net change in fair value of investment properties	(32,864)	(11,878)	(32,864)	(11,878)
Net change in fair value of derivative financial instruments	(4,084)	(7,793)	(3,678)	(9,178)
Net tax adjustment on foreign sourced income	3,026	4,270	(22,465)	(19,719)
Temporary differences and other tax adjustments	1,185	1,387	1,185	1,387
Net effect of tax adjustments	(24,929)	(8,516)	(61,787)	(33,411)

Note B – Other adjustments

Other adjustments for the Group comprised primarily the net accounting results of the Trust's subsidiaries.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 March 2023

	Note	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Unitholders' Funds					
Balance at beginning of the year		1,000,196	962,758	902,852	873,636
Operations					
Total return after income tax, attributable to Unitholders and Perpetual Securities holders		113,861	104,108	131,846	98,033
Less: Amount reserved for distribution to Perpetual Securities holders		(20,500)	(14,867)	(20,500)	(14,867)
Net increase in net assets from operations		93,361	89,241	111,346	83,166
Foreign currency translation reserve					
Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations	14	(43,307)	(284)	–	–
Hedging reserve					
Effective portion of changes in fair value of cash flow hedges	14	1,969	5,393	353	2,962
Unitholders' contributions					
Issuance of Units (including Units to be issued):					
Manager's management fees		6,446	4,731	6,446	4,731
Manager's performance fees		4,476	4,619	4,476	4,619
Manager's acquisition fees		–	4,597	–	4,597
Issuance costs for new units	14	–	(30)	–	(30)
Distributions to Unitholders		(69,292)	(70,829)	(69,292)	(70,829)
Change in Unitholders' funds resulting from Unitholders' transactions		(58,370)	(56,912)	(58,370)	(56,912)
Total (decrease)/increase in Unitholders' funds		(6,347)	37,438	53,329	29,216
Balance at end of the year		993,849	1,000,196	956,181	902,852
Perpetual Securities holders' funds					
Balance at beginning of the year		373,546	124,613	373,546	124,613
Issuance of Perpetual Securities		–	250,000	–	250,000
Issuance cost		–	(2,208)	–	(2,208)
Amount reserved for distribution to Perpetual Securities holders		20,500	14,867	20,500	14,867
Distribution to Perpetual Securities holders		(20,500)	(13,726)	(20,500)	(13,726)
Balance at end of the year	15	373,546	373,546	373,546	373,546

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 March 2023

	Description of property	Location	Term of land lease[1]	Remaining term of land lease[1] (years)	Existing use
	Group and the Trust **Investment properties in Singapore**				
1	20 Gul Way	20 Gul Way	35 years	17.8	Logistics and Warehouse
2	8 & 10 Pandan Crescent	8 & 10 Pandan Crescent	92 years and 8 months	45.2	Logistics and Warehouse
3	27 Penjuru Lane	27 Penjuru Lane	45 years	26.5	Logistics and Warehouse
4	NorthTech	29 Woodlands Industrial Park E1	60 years	31.8	Hi-Tech
5	7 Bulim Street	7 Bulim Street	30 years	19.4	Logistics and Warehouse
6	1A International Business Park	1A International Business Park	52 years	36.2	Business Park
7	3 Tuas Avenue 2	3 Tuas Avenue 2	73 years	32.0	General Industrial
8	30 Tuas West Road	30 Tuas West Road	60 years	32.8	Logistics and Warehouse
9	51 Marsiling Road	51 Marsiling Road	70 years and 5 months	21.3	General Industrial
10	23 Tai Seng Drive	23 Tai Seng Drive	60 years	27.3	Light Industrial
11	15 Tai Seng Drive	15 Tai Seng Drive	60 years	28.0	Light Industrial
12	103 Defu Lane 10	103 Defu Lane 10	60 years	20.2	Logistics and Warehouse
13	8 Tuas Avenue 20	8 Tuas Avenue 20	59 years and 1.5 months	28.6	General Industrial
14	1 Bukit Batok Street 22	1 Bukit Batok Street 22	60 years	32.2	Light Industrial
15	10 Changi South Lane	10 Changi South Lane	60 years	33.2	Logistics and Warehouse
16	11 Changi South Street 3	11 Changi South Street 3	60 years	32.0	Logistics and Warehouse
17	135 Joo Seng Road	135 Joo Seng Road	60 years	31.2	Light Industrial

1 Includes the period covered by the relevant options to renew.
2 The occupancy rates shown are on committed basis.
3 The carrying value of investment properties are based on independent full valuation.

The accompanying notes form an integral part of these financial statements.

Occupancy rate[2]		Carrying value[3]		Group percentage of total Unitholders' funds		Trust percentage of total Unitholders' funds	
2023	2022	2023	2022	2023	2022	2023	2022
%	%	$'000	$'000	%	%	%	%
100	100	228,700	222,300	23.0	22.2	23.9	24.6
100	98	161,300	153,600	16.2	15.4	16.9	17.0
97	97	160,900	160,100	16.2	16.0	16.8	17.7
100	100	133,600	128,000	13.4	12.8	14.0	14.2
100	100	130,800	130,500	13.2	13.0	13.7	14.5
64	65	73,700	75,100	7.4	7.5	7.7	8.3
100	100	55,900	54,300	5.6	5.4	5.8	6.0
100	100	55,900	53,400	5.6	5.3	5.8	5.9
100	100	49,400	48,900	5.0	4.9	5.2	5.4
100	100	38,800	26,200	3.9	2.6	4.1	2.9
99	99	34,300	33,000	3.5	3.3	3.6	3.7
100	100	33,200	30,700	3.3	3.1	3.5	3.4
100	100	27,900	27,900	2.8	2.8	2.9	3.1
100	100	26,300	25,600	2.6	2.6	2.8	2.8
95	95	22,400	22,300	2.3	2.2	2.3	2.5
91	92	21,700	21,000	2.2	2.1	2.3	2.3
93	88	20,800	20,200	2.1	2.0	2.2	2.2

PORTFOLIO STATEMENTS

As at 31 March 2023

	Description of property	Location	Term of land lease[1]	Remaining term of land lease[1] (years)	Existing use
	Group and the Trust				
	Investment properties in Singapore				
18	56 Serangoon North Avenue 4	56 Serangoon North Avenue 4	60 years	32.1	Logistics and Warehouse
19	61 Yishun Industrial Park A	61 Yishun Industrial Park A	60 years	29.4	General Industrial
20	3 Toh Tuck Link	3 Toh Tuck Link	60 years	33.6	Logistics and Warehouse
21	2 Ang Mo Kio Street 65	2 Ang Mo Kio Street 65	60 years	24.0	General Industrial
22	8 Senoko South Road	8 Senoko South Road	60 years	31.6	General Industrial
23	Aalst Chocolate Building	26 Tuas Avenue 7	60 years	30.8	General Industrial
24	1 Kallang Way 2A	1 Kallang Way 2A	60 years	32.2	Light Industrial
25	7 Clementi Loop	7 Clementi Loop	60 years	30.2	Logistics and Warehouse
26	541 Yishun Industrial Park A	541 Yishun Industrial Park A	60 years	31.2	General Industrial
	Group				
	Investment properties in Australia				
27	Woolworths HQ[4]	1 Woolworths Way, Bella Vista, New South Wales 2153, Australia	Freehold	N.A.	Business Park
28	Boardriders Asia Pacific HQ[5]	209-217 Burleigh Connection Road, Burleigh Waters, Queensland 4220, Australia	Freehold	N.A.	Light Industrial
	Total investment properties				
	Group and the Trust				
	Investment property held for sale in Singapore				
26	541 Yishun Industrial Park A	541 Yishun Industrial Park A	60 years	31.2	General Industrial
	Total investment property held for sale				
	Total investment properties and investment property held for sale, at valuation (note 4)				

1 Includes the period covered by the relevant options to renew.
2 The occupancy rates shown are on committed basis.
3 The carrying value of investment properties are based on independent full valuation.
4 As at 31 March 2023, the Woolworths HQ was valued at AUD460.0 million (equivalent to approximately $410.1 million) (31 March 2022: AUD468.0 million (equivalent to approximately $474.1 million)).

The accompanying notes form an integral part of these financial statements.

Occupancy rate[2] 2023 %	Occupancy rate[2] 2022 %	Carrying value[3] 2023 $'000	Carrying value[3] 2022 $'000	Group percentage of total Unitholders' funds 2023 %	Group percentage of total Unitholders' funds 2022 %	Trust percentage of total Unitholders' funds 2023 %	Trust percentage of total Unitholders' funds 2022 %
100	100	19,800	18,700	2.0	1.9	2.1	2.1
95	77	19,600	19,600	2.0	2.0	2.0	2.2
83	83	18,300	20,700	1.8	2.1	1.9	2.3
100	100	15,200	16,100	1.5	1.6	1.6	1.8
100	100	14,100	14,100	1.4	1.4	1.5	1.6
100	100	12,500	12,200	1.3	1.2	1.3	1.4
100	100	12,300	11,800	1.2	1.2	1.3	1.3
87	80	11,400	12,000	1.1	1.2	1.2	1.3
–	100	–	11,900[6]	–	1.2	–	1.3
		1,398,800	1,370,200	140.6	137.0	146.4	151.8
100	100	410,136	474,131	41.3	47.4	–	–
100	100	50,375	54,201	5.1	5.4	–	–
		1,859,311	1,898,532	187.0	189.8	146.4	151.8
100	–	11,900[6]	–	1.2	–	1.2	–
		11,900	–	1.2	–	1.2	–
		1,871,211	1,898,532	188.2	189.8	147.6	151.8

5 As at 31 March 2023, the Boardriders Asia Pacific HQ was valued at AUD56.5 million (equivalent to approximately $50.4 million) (31 March 2022: AUD53.5 million (equivalent to approximately $54.2 million)).

6 On 24 April 2023, the Group announced the divestment of a leasehold property at 541 Yishun Industrial Park A in Singapore (the "Divestment"). The investment property, including the corresponding right-of-use assets, were reclassified to investment property held for sale and the corresponding lease liabilities was reclassified to liabilities directly associated with the investment property held for sale as at 31 March 2023.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 March 2023

	Description of property	Location	Term of land lease[1]	Remaining term of land lease[1] (years)	Existing use
	Group				
1-28	Investment properties and investment property held for sale – fair value (page 154 to 157)				
	Investment properties – right-of-use assets				
	Investment property held for sale– right-of-use assets				
	Total investment properties and investment property held for sale				
	Joint venture (note 6)				
	Investment property in Australia held by a joint venture				
29	Optus Centre[5]	1-5 Lyonpark Road, Macquarie Park, New South Wales 2113, Australia	Freehold	N.A.	Business Park
	Other assets and liabilities (net)				
	Net assets of the Group				
	Perpetual Securities holders' funds				
	Total Unitholders' funds of the Group				

1 Includes the period covered by the relevant options to renew.
2 The occupancy rates shown are on committed basis.
3 The carrying value of investment properties are based on independent full valuation.
4 On 24 April 2023, the Group announced the divestment of a leasehold property at 541 Yishun Industrial Park A in Singapore (the "Divestment"). The investment property, including the corresponding right-of-use assets, were reclassified to investment property held for sale and the corresponding lease liabilities was reclassified to liabilities directly associated with the investment property held for sale as at 31 March 2023.
5 The Group has a 49.0% (31 March 2022: 49.0%) interest in Optus Centre. As at 31 March 2023, the property was valued at AUD753.0 million (equivalent to approximately $671.4 million) (31 March 2022: AUD744.0 million (equivalent to approximately $753.7 million)).

	Occupancy rate[2]		Carrying value[3]		Group percentage of total Unitholders' funds	
	2023	2022	2023	2022	2023	2022
	%	%	$'000	$'000	%	%
			1,871,211	1,898,532	188.2	189.8
			98,098	94,050	9.9	9.4
			253[4]	–	–	–
			1,969,562	1,992,582	198.1	199.2
			329,377	367,763	33.1	36.8
	100	100				
			(931,544)	(986,603)	(93.7)	(98.6)
			1,367,395	1,373,742	137.5	137.4
			(373,546)	(373,546)	(37.5)	(37.4)
			993,849	1,000,196	100.0	100.0

PORTFOLIO STATEMENTS

As at 31 March 2023

	Description of property	Carrying value 2023 $'000	Carrying value 2022 $'000	Trust percentage of total Unitholders' funds 2023 %	Trust percentage of total Unitholders' funds 2022 %
	Trust				
1-26	Investment properties and investment property held for sale– fair value (pages 154 to 157)	1,410,700	1,370,200	147.6	151.8
	Investment properties – right-of-use assets	98,098	94,050	10.3	10.4
	Investment property held for sale– right-of-use assets	253[1]	–	–	–
	Total investment properties and investment property held for sale	1,509,051	1,464,250	157.9	162.2
	Other assets and liabilities (net)	(179,324)	(187,852)	(18.8)	(20.8)
	Net assets of the Trust	1,329,727	1,276,398	139.1	141.4
	Perpetual Securities holders' funds	(373,546)	(373,546)	(39.1)	(41.4)
	Total Unitholders' funds of the Trust	956,181	902,852	100.0	100.0

[1] On 24 April 2023, the Group announced the divestment of a leasehold property at 541 Yishun Industrial Park A in Singapore (the "Divestment"). The investment property, including the corresponding right-of-use assets, were reclassified to investment property held for sale and the corresponding lease liabilities was reclassified to liabilities directly associated with the investment property held for sale as at 31 March 2023.

Portfolio statement by industry segment is not presented as the Group's and the Trust's activities for the financial years ended 31 March 2023 and 31 March 2022 related wholly to investing in real estate in the industrial sector.

As at 31 March 2023, the investment properties in Singapore were valued by Savills Valuation and Professional Services (S) Pte Ltd or Jones Lang LaSalle Property Consultants Pte Ltd (31 March 2022: Savills Valuation and Professional Services (S) Pte Ltd or Jones Lang LaSalle Property Consultants Pte Ltd) and the investment properties in Australia were valued by Knight Frank NSW Valuations & Advisory Pty Ltd or Knight Frank Valuation and Advisory Queensland (31 March 2022: Jones Lang LaSalle Advisory Services Pty Ltd or Knight Frank NSW Valuations & Advisory Pty Ltd). The independent valuation of the investment property held through a joint venture was carried out by Knight Frank NSW Valuations & Advisory Pty Ltd as at 31 March 2023 (31 March 2022: Jones Lang LaSalle Advisory Services Pty Ltd).

The Manager believes that the independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations of the investment properties were based on income capitalisation method, discounted cash flow analysis and/or direct comparison method. Refer to note 4 of the financial information for details of the valuation techniques.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Note	Group 2023 $'000	Group 2022 $'000
Cash flows from operating activities			
Total return after income tax		113,861	104,108
Adjustments for:			
Share of profits of joint venture (net of tax)		(16,039)	(48,140)
Borrowing costs		33,309	22,828
Net foreign exchange loss		663	86
Manager's management fees in Units	A	6,446	4,731
Manager's performance fees in Units	A	4,476	4,619
Net change in fair value of investment properties		(25,225)	5,828
Net change in fair value of derivative financial instruments		(4,270)	(8,219)
Income tax (credit)/expense		(1,747)	8,187
Operating income before working capital changes		111,474	94,028
Changes in working capital			
Trade and other receivables		(1,750)	(3,814)
Trade and other payables		195	8,456
Cash generated from operations		109,919	98,670
Income tax paid		(246)	(1,662)
Net cash from operating activities		109,673	97,008
Cash flows from investing activities			
Capital expenditure on investment properties		(3,049)	(7,418)
Acquisition of investment properties (including acquisition costs)[1]		–	(485,242)
Deposit received for the Divestment of investment property held for sale[2]		129	–
Refund of option fee received[3]		1,020	–
Loan to a joint venture		(9,045)	(5,374)
Distributions from a joint venture		17,547	18,561
Net cash from/(used in) investing activities		6,602	(479,473)
Cash flows from financing activities			
Distributions to Unitholders		(69,290)	(70,960)
Distributions to Perpetual Securities holders		(20,500)	(13,726)
Proceeds from issuance of Perpetual Securities		–	250,000
Issue costs paid in relation to Perpetual Securities		–	(2,212)
Issue costs paid in relation to new units issued		–	(30)
Proceeds from interest-bearing borrowings		220,311	508,437
Repayments of interest-bearing borrowings		(217,239)	(247,958)
Borrowing costs paid		(27,540)	(22,233)
Repayment of lease liabilities		(8,897)	(8,726)
Net cash (used in)/from financing activities		(123,155)	392,592
Net (decrease)/increase in cash and cash equivalents		(6,880)	10,127
Cash and cash equivalents at beginning of the year		21,395	11,159
Effect of exchange rate fluctuations on cash and cash equivalents		(1,292)	109
Cash and cash equivalents at end of the year		13,223	21,395

1 This relates to the acquisition of 1 Woolworths Way, Bella Vista, New South Wales 2153, Australia in FY2022, which included AUD23.3 million (equivalent to approximately $22.8 million) paid for the initial deposit during FY2022.
2 This relates to the deposit received for the divestment of a leasehold property at 541 Yishun Industrial Park A in Singapore.
3 On 4 July 2022, the Manager announced the principal terms and conditions of the proposed acquisition of 315 Alexandra Road, Singapore 159944 were not concluded and therefore aborted. As a result, $1.02 million option fee previously paid in FY2021 was refunded.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2023

Significant non-cash transactions

On 19 November 2021, 3,232,196 of new Units amounting to $4,597,000 were issued as payment of Manager's acquisition fees incurred for the acquisition of 1 Woolworths Way, Bella Vista, New South Wales 2153, Australia.

Note A:

In FY2023, 5,035,666 of new Units amounting to $6,446,000 were issued/to be issued as partial payment for the FY2023 Manager's management fees and 3,420,035 of new Units amounting to $4,476,000 to be issued as payment of FY2023 Manager's performance fees.

In FY2022, 3,370,484 of new Units amounting to $4,731,000 were issued/to be issued as partial payment for the FY2022 Manager's management fees and 3,317,930 of new Units amounting to $4,619,000 to be issued as payment of FY2022 Manager's performance fees.

Refer to note 16 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 8 June 2023.

1 GENERAL

AIMS APAC REIT (the "Trust") is a Singapore-domiciled real estate unit trust constituted pursuant to the trust deed dated 5 December 2006, subsequently amended by the supplemental deed of appointment and retirement of Trustee dated 8 March 2007, the first amending and restating deed dated 8 March 2007, the first supplemental deed dated 31 May 2010, the second amending and restating deed dated 17 July 2017, the second supplemental deed dated 8 August 2018, the third supplemental deed dated 30 November 2018, the fourth supplemental deed dated 11 April 2019, the fifth supplemental deed dated 13 July 2020, the sixth supplemental deed dated 31 January 2022 and the seventh supplemental deed dated 6 April 2023 (collectively the "Trust Deed"), entered into between AIMS APAC REIT Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it or through its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 19 April 2007 (the "Listing Date") and was included under the Central Provident Fund ("CPF") Investment Scheme on 21 February 2007. On 21 March 2007, the Trust was declared as an authorised unit trust scheme under the Trustees Act 1967.

The consolidated financial statements relate to the Trust and its subsidiaries (the "Group") and the Group's interest in its joint venture.

The principal activity of the Trust is to invest in a diversified portfolio of income-producing real estate located 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 principal activities of the subsidiaries and joint venture are set out in note 5 and note 6 respectively.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are summarised below.

1.1 Trustee's fees

Under the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of the Deposited Property (as defined in the Trust Deed) or such higher percentage as may be fixed by an extraordinary resolution at a meeting of Unitholders.

The Trustee's fee is accrued daily and is payable out of the value of the Deposited Property on a monthly basis, in arrears. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

1 GENERAL (cont'd)

1.2 Manager's fees

The Manager is entitled to receive base fee, performance fee, acquisition fee and divestment fee, respectively as follows:

Base fee

Under clause 14.1.1 of the Trust Deed, the Manager is entitled to a base fee of 0.5% per annum of the value of the Deposited Property or such higher percentage as may be fixed by an extraordinary resolution of a meeting of Unitholders.

The base fee is payable in the form of cash and/or Units as the Manager may elect. Prior to 6 April 2023, where the base fee (or any part or component thereof) is payable in the form of cash, such payment shall be made out of the Deposited Property within 30 days of the last day of each calendar month in arrears; and where the base fee (or any part or component thereof) is payable in the form of Units, such payment shall be made within 30 days of the last day of each calendar quarter in arrears. Prior to 31 January 2022, where the base fee (or any part or component thereof) is payable in the form of cash, such payment shall be made out of the Deposited Property within 30 days of the last day of each calendar month in arrears; and where the base fee (or any part or component thereof) is payable in the form of Units, such payment shall be made within 30 days of the last day of each calendar half-year in arrears.

From 6 April 2023, in accordance with clauses 14.1.4 (i) and (ii) of the Trust Deed, where the base fee (or any part or component thereof) is payable in the form of cash, such payment shall be made out of the Deposited Property within 60 days of the last day of each calendar month in arrears; and where the base fee (or any part or component thereof) is payable in the form of Units, such payment shall be made within 60 days of the last day of each calendar quarter in arrears.

Performance fee

Under clause 14.1.2 of the Trust Deed, the Manager is also entitled to a performance fee of 0.1% per annum of the value of the Deposited Property, provided that growth in distribution per Unit ("DPU") in a given financial year (calculated before accounting for the performance fee in that financial year) relative to the DPU in the previous financial year exceeds 2.5%. The performance fee is 0.2% per annum if the growth in DPU in a given financial year relative to the DPU in the previous financial year exceeds 5.0%. In accordance with clause 14.1.4 (iii) of the Trust Deed, the payment of the performance fee, whether in the form of cash or Units, shall be made out of the Deposited Property within 60 days of the last day of every financial year in arrears.

The performance fee is payable in the form of cash and/or Units as the Manager may elect.

Acquisition and divestment fee

Under clause 14.2 of the Trust Deed, the Manager is entitled to receive the following fees:

(a) An acquisition fee of 1.0% of the acquisition price of any Authorised Investment (as defined in the Trust Deed), acquired directly or indirectly by the Trust or such higher percentage as may be fixed by an extraordinary resolution at a meeting of Unitholders; and

(b) A divestment fee of 0.5% of the sale price of any Authorised Investment sold or divested by the Trustee or such higher percentage as may be fixed by an extraordinary resolution at a meeting of Unitholders.

The acquisition and divestment fee will be paid in the form of cash and/or Units and is payable as soon as practicable after completion of the acquisition or disposal.

1 GENERAL (cont'd)

1.3 Property Manager's fees

The Manager and the Trustee have appointed the Property Manager to operate, maintain and market all of the properties of the Group. The following fees are payable to the Property Manager in respect of all of the investment properties in Singapore:

(i) A property management fee of 2.0% per annum of the rental income of each of the relevant properties.

(ii) A lease management fee of 1.0% per annum of the rental income of each of the relevant properties.

(iii) A marketing services commission equivalent to:

(a) one month's gross rent for securing a tenancy of three years or less;
(b) two months' gross rent for securing a tenancy of more than three years;
(c) half of one month's gross rent for securing a renewal of tenancy of three years or less; and
(d) one month's gross rent for securing a renewal of tenancy of more than three years.

If a third party agent secures a tenancy, the Property Manager will be responsible for all marketing services commissions payable to such third party agent, and the Property Manager shall be entitled to a marketing services commission equivalent to:

(a) 1.2 months' gross rent for securing a tenancy of three years or less; and
(b) 2.4 months' gross rent for securing a tenancy of more than three years.

The gross rental, where applicable, includes service charge, reimbursements, which are the contributions paid by tenants towards covering the operating maintenance expenses of the property, and licence fees.

(iv) A project management fee in relation to development or redevelopment, the refurbishment, retrofitting and renovation works on a property equivalent to:

(a) 3.0% of the construction costs where the construction costs are $2.0 million or less;
(b) 2.0% of the construction costs where the construction costs exceed $2.0 million but do not exceed $20.0 million;
(c) 1.5% of the construction costs where the construction costs exceed $20.0 million but do not exceed $50.0 million; and
(d) a fee to be mutually agreed by the parties where the construction costs exceed $50.0 million.

(v) A property tax service fee in respect of property tax objections submitted to the tax authority on any proposed annual value of a property if, as a result of such objections, the proposed annual value is reduced resulting in property tax savings for the relevant property. The fee shall be determined as follows:

(a) 7.5% of the property tax savings where the proposed property annual value is $1.0 million or less;
(b) 5.5% of the property tax savings where the proposed property annual value exceeds $1.0 million but does not exceed $5.0 million; and
(c) 5.0% of the property tax savings where the proposed property annual value exceeds $5.0 million.

The above fee is a lump sum fixed fee based on the property tax savings calculated on a 12-month period.

(vi) Employment costs and remuneration to the employees of the Property Manager engaged solely and exclusively for management of the relevant properties.

The Property Manager's fees are payable monthly, in arrears.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 7 *Reporting Framework for Investment Funds* ("RAP 7") issued by the Institute of Singapore Chartered Accountants ("ISCA"), the applicable requirements of the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("FRS"). The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment properties, derivative financial instruments and certain financial assets and liabilities, which are stated at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollar, which is the functional currency of the Trust. All financial information presented in Singapore dollar has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4: *Valuation of investment properties*.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable data).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2 BASIS OF PREPARATION (cont'd)

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 April 2022:

- Amendment to FRS 116: *COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to FRS 103: *Reference to the Conceptual Framework*
- Amendments to FRS 16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to FRSs 2018-2020

The application of the amendments to standards and interpretations does not have a material effect on the Group's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the consideration transferred (generally measured at fair value); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally measured at fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in statement of total return.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

Business combinations **(cont'd)**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected for each business combination. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have deficit balance.

Joint venture

A joint venture is an entity over which the Group has joint control established by contractual arrangement, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture is accounted for under the equity method and is recognised initially at cost. The cost of the investment includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the equity-accounted investee are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries by the Trust

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Foreign currency differences arising on translation are recognised in statement of total return, except for the foreign currency differences which are recognised in Unitholders' funds arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation and financial liabilities designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollar at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollar at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the reporting date.

Foreign currency differences are recognised within Unitholders' funds, and are presented in the foreign currency translation reserve. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the statement of total return as part of the gain or loss on disposal. When the Group disposes of only part of its investment in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture which includes a foreign operation while retaining significant influence or joint control; the relevant proportion of the cumulative amount is reclassified to the statement of total return.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in the Unitholders' funds, and are presented in the foreign currency translation reserve.

3.3 Investment properties

Investment properties are properties held either to earn rental income or capital appreciation or both. Investment properties are accounted for as non-current assets and are stated at initial cost on acquisition and at fair value thereafter.

Cost includes expenditure that is directly attributable to the investment property. Transaction costs shall be included in the initial measurement. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Investment properties (cont'd)

Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

(i) in such manner and frequency as required under the CIS Code issued by MAS; and

(ii) at least once in each period of 12 months following the acquisition of an investment property.

Any increase or decrease on revaluation is credited or charged directly to the statement of total return as a net change in fair value of investment properties.

Subsequent expenditure relating to investment properties or that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

3.4 Investment property held for sale

Investment property that is highly probable to be recovered primarily through sale rather than through continuing use, is classified as an investment property held for sale. Immediately before classification as held for sale, the investment property is remeasured in accordance with the Group's accounting policies. Thereafter, the investment property classified as held for sale is measured at the lower of the carrying amount and fair value less costs to sell.

Upon disposal, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the investment property.

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Financial instruments (cont'd)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Group classifies its non-derivative financial assets as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Non-derivative financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Manager; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (cont'd)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of total return. Any gain or loss on derecognition is recognised in the statement of total return.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of total return. These financial liabilities comprised interest-bearing borrowings, trade and other payables (excluding rental received in advance), lease liabilities and liabilities directly associated with the investment property held for sale.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of total return.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Financial instruments (cont'd)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits that are subject to an insignificant risk of changes in their fair values.

(vi) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to manage its interest rate and foreign currency risk exposures.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in the statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of total return, unless it is designated in a hedge relationship that qualifies for hedge accounting.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Unitholders' funds and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in Unitholders' funds is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of total return.

For all hedged transactions, the amount accumulated in the hedging reserve is reclassified to the statement of total return in the same period or periods during which the hedged expected future cash flows affect the statement of total return.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in Unitholders' funds until it is reclassified to the statement of total return in the same period or periods as the hedged expected future cash flows affect the statement of total return.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the statement of total return.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Financial instruments (cont'd)

(vi) Derivative financial instruments and hedge accounting (cont'd)

Net investment hedge

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Trust's functional currency (Singapore dollar), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in Unitholders' funds to the extent that the hedge is effective, and are presented in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in the statement of total return. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the statement of total return as part of the gain or loss on disposal.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the statement of total return.

3.6 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

Lease receivables are disclosed as part of trade and other receivables.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

General approach (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates or credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Joint venture

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.6(iii). An impairment is recognised in the statement of total return. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the statement of total return. Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.8 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS 116.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Leases (cont'd)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

For right-of-use assets that meet the definition of investment property, the Group applies the fair value model in FRS 40 *Investment Property* to these assets with any change therein being recognised in the statement of total return and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of total return if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Leases (cont'd)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies FRS 115 to allocate the consideration in the contract.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

3.9 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental cost, directly attributable to the issuance, offering and placement of Units in the Trust are deducted directly against Unitholders' funds.

3.10 Revenue recognition

(i) Rental income and service charge from operating leases

Rental income and service charges receivable under operating leases are recognised in the statement of total return on a straight-line basis over the term of the lease except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received.

(ii) Distribution income

Distribution income is recognised in the statement of total return on the date that the Group's or the Trust's right to receive payment is established.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Expenses

(i) Manager's fees

Manager's fees are recognised on an accrual basis based on the applicable formula stipulated in note 1.2.

(ii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses is the Property Manager's fee which is based on the applicable formula stipulated in note 1.3.

(iii) Other trust expenses

Other trust expenses are recognised on an accrual basis.

3.12 Interest income and finance costs

Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and amortisation of borrowings related transaction costs which are recognised in the statement of total return using the effective interest rate method over the period for which the borrowings are granted.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

In calculating interest income and finance costs, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.13 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to items recognised directly in Unitholders' funds.

The Group has determined that interest and penalties related to income tax, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Income tax expense (cont'd)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse and based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience with tax authorities. The assessment of these factors relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of the Trust and its Unitholders. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, which includes a distribution of at least 90.0% of the taxable income of the Trust, the Trustee will not be assessed to tax on the taxable income of the Trust that is distributed to the Unitholders. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with IRAS, such adjustments are taken up as an adjustment to the taxable income for the next distribution following the agreement with IRAS.

Distributions made by the Trust out of such taxable income to individuals and Qualifying Unitholders (as defined below) are distributed without deducting any income tax. This treatment is known as the "tax transparency" treatment.

For distributions made to foreign non-individual Unitholders (as defined below) up to 31 December 2025, the Trustee is required to withhold tax at the reduced rate of 10.0% on distributions made out of the Trust's taxable income (that is not taxed at the Trust level).

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Income tax expense (cont'd)

For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source by the Trustee.

Any portion of the taxable income that is not distributed, known as retained taxable income, tax will be assessed on the Trustee in accordance with section 10(1)(a) of the Singapore Income Tax Act, Chapter 134. Where such retained taxable income is subsequently distributed, the Trustee need not deduct tax at source.

A "Qualifying Unitholder" is a Unitholder who is:

- An individual and who holds the Units either in his sole name or jointly with other individuals;
- A Singapore-incorporated company which is a tax resident in Singapore;
- A body of persons other than a company or a partnership, registered or constituted in Singapore (e.g. a town council, a statutory board, a registered charity, a registered cooperative society, a registered trade union, a management corporation, a club and a trade industry association);
- A Singapore branch of a foreign company;
- An international organisation that is exempt from tax; or
- A real estate investment trust exchange-traded fund.

A "foreign non-individual Unitholder" is one which is not a resident of Singapore for income tax purposes and:

- who does not have a permanent establishment in Singapore; or
- who carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used to acquire the Units are not obtained from that operation in Singapore.

The above tax transparency ruling does not apply to gains from sale of real estate properties, if considered to be trading gains derived from a trade or business carried on by the Trust. Tax on such gains or profits will be assessed, in accordance with section 10(1)(a) of the Singapore Income Tax Act, Chapter 134 and collected from the Trustee. Where the gains are capital gains, it will not be assessed to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

The Trust's foreign-sourced trust distributions and interest income to be received in Singapore by the Trust from its Australian subsidiary, where such income originate from property rental income from its investments in Australia as well as income derived from property-related activities or other activities in line with the regulatory requirements imposed on the Trust, are exempted from Singapore income tax under section 13(12) of the Singapore Income Tax Act.

These tax exemptions are granted by the IRAS but are subject to certain conditions, including the condition that the Trustee is a tax resident of Singapore.

3.14 Distribution policy

The Manager's distribution policy is to distribute at least 90.0% of the Trust's taxable income other than gains from sale of real estate that are determined by IRAS to be trading gains and net overseas income. Taxable income comprised substantially the Trust's income from the letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion.

The Trust makes distributions to Unitholders on a quarterly basis, with the amount calculated as at 30 June, 30 September, 31 December and 31 March in each distribution year for the three-month period ending on each of those dates. Under the Trust Deed, the Manager shall pay distributions within 90 days after the end of each distribution period. Distributions, when paid, will be in Singapore dollar.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Distribution policy (cont'd)

In the event that there are gains arising from sale of real estate properties, and only if such gains are surplus to the business requirements and needs of the Group, the Manager may, at its discretion, direct the Trustee to distribute such gains. Such gains, if not distributed, will form part of the Deposited Property. The Trustee shall not distribute any gain arising from the sale of real estate properties until IRAS agrees on the nature of the gain and its taxability.

The Manager has also implemented a Distribution Reinvestment Plan ("DRP"), which provides eligible Unitholders with the option to elect to receive Units in lieu of the cash amount of any distribution (including any interim, final, special or other distribution declared on their holding of Units (after the deduction of applicable income tax, if any)). The Manager may, in its absolute discretion, determine that the DRP will apply to any particular distribution.

3.15 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return attributable to Unitholders of the Group by the weighted average number of units outstanding during the period. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of units outstanding for the effects of all dilutive potential units.

3.16 Perpetual securities

The perpetual securities may be redeemed at the option of the Trust. Distributions to the perpetual securities holders will be payable semi-annually in arrears on a discretionary basis and will be non-cumulative. Accordingly, the perpetual securities are classified as equity. The expenses relating to the issue of the perpetual securities are deducted against the proceeds from the issue.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers ("CODMs") which comprise mainly the Board of Directors including the Chief Executive Officer ("CEO") of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise foreign exchange gain/loss and income tax expense.

Segment capital expenditure is the total cost incurred during the year relating to investment properties.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 New standards, interpretations and revised recommended accounting practice not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Trust's statement of financial position.

- Amendments to FRS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to FRS 1: *Classification of Liabilities as Current or Non-Current*
- FRS 117 Insurance Contracts and Amendments to FRS 117 Insurance Contracts
- Amendments to FRS 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to FRS 116: *Lease Liability in a Sale and Leaseback*
- Amendments to FRS 8: *Definition of Accounting Estimates*

4 INVESTMENT PROPERTIES

	Note	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
At 1 April		1,992,582	1,489,030	1,464,250	1,443,489
Acquisition of investment property		–	489,839	–	–
Capital expenditure capitalised		2,553	4,884	2,342	4,884
Transfer to investment property held for sale		(12,153)	–	(12,153)	–
Remeasurement of right-of-use assets due to revised lease payments and recognition of lease extension option		9,595	3,999	9,595	3,999
Net change in fair value of investment properties recognised in the statement of total return		30,519	(590)	38,158	17,116
Net change in fair value of right-of-use assets	13	(5,294)	(5,238)	(5,294)	(5,238)
Foreign currency translation and other movements		(60,393)	10,658	–	–
At 31 March		1,957,409	1,992,582	1,496,898	1,464,250

On 24 April 2023, the Group announced the divestment of a leasehold property at 541 Yishun Industrial Park A in Singapore, at a sale price of $12.88 million (the "Divestment"). The investment property, including the corresponding right-of-use assets, was reclassified to investment property held for sale and the corresponding lease liabilities was reclassified to liabilities directly associated with the investment property held for sale as at 31 March 2023. The Divestment is targeted to be completed by the third quarter of 2023, subject to relevant authority's approval.

Details of the properties are shown in the Portfolio Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

4 INVESTMENT PROPERTIES (cont'd)

Security

As at the reporting date, certain investment properties, including investment property held for sale, have been pledged as security for loan facilities granted by financial institutions to the Group (see note 10). The aggregate market value of the mortgaged investment properties are as follows:

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Investment properties including investment property held for sale	1,438,211	1,467,932	977,700	939,600

Fair value hierarchy

The fair value measurement for investment properties, including the investment property held for sale, has been categorised as Level 3 fair values based on inputs to the valuation techniques used (see note 2.4).

	Group		Trust	
	31 March 2023 $'000	31 March 2022 $'000	31 March 2023 $'000	31 March 2022 $'000
Fair value of investment properties (based on valuation reports)	1,859,311	1,898,532	1,398,800	1,370,200
Add: carrying amount of lease liabilities	98,098	94,050	98,098	94,050
Investment properties	1,957,409	1,992,582	1,496,898	1,464,250
Fair value of investment property held for sale (based on valuation report)	11,900	–	11,900	–
Add: carrying amount of lease liabilities	253	–	253	–
Investment property held for sale	12,153	–	12,153	–

Level 3 fair value measurements

(i) Reconciliation of movements in Level 3 fair value measurement

The reconciliation of Level 3 fair value measurements for investment properties is presented in the table above.

(ii) Valuation techniques

Investment properties, including the investment property held for sale, are stated at fair value as at 31 March 2023 based on valuations performed by independent professional valuers, Savills Valuation and Professional Services (S) Pte Ltd, Jones Lang LaSalle Property Consultants Pte Ltd, Knight Frank NSW Valuations & Advisory Pty Ltd or Knight Frank Valuation and Advisory Queensland (31 Mach 2022: Savills Valuation and Professional Services (S) Pte Ltd, Jones Lang LaSalle Property Consultants Pte Ltd, Jones Lang LaSalle Advisory Services Pty Ltd or Knight Frank NSW Valuations & Advisory Pty Ltd). The fair values take into consideration the market values of the properties, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. The specific condition and characteristics inherent in each of the properties are taken into consideration in arriving at the property valuation. Valuations of the investment properties are carried out at least once a year.

4 INVESTMENT PROPERTIES (cont'd)

Level 3 fair value measurements (cont'd)

(ii) Valuation techniques (cont'd)

In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated discount rate, terminal capitalisation rate and capitalisation rate. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions and the valuation reports are prepared in accordance with recognised appraisal and valuation standards.

The discounted cash flow analysis involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow analysis requires the valuers to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The capitalisation method is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) has been adjusted against anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised at an appropriate investment yield. Thereafter, various adjustments including assumed vacancy allowance are made, where appropriate, for the capitalisation method. The direct comparison method provides an indication of value by comparing the investment property with identical or similar properties where reliable sales evidence is available.

(iii) Significant unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows analysis	• Discount rate of 6.25% to 7.75% (31 March 2022: 6.13% to 7.75%)	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 5.50% to 7.00% (31 March 2022: 5.50% to 7.00%)	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
Capitalisation method	• Capitalisation rate of 5.25% to 6.50% (31 March 2022: 5.13% to 6.50%)	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
Direct comparison method	• Adjusted price per square meter	The estimated fair value would increase (decrease) if adjusted price per square meter was higher (lower).

5 SUBSIDIARIES

	Trust 2023 $'000	Trust 2022 $'000
Unquoted equity, at cost	328,681	328,681

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

5 SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Subsidiaries of the Trust	Country of incorporation or constitution/ Principal place of business	Principal activity	Effective equity interest held by the Group 2023 %	2022 %
AACI REIT MTN Pte. Ltd.[1]	Singapore	Provision of treasury services	100.0	100.0
AACI REIT Opera Pte. Ltd.[2]	Singapore	Investment holding	100.0	100.0
AA REIT (Alexandra) Pte. Ltd.[2]	Singapore	Investment holding	100.0	100.0
AA REIT Alexandra Trust [1]	Singapore	Investment in real estate	100.0	100.0
AIMS APAC REIT (Australia) Trust [3]	Australia	Investment in real estate	100.0	100.0
AA REIT Macquarie Park Investment Trust [4]	Australia	Investment in real estate	100.0	100.0
AA REIT Australia Trust (QLD) [3]	Australia	Investment in real estate	100.0	100.0
Burleigh Heads Trust [4]	Australia	Investment in real estate	100.0	100.0
AA REIT Australia Trust (NSW) [3]	Australia	Investment in real estate	100.0	100.0
Bella Vista Trust [4]	Australia	Investment in real estate	100.0	100.0

1 Audited by KPMG LLP Singapore.
2 Dormant and not required to be audited.
3 Not required to be audited by the laws of the country of its constitution.
4 Audited by a member firm of KPMG International.

6 JOINT VENTURE

	Group 2023 $'000	2022 $'000
Investment in joint venture	289,568	332,539
Amounts due from joint venture, at amortised cost:		
– Interest-bearing loan	39,809	35,224
	329,377	367,763

The amounts due from joint venture relates to an unsecured loan of AUD100 million extended by the Unitholders of the joint venture (the "parties") based on their proportionate interests in the joint venture. On 30 May 2023, the unsecured loan was increased from AUD100 million to AUD126 million.

Details of the unsecured loan:

- Purpose: to fund capital expenditure requirement and other related lease obligations in relation to Optus Centre.
- Tenure: six years from the first utilisation date or such later date as may be agreed between the parties.
- Effective interest rate: based on Bank Bill Swap Bid Rate ("BBSY") + margin, repriced at each interest period as mutually agreed between the parties.

6 JOINT VENTURE (cont'd)

As at 31 March 2023, the Group's share of the capital commitments of the joint venture is $6.0 million (31 March 2022: $6.8 million).

Details of the joint venture are as follows:

Name of entity	Country of constitution/ Principal place of business	Principal Activity	Effective equity interest held by the Group 2023 %	2022 %
Macquarie Park Trust ("MPT")[1]	Australia	Investment in real estate	49.0	49.0

[1] Audited by PricewaterhouseCoopers Australia. This entity is also audited by a member firm of KPMG International for the purpose of preparing the Group's consolidated financial statements.

MPT is an unlisted joint arrangement in which the Group has joint control via unitholders' agreement with a joint venture partner and 49.0% equity interest. MPT holds Optus Centre, a Grade A business park complex located in Macquarie Park, New South Wales 2113, Australia. MPT is structured as a trust vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in MPT as a joint venture, which is equity-accounted.

The following table summarises the financial information of MPT based on its financial statements for the respective financial years ended 31 March.

	2023 $'000	2022 $'000
Assets and liabilities		
Non-current assets [a]	671,375	753,746
Current assets [b]	5,440	2,606
Total assets	676,815	756,352
Non-current liabilities	81,243	71,885
Current liabilities [c]	4,616	5,816
Total liabilities	85,859	77,701
Results		
Revenue	37,999	37,913
Expenses	(9,770)	(5,488)
Net change in fair value of investment property	837	65,819
Total return for the year	29,066	98,244

[a] Represents the valuation of Optus Centre, Macquarie Park, New South Wales, Australia. The independent valuation of the property was carried out by Knight Frank NSW Valuations & Advisory Pty Ltd as at 31 March 2023 (31 March 2022: Jones Lang LaSalle Advisory Services Pty Ltd) and the property was valued at AUD753.0 million (equivalent to approximately $671.4 million) (31 March 2022: AUD744.0 million (equivalent to approximately $753.7million)).
[b] Includes cash at banks and in hand of $4.7 million (31 March 2022: $2.0 million).
[c] Comprises trade and other payables, current tax payable and provisions.

	2023 $'000	2022 $'000
Group's interest in net assets and carrying amount of joint venture		
At 1 April	332,539	305,602
Share of profits of joint venture (net of tax) (including share of net change in fair value of investment property and excluding interest income from joint venture)	14,242[2]	48,140
Distributions received/receivable	(17,345)	(18,730)
Foreign currency translation movements	(39,868)	(2,473)
At 31 March	289,568	332,539

[2] In 2023, the "Share of profits of joint venture (net of tax)" in the Statements of Total Return include interest income from joint venture amounting to $1,797,000.

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade receivables	1,314	1,109	1,314	1,109
Deposits	69	1,122	69	1,122
Amount due from subsidiaries	–	–	12	1,019
Distribution receivable from a subsidiary	–	–	3,148	3,452
Distribution receivable from a joint venture	1,340	1,617	–	–
Interest receivable from:				
– a joint venture	–	240	–	–
– banks	672	–	540	–
Other receivables	2,002	1,532	249	896
	5,397	5,620	5,332	7,598
Prepayments	5,628	6,312	5,628	5,290
	11,025	11,932	10,960	12,888
Non-current	3,465	3,086	3,465	3,086
Current	7,560	8,846	7,495	9,802
	11,025	11,932	10,960	12,888

The amount due from a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

The Group's and the Trust's exposure to credit risk related to trade and other receivables is disclosed in note 26.

Impairment losses

The movements in impairment losses recognised in respect of trade receivables during the year are as follows:

	Group and Trust	
	2023 $'000	2022 $'000
At 1 April	–	77
Reversal of impairment losses during the year	–	(27)
Amount written-off	–	(50)
At 31 March	–	–

The Manager believes that no provision of impairment losses is necessary in respect of the remaining trade receivables as majority of the balances are not past due and the rest of these balances mainly arise from tenants who have good payment records and have placed sufficient security with the Group in the form of bankers' guarantees or cash security deposits.

8 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash at banks and in hand	11,440	18,395	6,836	8,599
Fixed deposits with financial institutions	1,783	3,000	892	3,000
	13,223	21,395	7,728	11,599

9 TRADE AND OTHER PAYABLES

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade payables and accrued expenses	17,016	21,844	14,846	19,981
Trade amounts due to:				
– the Manager	1,169	–	1,169	–
– the Property Manager	1,722	559	1,722	559
– the Trustee	59	59	59	59
– subsidiary	–	–	–	5
– entities controlled by corporate shareholders of the Manager	288	655	–	–
Goods and services tax payable	2,532	1,715	2,532	1,301
Rental received in advance	2,587	4,092	2,587	2,062
Rental and security deposits	22,099	19,899	22,099	19,899
Retention sums for development costs	–	385	–	385
Accrued development costs	–	335	–	335
Interest payable	5,227	3,359	2,529	2,381
	52,699	52,902	47,543	46,967
Non-current	15,101	13,135	15,101	13,135
Current	37,598	39,767	32,442	33,832
	52,699	52,902	47,543	46,967

10 INTEREST-BEARING BORROWINGS

		Group		Trust	
	Note	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Non-current					
Secured					
Bank borrowings	(a),(b)	695,967	723,698	292,882	309,236
Unsecured					
Medium term notes	(c)	100,000	100,000	100,000	100,000
		795,967	823,698	392,882	409,236
Less: Unamortised borrowing transaction costs		(4,979)	(5,916)	(2,871)	(4,052)
		790,988	817,782	390,011	405,184
Current					
Secured					
Bank borrowings		–	35,224	–	–
		–	35,224	–	–
Less: Unamortised borrowing transaction costs		–	(18)	–	–
		–	35,206	–	–
Total		790,988	852,988	390,011	405,184

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

10 INTEREST-BEARING BORROWINGS (cont'd)

As at 31 March 2023, the Group had the following borrowings:

(a) Secured credit facilities of the Trust

(i) first legal mortgage over 16 investment properties (31 March 2022: legal mortgage over 16 investment properties) with market value totalling $977.7 million (31 March 2022: $939.6 million) of the Trust (the "Mortgaged Properties");

(ii) assignment of rights, benefits, title and interest in, *inter alia*, the building agreement and/or leases of two investment properties of the Trust; and

(iii) assignment of rights, benefits, title and interest in the property management agreements, insurances, tenancy agreements, sale agreements, performance guarantees (including sale proceeds and rental proceeds) relating to the Mortgaged Properties and assignment of rights, benefits, title and interest in moneys credited in certain accounts.

(b) Secured term loan facility of a wholly-owned subsidiaries

(i) A secured five-year term loan facility granted to a wholly-owned subsidiary of the Trust which is guaranteed by the Trust and secured by a mortgage over a property with market value of $50.4 million (31 March 2022: $54.2 million) and a general security agreement over all present and after acquired property of the subsidiary;

(ii) A secured five-year term loan facility granted to a wholly-owned subsidiary of the Trust which is secured by a mortgage over a property with market value of $410.1 million (31 March 2022: $474.1 million) and a general security agreement over all present and after acquired property of the subsidiary; and

(iii) A secured five-year term loan facility granted to a wholly-owned subsidiary of the Trust which is secured by a security interest in all of the present and future assets of the subsidiary, primarily, the units which the subsidiary holds in the Macquarie Park Trust and a security interest in all units of the subsidiary held by immediate holding trust of the subsidiary.

(c) Unsecured medium term notes

As at 31 March 2023, unsecured medium term notes issued comprises $100 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 by the Trust under the $750 million Multicurrency Debt Issuance Programme, established in November 2018.

The medium term notes shall at all times rank *pari passu* without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the respective issuers.

10 INTEREST-BEARING BORROWINGS (cont'd)

Terms and debt repayment schedule

Terms and conditions of the interest-bearing borrowings are as follows:

	Nominal interest rate %	Date of maturity	Group Face value $'000	Group Carrying amount $'000	Trust Face value $'000	Trust Carrying amount $'000
2023						
SGD fixed rate medium term notes	3.60	November 2024	100,000	99,762	100,000	99,762
SGD floating rate bank borrowing[4]	SORA[1] + margin	July 2024	100,000	99,813	100,000	99,813
AUD floating rate bank borrowing	BBSY[2] + margin	July 2024	18,860	18,778	–	–
SGD floating rate bank borrowing	SORA[1] + margin	October 2025	22,000	21,132	22,000	21,132
AUD floating rate bank borrowing	BBSY[2] + margin	October 2025	26,302	25,936	26,302	25,936
SGD floating rate bank borrowing	SORA[1] + margin	October 2026	100,000	99,195	100,000	99,195
AUD floating rate bank borrowing	BBSY[2] + margin	October 2026	44,580	44,173	44,580	44,173
AUD floating rate bank borrowing	BBSY[2] + margin	November 2026	247,820	246,791	–	–
AUD floating rate bank borrowing	BBSY[2] + margin	June 2027	136,405	135,408	–	–
			795,967	790,988	392,882	390,011
2022						
SGD fixed rate medium term notes	3.60	November 2024	100,000	99,614	100,000	99,614
AUD floating rate bank borrowing	BBSY[2] + margin	June 2022	35,224	35,206	–	–
AUD floating rate bank borrowing	BBSY[2] + margin	July 2023	111,441	111,215	–	–
AUD floating rate bank borrowing	BBSY[2] + margin	November 2023	32,926	32,860	32,926	32,860
SGD floating rate bank borrowing[4]	SOR[3] + margin	July 2024	100,000	99,668	100,000	99,668
AUD floating rate bank borrowing	BBSY[2] + margin	July 2024	21,430	21,265	–	–
SGD floating rate bank borrowing	SORA[1] + margin	October 2025	–	(1,206)[5]	–	(1,206)[5]
AUD floating rate bank borrowing	BBSY[2] + margin	October 2025	50,655	50,146	50,655	50,146
SGD floating rate bank borrowing	SORA[1] + margin	October 2026	75,000	73,969	75,000	73,969
AUD floating rate bank borrowing	BBSY[2] + margin	October 2026	50,655	50,133	50,655	50,133
AUD floating rate bank borrowing	BBSY[2] + margin	November 2026	281,591	280,118	–	–
			858,922	852,988	409,236	405,184

1 Singapore Overnight Rate Average.
2 Bank Bill Swap Bid Rate.
3 Swap Offer Rate.
4 On 31 May 2022, the Group has finalised the transition of the SOR based secured bank loan to SORA.
5 Unamortised borrowing transaction costs.

10 INTEREST-BEARING BORROWINGS (cont'd)

Reconciliation of changes in liabilities arising from financing activities

		Financing cash flows					
	At 1 April 2022 $'000	Proceeds from borrowings $'000	Repayment of borrowings/ lease liabilities $'000	Borrowing costs paid $'000	Borrowing costs expensed $'000	Foreign exchange and other movement $'000	At 31 March 2023 $'000
Group							
Medium term notes	99,614	–	–	–	148	–	99,762
Bank borrowings	753,374	220,311	(217,239)	(1,173)	1,979	(66,026)	691,226
Interest payable	3,359	–	–	(26,367)	27,578	657	5,227
Liabilities directly associated with the investment property held for sale	–	–	–	–	–	253	253
Lease liabilities	94,050	–	(8,897)	–	3,604	9,341	98,098
	950,397	220,311	(226,136)	(27,540)	33,309	(55,775)	894,566

		Financing cash flows					
	At 1 April 2021 $'000	Proceeds from borrowings $'000	Repayment of borrowings/ lease liabilities $'000	Borrowing costs paid $'000	Borrowing costs expensed $'000	Foreign exchange and other movement $'000	At 31 March 2022 $'000
Group							
Medium term notes	149,423	–	(50,000)	–	191	–	99,614
Bank borrowings	442,033	508,437	(197,958)	(5,290)	1,493	4,659	753,374
Interest payable	2,652	–	–	(16,943)	17,656	(6)	3,359
Lease liabilities	95,289	–	(8,726)	–	3,488	3,999	94,050
	689,397	508,437	(256,684)	(22,233)	22,828	8,652	950,397

11 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Non-current assets				
Interest rate swaps				
– at fair value through statement of total return ("FVTPL")	–	4,567	–	4,254
– designated as cash flow hedge	12,064	5,422	8,041	2,962
	12,064	9,989	8,041	7,216
Current assets				
Interest rate swaps				
– at FVTPL	–	–	317	–
– designated as cash flow hedge	939	–	622	–
Currency forward contracts				
– at FVTPL	232	–	232	–
	1,171	–	1,171	–
Non-current liabilities				
Interest rate swaps				
– at FVTPL	–	(1,495)	–	(1,495)
Current liabilities				
Interest rate swaps				
– at FVTPL	–	(49)	–	(49)
Currency forward contracts				
– at FVTPL	(–*)	(491)	(–*)	(491)
	(–*)	(540)	(–*)	(540)

* less than $1,000.

Interest rate swaps

The Group and the Trust use interest rate swaps to manage their exposures to interest rate movements on floating rate interest-bearing term loans by swapping the interest expense on a portion of interest-bearing borrowings from floating rates to fixed rates.

As at 31 March 2023, the Group had interest rate swap contracts with remaining tenors between approximately one and four years with total notional amounts of $172.0 million and AUD478.5 million, equivalent to approximately $426.6 million (31 March 2022: interest rate swap contracts with remaining tenors between approximately one and five years with total notional amounts of $202.0 million and AUD478.5 million, equivalent to approximately $484.8 million). Under the contracts, the Group pays fixed interest rates of 0.280% to 3.313% (31 March 2022: 0.280% to 3.313%) per annum and receives interest at the three-month SORA or BBSY (31 March 2022: three-month SOR, SORA or BBSY).

As at 31 March 2023, the Group had designated the interest rate swap contracts with notional amounts of $172.0 million and AUD478.5 million, equivalent to approximately $426.6 million (31 March 2022 $75.0 million and AUD325.0 million, equivalent to approximately $329.3 million), as hedging instruments in a cash flow hedge to hedge against variable interest payment arising from the floating rate loans.

11 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Currency forward contracts

The Group and the Trust use currency forward contracts to hedge its foreign currency risk on distributions to Unitholders.

As at 31 March 2023, the Group and the Trust had currency forward contracts with tenor of less than one year with total notional amounts of AUD8.5 million, equivalent to approximately $7.6 million (31 March 2022: AUD12.0 million, equivalent to approximately $12.2 million). Under the contracts, the Group and the Trust sell AUD8.5 million in exchange for approximately $7.8 million (31 March 2022: sells AUD12.0 million in exchange for approximately $11.7 million).

Hedge accounting

Cash flow hedges

The following table provides a reconciliation by risk category of components of equity and analysis of hedging reserve, net of tax, resulting from cash flow hedge accounting.

	Hedging reserve	
	Group $'000	Trust $'000
Cash flow hedges		
At 1 April 2021	–	–
Effective portion of changes in fair value of cash flow hedges	5,393	2,962
At 31 March 2022	5,393	2,962
Effective portion of changes in fair value of cash flow hedges	1,969	353
At 31 March 2023	7,362	3,315

Offsetting financial assets and financial liabilities

The Group entered into International Swaps and Derivatives Association ("ISDA") master netting agreements with various bank counterparties ("ISDA Master Agreement"). In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

12 DEFERRED TAX LIABILITIES

Movements in deferred tax liabilities of the Group during the year are as follows:

	At 1 April 2021 $'000	Recognised in statement of total return (note 22) $'000	At 31 March 2022 $'000	Recognised in statement of total return (note 22) $'000	At 31 March 2023 $'000
Group					
Deferred tax liabilities					
Investment properties	21,419	6,525	27,944	(955)	26,989

13 LEASES

Leases as lessee (FRS 116)

The Group leases land in respect of certain properties from JTC Corporation ("JTC") and CapitaLand Singapore (BP&C) Pte. Ltd. ("CapitaLand"). The leases typically run for a period of 30 years, with an option to renew the lease after that date. The annual land rent payable is based on the market land rent in the relevant period of the lease term. However, the lease agreements limit any increase of the annual land rent from year to year to 5.5% and 7.6% for leases with JTC and CapitaLand respectively, of the annual land rent for the immediate preceding year.

Information about leases for which the Group is a lessee is presented below.

(a) Amounts recognised in the statement of financial position

	Note	Group and Trust 2023 $'000	Group and Trust 2022 $'000
Right-of-use assets (included within investment properties)	4	98,098	94,050
Lease liabilities			
– Non-current		92,747	88,621
– Current		5,351	5,429
		98,098	94,050
Right-of-use assets (included within investment property held for sale)	4	253	–
Liabilities directly associated with the investment property held for sale		253	–

(b) Amounts recognised in the statement of total return

	Note	Group and Trust 2023 $'000	Group and Trust 2022 $'000
Leases under FRS 116			
Interest on lease liabilities	19	3,604	3,488
Net change in fair value of right-of-use assets (included within net change in fair value of investment properties)	4	5,294	5,238

13 LEASES (cont'd)

Leases as lessee (FRS 116) (cont'd)

(c) Amounts recognised in the statement of cash flows

	Group 2023 $'000	Group 2022 $'000
Repayment of lease liabilities	8,897	8,726

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $52.7 million as at 31 March 2023 (31 March 2022: $59.3 million).

Leases as lessor

The Group leases out its investment properties (see note 4). All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties. Investment properties are held for use by tenants under operating leases. Generally, the leases contain an initial non-cancellable period of between 3 to 10 years and subsequent renewals are negotiated with the tenants to reflect market rentals. None of the leases contain contingent rental arrangements.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date and excluding prevailing market rent adjustments.

	Group $'000	Trust $'000
2023		
Less than one year	112,623	87,363
One to two years	86,006	60,044
Two to three years	67,056	40,372
Three to four years	54,182	26,757
Four to five years	52,548	24,360
More than five years	155,567	51,576
Total lease receivables	527,982	290,472
2022		
Less than one year	117,623	89,697
One to two years	90,761	62,058
Two to three years	64,829	35,330
Three to four years	56,674	26,355
Four to five years	52,999	21,836
More than five years	214,514	64,324
Total lease receivables	597,400	299,600

14 UNITHOLDERS' FUNDS

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation as well as the foreign exchange gains and losses arising from monetary items that are considered to form part of the Group's net investment in a foreign operation.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative change (net of taxes) in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected the statement of total return.

Issue expenses

Issue expenses comprised professional, underwriting, selling commission and other costs relating to issuance of Units in the Trust. These expenses are deducted directly against Unitholders' funds.

15 PERPETUAL SECURITIES

As at 31 March 2023, $375.0 million subordinated perpetual securities ("Perpetual Securities") under the $750 million Multicurrency Debt Issuance Programme, established in November 2018 had been issued comprising:

(i) $125.0 million perpetual securities issued on 14 August 2020. The Perpetual Securities will confer a right 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; and

(ii) $250.0 million perpetual securities issued on 1 September 2021. The Perpetual Securities will confer a right to receive distribution payments at a rate of 5.375% per annum with the first distribution rate reset falling on 1 September 2026 and subsequent resets occurring every five years thereafter.

The key terms and conditions of the Perpetual Securities are as follows:

- the Perpetual Securities may be redeemed at the option of the Trust;
- the distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative; and
- the Perpetual Securities will constitute direct, unsecured and subordinated obligations of the Trust and rank *pari passu* and without any preference among themselves and with any Parity Obligations (as defined in the terms and conditions) of the Trust.

Accordingly, the Perpetual Securities are classified as equity. The expenses relating to the issue of the Perpetual Securities are deducted against the proceeds from the issue.

As at 31 March 2023, the $373.5 million (31 March 2022: $373.5 million) presented in the statements of financial position of the Group and the Trust represent the carrying value of the $375.0 million (31 March 2022: $375.0 million) Perpetual Securities issued, net of issue costs and includes the total return attributable to the Perpetual Securities holders from the last distribution date or the issuance date, as the case may be.

16 UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust	
	2023 '000	2022 '000
Units in issue at beginning of the year	712,017	706,663
Units in issue relating to:		
Manager's management fees	5,009	2,122
Manager's performance fees	3,318	–
Manager's acquisition fees	–	3,232
Units in issue at end of the year	720,344	712,017
Units to be issued relating to:		
Manager's management fees	1,275	1,248
Manager's performance fees	3,420	3,318
Total Units in issue and to be issued at end of the year	725,039	716,583

2022

During the financial year ended 31 March 2022, there were the following issuances of Units to the Manager:

(i) On 13 July 2021, 772,640 new Units at an average price of $1.4008 were issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2021 to 30 June 2021.

(ii) On 19 November 2021, 3,232,196 new Units at an average price of $1.4222 were issued to the Manager as payment of the Manager's acquisition fees incurred for the acquisition of Woolworths HQ in 1 Woolworths Way, Bella Vista, New South Wales 2153, Australia.

(iii) On 12 January 2022, 1,350,050 new Units at an average price of $1.4079 were issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 July 2021 to 31 December 2021.

During the financial year ended 31 March 2022 there were the following Units to be issued to the Manager:

(i) 1,247,794 new Units at an average price of $1.4007 to be issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2022 to 31 March 2022.

(ii) 3,317,930 new Units at an average price of $1.3922 to be issued to the Manager as payment of the performance fee element of the Manager's management fees incurred for the financial year.

2023

During the financial year ended 31 March 2023, there were the following issuances of Units to the Manager:

(i) On 29 April 2022, 1,247,794 new Units at an average price of $1.4007 were issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2022 to 31 March 2022 and 3,317,930 new Units at an issue price of $1.3922 as payment of the performance component of the Manager's management fees for the year ended 31 March 2022.

(ii) On 28 July 2022, 423,700 new Units at an average price of $1.3752 were issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 April 2022 to 30 June 2022.

(iii) On 27 October 2022, 1,005,940 new Units at an average price of $1.3140 were issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 July 2022 to 30 September 2022.

16 UNITS IN ISSUE AND TO BE ISSUED (cont'd)

2023 (cont'd)

(iv) On 26 January 2023, 2,331,534 new Units at an average price of $1.2175 were issued to the Manager as payment of the base fee element of the Manager's management fees incurred for the period from 1 October 2022 to 31 December 2022.

During the financial year ended 31 March 2023, there were the following Units to be issued to the Manager:

(i) 1,274,492 new Units at an average price of $1.3358 to be issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2023 to 31 March 2023.

(ii) 3,420,035 new Units at an average price of $1.3088 to be issued to the Manager as payment of the performance fee element of the Manager's management fees incurred for the financial year.

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.

17 GROSS REVENUE

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property rental income	125,526	105,710	96,574	92,144
Service charge, land rent and property tax	23,259	21,808	23,259	21,808
Other property expenses recoverable from tenants and other property income	18,597	14,872	18,577	14,867
	167,382	142,390	138,410	128,819

18 PROPERTY OPERATING EXPENSES

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property and lease management fees	2,897	2,764	2,897	2,764
Property tax	9,772	10,352	9,772	10,352
Other operating expenses	32,203	26,089	32,195	26,084
	44,872	39,205	44,864	39,200

19 BORROWING COSTS

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest expense on borrowings	26,659	17,007	12,329	12,975
Interest expense on lease liabilities (note 13)	3,604	3,488	3,604	3,488
Amortisation of borrowing transaction costs	2,127	1,685	1,300	1,224
Others	919	648	604	561
	33,309	22,828	17,837	18,248

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

20 MANAGER'S MANAGEMENT FEES

	Group and Trust	
	2023 $'000	2022 $'000
Base fees		
– Paid/payable in cash	4,887	5,281
– Paid/payable in Units	6,446	4,731
	11,333	10,012
Performance fees		
– Payable in Units	4,476	4,619

21 OTHER TRUST EXPENSES

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Audit fees paid/payable to:				
– auditors of the Trust	198	198	191	183
– other auditors	70	66	–	–
Non-audit fees paid/payable to auditors of the Trust	68	47	56	44
Trustees' fees				
– HSBC Institutional Trust Services (Singapore) Limited (the "Trustee")	368	338	368	333
– other trustee	16	21	16	18
Valuation fees	163	144	125	107
Professional fees	126	189	75	74
Transaction costs written-off	725	87	554	87
Investment management fees	3,676	2,645	–	–
Other expenses	1,030	860	831	736
	6,440	4,595	2,216	1,582

22 INCOME TAX (CREDIT)/EXPENSE

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Singapore current tax	–	–*	–	–
Overseas deferred tax (note 12)	(955)	6,525	–	–
Overseas withholding tax (credit)/expense	(792)	1,662	(792)	1,662
Total tax (credit)/expense	(1,747)	8,187	(792)	1,662
Reconciliation of effective tax rate:				
Total return before income tax	112,114	112,295	131,054	99,695
Tax calculated using Singapore tax rate of 17% (2022: 17%)	19,059	19,090	22,279	16,948
Non-tax chargeable items	(6,815)	(3,577)	(6,815)	(3,577)
Non-tax deductible items	2,454	2,073	2,454	2,073
Tax transparency	(11,775)	(11,269)	(11,775)	(11,269)
Foreign-sourced income	(2,923)	(6,317)	(6,143)	(4,175)
Deferred tax on investment properties (note 12)	(955)	6,525	–	–
Overseas withholding tax (credit)/expense	(792)	1,662	(792)	1,662
	(1,747)	8,187	(792)	1,662

* less than $1,000.

23 EARNINGS PER UNIT

	Group 2023	Group 2022
Earnings per Unit (Singapore cents)		
Basic and diluted	13.01	12.59

The earnings per Unit ("EPU") is computed using total return after tax over the weighted average number of Units outstanding as follows:

	Group 2023 $'000	Group 2022 $'000
Total return after income tax attributable to Unitholders of the Trust and Perpetual Securities holders	113,861	104,108
Less: Amount reserved for distribution to Perpetual Securities holders	(20,500)	(14,867)
Total return after income tax attributable to Unitholders of the Trust	93,361	89,241

	Trust Number of Units 2023 '000	Trust Number of Units 2022 '000
Basic EPU		
Units in issue at beginning of the year	712,017	706,663
Effect of Units issued relating to:		
– Manager's management fees	2,285	846
– Manager's performance fees	3,063	–
– Manager's acquisition fees	–	1,178
Weighted average number of Units at end of the year	717,365	708,687
Diluted EPU		
Units in issue at beginning of the year	712,017	706,663
Effect of Units issued/to be issued relating to:		
– Manager's management fees	2,440	927
– Manager's performance fees	3,073	9
– Manager's acquisition fees	–	1,178
Weighted average number of Units at end of the year	717,530	708,777

24 COMMITMENTS

As at 31 March 2023, the Group had $3.7 million (31 March 2022: $1.2 million) of capital expenditure for investment properties that had been authorised and contracted for but not provided for in the financial statements.

The wholly owned subsidiary of the Trust has a sub-lease agreement with the existing tenant that allows the tenant the right to call on an option for the wholly owned subsidiary to complete the construction of a certain building on the site. This option is coterminous with the wholly owned subsidiary's existing sub-lease and expires on 29 September 2031. As at 31 March 2023, the option has not been exercised.

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the financial statements, significant related party transactions carried out on terms agreed between the parties are as follows:

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
The Manager				
Manager's management fees				
– Base fees	11,333	10,012	11,333	10,012
– Performance fees	4,476	4,619	4,476	4,619
– Acquisition fees	–	4,597	–	4,597
Entities controlled by corporate shareholders of the Manager				
Investment management fees	3,676	2,645	–	–
The Property Manager				
Property management fees	1,931	1,843	1,931	1,843
Lease management fees	966	921	966	921
Marketing services commissions	3,034	2,768	3,034	2,768
Project management fees	189	44	189	44
Property tax services fees	167	–	167	–
Reimbursement of on-site staff costs[1]	689	438	689	438
The Trustee				
Trustee's fees	368	338	368	333
Joint venture				
Interest income	1,797	655	–	–
Subsidiaries				
Distribution income	–	–	25,495	23,983
Interest expense	–	–	–	1,751
Service fee expense	–	–	–	28

[1] Represents the employment costs and remuneration to the employees of the Property Manager based on-site that are engaged solely and exclusively for management of relevant properties.

26 FINANCIAL RISK MANAGEMENT

Capital management

The Board of the Manager reviews the Group's capital management and financing policy regularly so as to optimise the Group's funding structure. The Board also monitors the Group's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

The Group is subjected to the aggregate leverage limit as defined in the Appendix 6 of the CIS Code (the "Property Funds Appendix"). The Property Funds Appendix stipulates the aggregate leverage of a property fund should not exceed 50% of the fund's deposited property if the property fund met the minimum adjusted interest coverage ratio of 2.5 times. In the event if the adjusted interest coverage ratio is below 2.5 times, the aggregate leverage of a property fund should not exceed 45% of the fund's deposited property.

As at 31 March 2023, the Group's aggregate leverage[1] was 36.1% (31 March 2022: 37.5%) and its interest coverage ratio[2] and adjusted interest coverage ratio[2] were 3.8 times (31 March 2022: 5.1 times) and 2.3 times (31 March 2022: 2.9 times), respectively. The Group had complied with the aggregate leverage limit during the financial year.

There were no changes in the Group's approach to capital management during the financial year.

Risk management framework

Exposure to credit, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Manager monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Credit risk

Credit risk is the risk of financial loss resulting from the failure of a tenant to settle its financial and contractual obligations to the Group, as and when they fall due.

Trade receivables

Credit evaluations are performed by the Manager before lease agreements are entered into with the tenants. Rental deposits as a multiple of monthly rent are received either in cash or bank guarantees to reduce credit risk. The Manager also monitors the amount owing by the tenants on an ongoing basis.

Based on historical default rates, the Manager believes that no additional impairment allowance is necessary in respect of the remaining trade receivables as these receivables mainly arose from tenants that have good credit standing with the Group and the Group has sufficient security deposits as collateral.

Concentration of credit risk relating to trade receivables is limited due to the Group's varied tenant profile and credit policy of obtaining security deposits, banker's guarantees or other forms of collateral from tenants.

[1] The aggregate leverage includes lease liabilities that are entered into in the ordinary course of AA REIT's business on or after 1 April 2019 in accordance to MAS guidelines.
[2] The interest coverage ratio ("ICR") is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees. The adjusted ICR includes the amount reserved for distribution to Perpetual Securities holders in the interest expense. The ICR and adjusted ICR excluded interest expense on lease liabilities.

26 FINANCIAL RISK MANAGEMENT (cont'd)

(a) Credit risk (cont'd)

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The ECL on cash and cash equivalents is negligible.

Derivatives

Transactions involving derivative financial instruments are entered only with bank counterparties that are regulated.

Loan to joint venture

The Group extended a loan to a joint venture to fund the capital expenditure requirement in relation to Optus Centre. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default, the exposure is considered to be of low credit risk. Therefore, the Manager believes that no impairment allowance is necessary as at 31 March 2023.

Other receivables

The Group assesses on a forward-looking basis the ECLs associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers that the credit risk of these counterparties have not increased, and determines that the 12-month ECL on outstanding balances is negligible as at 31 March 2023.

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

The ageing of the trade and other receivables at the reporting date was as follows:

	Gross 2023 $'000	Impairment losses 2023 $'000	Gross 2022 $'000	Impairment losses 2022 $'000
Group				
Not past due	4,901	–	5,384	–
Past due 1 – 30 days	450	–	138	–
Past due 31 – 90 days	22	–	87	–
Past due more than 90 days	24	–	11	–
	5,397	–	5,620	–
Trust				
Not past due	4,836	–	7,362	–
Past due 1 – 30 days	450	–	138	–
Past due 31 – 90 days	22	–	87	–
Past due more than 90 days	24	–	11	–
	5,332	–	7,598	–

26 FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's operations and to mitigate the effect of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations.

As at 31 March 2023, the Group has unutilised committed credit facilities amounting to $169.1 million (31 March 2022: $160.4 million).

The Group also monitors and observes the Property Funds Appendix issued by the MAS concerning limits on total borrowings.

The Group has bank loans which contain certain covenants. Any breach of covenants may require the Group to repay the loans earlier than indicated in note 10.

The following are the expected contractual undiscounted cash inflows/(outflows) of financial liabilities and derivative financial instruments, including estimated interest payments and excluding the impact of netting arrangements:

Group	Carrying amount $'000	Contractual cash flows Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000
2023					
Non-derivative financial liabilities					
Medium term notes	(99,762)	(107,210)	(3,600)	(103,610)	–
Bank borrowings	(691,226)	(804,146)	(33,472)	(770,674)	–
Trade and other payables[1]	(50,112)	(50,112)	(35,011)	(12,316)	(2,785)
Liabilities directly associated with the investment property held for sale	(253)	(259)	(259)	–	–
Lease liabilities	(98,098)	(140,485)	(8,794)	(29,515)	(102,176)
	(939,451)	(1,102,212)	(81,136)	(916,115)	(104,961)
Derivative financial instruments					
Non-current assets					
Interest rate swaps (net-settled)					
– designated as cash flow hedge	12,064	11,578	6,160	5,418	–
Current assets					
Interest rate swaps (net-settled)					
– designated as cash flow hedge	939	1,151	1,151	–	–
Currency forward contracts (net-settled)					
– at FVTPL	232	217	217	–	–
Current liabilities					
Currency forward contracts (net-settled)					
– at FVTPL	(–*)	(1)	(1)	–	–
	13,235	12,945	7,527	5,418	–

[1] Excluding rental received in advance.
* less than $1,000.

26 FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

Group	Carrying amount $'000	Contractual cash flows Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000
2022					
Non-derivative financial liabilities					
Medium term notes	(99,614)	(110,810)	(3,600)	(107,210)	–
Bank borrowings	(753,374)	(864,610)	(54,959)	(809,651)	–
Trade and other payables[1]	(48,810)	(48,810)	(35,675)	(10,315)	(2,820)
Lease liabilities	(94,050)	(134,056)	(8,726)	(29,664)	(95,666)
	(995,848)	(1,158,286)	(102,960)	(956,840)	(98,486)
Derivative financial instruments					
Non-current assets					
Interest rate swaps (net-settled)					
– at FVTPL	4,567	4,760	1,328	3,432	–
– designated as cash flow hedge	5,422	9,144	530	8,614	–
Non-current liabilities					
Interest rate swaps (net-settled)					
– at FVTPL	(1,495)	(2,054)	(2,028)	(26)	–
Current liabilities					
Interest rate swaps (net-settled)					
– at FVTPL	(49)	(54)	(54)	–	–
Currency forward contracts (net-settled)					
– at FVTPL	(491)	(478)	(478)	–	–
	7,954	11,318	(702)	12,020	–

[1] Excluding rental received in advance.

26 FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

Trust	Carrying amount $'000	Contractual cash flows Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000
2023					
Non-derivative financial liabilities					
Medium term notes	(99,762)	(107,210)	(3,600)	(103,610)	–
Bank borrowings	(290,249)	(329,100)	(14,050)	(315,050)	–
Trade and other payables[1]	(44,956)	(44,956)	(29,855)	(12,316)	(2,785)
Liabilities directly associated with the investment property held for sale	(253)	(259)	(259)	–	–
Lease liabilities	(98,098)	(140,485)	(8,794)	(29,515)	(102,176)
	(533,318)	(622,010)	(56,558)	(460,491)	(104,961)
Derivative financial instruments					
Non-current assets					
Interest rate swaps (net-settled)					
– designated as cash flow hedge	8,041	8,257	4,669	3,588	–
Current assets					
Interest rate swaps (net-settled)					
– at FVTPL	317	435	435	–	–
– designated as cash flow hedge	622	716	716	–	–
Currency forward contracts (net-settled)					
– at FVTPL	232	217	217	–	–
Current liabilities					
Currency forward contracts (net-settled)					
– at FVTPL	(–*)	(1)	(1)	–	–
	9,212	9,624	6,036	3,588	–

1 Excluding rental received in advance.
* less than $1,000.

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Year ended 31 March 2023

26 FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

Trust	Carrying amount $'000	Contractual cash flows Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000
2022					
Non-derivative financial liabilities					
Medium term notes	(99,614)	(110,810)	(3,600)	(107,210)	–
Bank borrowings	(305,570)	(349,551)	(8,144)	(341,407)	–
Trade and other payables[1]	(44,905)	(44,905)	(31,770)	(10,315)	(2,820)
Lease liabilities	(94,050)	(134,056)	(8,726)	(29,664)	(95,666)
	(544,139)	(639,322)	(52,240)	(488,596)	(98,486)
Derivative financial instruments					
Non-current assets					
Interest rate swaps (net-settled)					
– at FVTPL	4,254	4,364	1,271	3,093	–
– designated as cash flow hedge	2,962	3,170	(345)	3,515	–
Non-current liabilities					
Interest rate swaps (net settled)					
– at FVTPL	(1,495)	(2,054)	(2,028)	(26)	–
Current liabilities					
Interest rate swaps (net-settled)					
– at FVTPL	(49)	(54)	(54)	–	–
Currency forward contracts (net-settled)					
– at FVTPL	(491)	(478)	(478)	–	–
	5,181	4,948	(1,634)	6,582	–

[1] Excluding rental received in advance.

26 FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(i) Interest rate risk

The Manager adopts a proactive interest rate management policy to manage the risk associated with adverse movement in interest rates on the loan facilities while also seeking to ensure that the Group's cost of debt remains competitive. The policy aims to protect the Group's earnings from the volatility in interest rates and provide stability to Unitholders' returns.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's and Trust's exposure to cash flow interest rate risks arise mainly from variable rate financial liabilities. The Manager manages the cash flow interest rate risks of these variable rate financial liabilities using floating-to-fixed interest rate swaps or via fixed rates borrowings.

As at 31 March 2023, the Group had interest rate swap contracts with total notional amounts of $172.0 million and AUD478.5 million, equivalent to approximately $426.6 million (31 March 2022: $202.0 million and AUD478.5 million, equivalent to approximately $484.8 million). For the interest rate swap contracts, the Group had agreed with counterparties to exchange at specified intervals, the difference between the floating rates pegged to the SORA or BBSY (31 March 2022: SOR, SORA or BBSY) and fixed rate interest amounts calculated by reference to the agreed notional amounts.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "interest rate benchmark reform).

The Group's main IBOR exposure in previous year was indexed to SOR. In Singapore, the Steering Committee for SOR and SIBOR transition to SORA (SC-STS) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has recommended the discontinuation of SOR and a shift towards the use of SORA as the alternative interest rate benchmark in Singapore. The timeline for SORA to replace SOR is by the end of June 2023.

As at 31 March 2022, the Group had exposures to SOR on its financial instruments that has been replaced with SORA subsequently. As at 31 March 2023, the Group has no remaining IBOR exposure.

26 FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) *Interest rate risk (cont'd)*

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's and Trust's interest-bearing financial instruments was as follows:

	Group Nominal amount		Trust Nominal amount	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Fixed rate instruments				
Financial liabilities	(100,000)	(100,000)	(100,000)	(100,000)
Interest rate swaps[1]	(598,631)	(686,768)	(343,633)	(397,022)
	(698,631)	(786,768)	(443,633)	(497,022)
Variable rate instruments				
Financial liabilities	(695,967)	(758,922)	(292,882)	(309,236)
Interest rate swaps[1]	598,631	686,768	343,633	397,022
	(97,336)	(72,154)	50,751	87,786

[1] Including forward interest rate swaps.

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the total return and Unitholders' funds by the amounts shown below. This analysis assumes that all other variables remain constant.

	Statement of total return		Unitholders' funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 March 2023				
Variable rate instruments	(2,311)	2,311	7,019	(7,240)
31 March 2022				
Variable rate instruments	2,157	(2,208)	6,126	(6,439)
Trust				
31 March 2023				
Variable rate instruments	626	(627)	3,658	(3,761)
31 March 2022				
Variable rate instruments	3,652	(3,701)	1,983	(2,068)

26 FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(ii) *Foreign currency risk*

Risk management policy

The Group has exposure to foreign currency risks arising from its interest in a joint venture and an investment property in Australia. Transactions in relation to these investments are mainly denominated in the Australian dollar.

The Manager's strategy is to achieve a natural hedge, wherever possible through the use of Australian dollar denominated borrowings to match the Group's interests in its Australian joint venture and investment properties to mitigate the currency risk. As at 31 March 2023, the Group's investment in its Australian assets was hedged as approximately 60.0% (31 March 2022: 65.0%) of the carrying value of the Trust's investments in Australia was funded with Australian dollar denominated borrowings.

Exposure to currency risk

The Group's and Trust's exposures to foreign currencies as at 31 March 2023 and 31 March 2022 were as follows:

	Group		Trust	
	Australian dollar 2023 $'000	Australian dollar 2022 $'000	Australian dollar 2023 $'000	Australian dollar 2022 $'000
Amounts due from joint venture	39,809	35,224	–	–
Cash and cash equivalents	6,875	11,877	1,396	2,110
Trade and other receivables	3,226	2,555	3,148	3,452
Derivative financial instruments	6,579	3,475	2,557	702
Trade and other payables	(5,321)	(1,853)	(189)	(869)
Interest-bearing borrowings	(473,967)	(583,922)	(70,882)	(134,236)
	(422,799)	(532,644)	(63,970)	(128,841)
Less: Currency forward contracts	(7,579)	(12,157)	(7,579)	(12,157)
Net currency exposure on financial liabilities	(430,378)	(544,801)	(71,549)	(140,998)
Add: Non-financial assets				
Investment in joint venture	289,568	332,539	–	–
Investment properties	460,511	528,332	–	–
Net currency exposure including non-financial assets	319,701	316,070	(71,549)	(140,998)

26 FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity analysis

A strengthening/weakening of the Australian dollar, as indicated below, against the Singapore dollar at the reporting date would have increased/(decreased) total return and Unitholders' funds by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Statements of total return $'000	Unitholders' funds $'000
Group		
2023		
Australian dollar (5% strengthening)	60	15,925
Australian dollar (5% weakening)	(60)	(15,925)
2022		
Australian dollar (5% strengthening)	97	15,706
Australian dollar (5% weakening)	(97)	(15,706)
Trust		
2023		
Australian dollar (5% strengthening)	(3,689)	112
Australian dollar (5% weakening)	3,689	(112)
2022		
Australian dollar (5% strengthening)	(7,050)	–
Australian dollar (5% weakening)	7,050	–

26 FINANCIAL RISK MANAGEMENT (cont'd)

Classification and fair value of financial instruments

The carrying amounts and the fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

		Carrying amount					Fair value			
Group	Note	Amortised cost $'000	FVTPL $'000	Fair value – Hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2023										
Financial assets not measured at fair value										
Amounts due from joint venture	6	39,809	–	–	–	39,809				
Trade and other receivables[1]	7	5,397	–	–	–	5,397				
Cash and cash equivalents	8	13,223	–	–	–	13,223				
		58,429	–	–	–	58,429				
Financial assets measured at fair value										
Derivative financial assets	11	–	232	13,003	–	13,235	–	13,235	–	13,235
Financial liabilities measured at fair value										
Derivative financial liabilities	11	–	(–*)	–	–	(–*)	–	(–*)	–	(–*)
Financial liabilities not measured at fair value										
Trade and other payables[2]	9	–	–	–	(50,112)	(50,112)				
Interest-bearing borrowings	10	–	–	–	(790,988)	(790,988)	–	(789,314)	–	(789,314)
Liabilities directly associated with the investment property held for sale	13	–	–	–	(253)	(253)				
Lease liabilities	13	–	–	–	(98,098)	(98,098)				
		–	–	–	(939,451)	(939,451)				

1 Excluding prepayments.
2 Excluding rental received in advance.
* Less than $1,000.

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Year ended 31 March 2023

26 FINANCIAL RISK MANAGEMENT (cont'd)

Classification and fair value of financial instruments (cont'd)

		Carrying amount					Fair value			
Group	Note	Amortised cost $'000	FVTPL $'000	Fair value – Hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2022										
Financial assets not measured at fair value										
Amounts due from joint venture	6	35,224	–	–	–	35,224				
Trade and other receivables[1]	7	5,620	–	–	–	5,620				
Cash and cash equivalents	8	21,395	–	–	–	21,395				
		62,239	–	–	–	62,239				
Financial assets measured at fair value										
Derivative financial assets	11	–	4,567	5,422	–	9,989	–	9,989	–	9,989
Financial liabilities measured at fair value										
Derivative financial liabilities	11	–	(2,035)	–	–	(2,035)	–	(2,035)	–	(2,035)
Financial liabilities not measured at fair value										
Trade and other payables[2]	9	–	–	–	(48,810)	(48,810)				
Interest-bearing borrowings	10	–	–	–	(852,988)	(852,988)	–	(854,601)	–	(854,601)
Lease liabilities	13	–	–	–	(94,050)	(94,050)				
		–	–	–	(995,848)	(995,848)				

1 Excluding prepayments.
2 Excluding rental received in advance.

26 FINANCIAL RISK MANAGEMENT (cont'd)

Classification and fair value of financial instruments (cont'd)

Trust	Note	Carrying amount: Amortised cost $'000	Carrying amount: FVTPL $'000	Carrying amount: Fair value – Hedging instruments $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
2023										
Financial assets not measured at fair value										
Trade and other receivables[1]	7	5,332	–	–	–	5,332				
Cash and cash equivalents	8	7,728	–	–	–	7,728				
		13,060	–	–	–	13,060				
Financial assets measured at fair value										
Derivative financial assets	11	–	549	8,663	–	9,212	–	9,212	–	9,212
Financial liabilities measured at fair value										
Derivative financial liabilities	11	–	(–*)	–	–	(–*)	–	(–*)	–	(–*)
Financial liabilities not measured at fair value										
Trade and other payables[2]	9	–	–	–	(44,956)	(44,956)				
Interest-bearing borrowings	10	–	–	–	(390,011)	(390,011)	–	(388,337)	–	(388,337)
Liabilities directly associated with the investment property held for sale	13	–	–	–	(253)	(253)				
Lease liabilities	13	–	–	–	(98,098)	(98,098)				
		–	–	–	(533,318)	(533,318)				

[1] Excluding prepayments.
[2] Excluding rental received in advance.
* Less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

26 FINANCIAL RISK MANAGEMENT (cont'd)

Classification and fair value of financial instruments (cont'd)

		Carrying amount					Fair value			
Trust	Note	Amortised cost $'000	FVTPL $'000	Fair value – Hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2022										
Financial assets not measured at fair value										
Trade and other receivables[1]	7	7,598	–	–	–	7,598				
Cash and cash equivalents	8	11,599	–	–	–	11,599				
		19,197	–	–	–	19,197				
Financial assets measured at fair value										
Derivative financial assets	11	–	4,254	2,962	–	7,216	–	7,216	–	7,216
Financial liabilities measured at fair value										
Derivative financial liabilities	11	–	(2,035)	–	–	(2,035)	–	(2,035)	–	(2,035)
Financial liabilities not measured at fair value										
Trade and other payables[2]	9	–	–	–	(44,905)	(44,905)				
Interest-bearing borrowings	10	–	–	–	(405,184)	(405,184)	–	(406,797)	–	(406,797)
Lease liabilities	13	–	–	–	(94,050)	(94,050)				
		–	–	–	(544,139)	(544,139)				

[1] Excluding prepayments.
[2] Excluding rental received in advance.

26 FINANCIAL RISK MANAGEMENT (cont'd)

Estimation of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Derivatives

The fair values of interest rate swaps and currency forward contracts (Level 2 fair values) are based on banks' quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(ii) Other non-derivative financial assets and liabilities

Other non-derivative financial assets and liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

The carrying amounts of non-derivative financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. The carrying amounts of non-derivative financial liabilities with maturity of more than one year (including trade and other payables) are assumed to approximate their fair values because the effect of discounting is immaterial. The carrying amount of borrowings which reprice within three months are assumed to approximate their fair values because of the short period to maturity or repricing. The fair values of the fixed rate notes are based on banks' quotes. The fair value disclosure of lease liabilities is not required.

The Group's policy is to recognise transfers between levels as of the end of the reporting period during which the transfer has occurred. There had been no transfers between the levels during the year.

27 SEGMENT REPORTING

The Manager considers the business from a geographical segment perspective. Geographically, the Manager manages and monitors the business by two countries: Singapore and Australia. For each of the reporting segments, the Manager reviews internal management reports on a monthly basis. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

In 2022, certain assets and liabilities, borrowing costs and trust and other expenses were not allocated to the segments as treasury activities were centrally managed by the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

27 SEGMENT REPORTING (cont'd)

Information about reportable segments

	Singapore $'000	Australia $'000	Total $'000
2023			
Revenue and expenses			
Gross revenue	138,410	28,972	167,382
Property operating expenses	(44,864)	(8)	(44,872)
Net property income	93,546	28,964	122,510
Share of profits of joint venture (net of tax)[1]	–	16,039	16,039
Net change in fair value of investment properties	38,158	(7,639)	30,519
Net change in fair value of right-of-use assets	(5,294)	–	(5,294)
Net change in fair value of derivative financial instruments	1,475	2,795	4,270
			168,044
Interest income	224	67	291
Borrowing costs	(14,230)	(19,079)	(33,309)
Trust and other expenses	(18,054)	(4,195)	(22,249)
Unallocated item:			
Net foreign exchange loss			(663)
Total return before income tax			112,114
Income tax credit			1,747
Total return after income tax			113,861
Total assets	1,531,249	805,173	2,336,422
Other segment items:			
Joint venture	–	329,377	329,377
Capital expenditure[2]	2,342	211	2,553
Total liabilities	(465,821)	(503,206)	(969,027)
2022			
Revenue and expenses			
Gross revenue	128,819	13,571	142,390
Property operating expenses	(39,200)	(5)	(39,205)
Net property income	89,619	13,566	103,185
Share of profits of joint venture (net of tax)[1]	–	48,140	48,140
Net change in fair value of investment properties	17,116	(17,706)	(590)
Net change in fair value of right-of-use assets	(5,238)	–	(5,238)
Net change in fair value of derivative financial instruments	2,796	5,423	8,219
			153,716
Unallocated items:			
Net foreign exchange loss			(86)
Interest income			719
Borrowing costs			(22,828)
Trust and other expenses			(19,226)
Total return before income tax			112,295
Income tax expense			(8,187)
Total return after income tax			104,108
Total assets	1,490,276	913,385	2,403,661
Other segment items:			
Joint venture	–	367,763	367,763
Capital expenditure[2]	4,884	–	4,884
Acquisition of investment property	–	489,839	489,839

[1] Included in the share of profits of joint venture (net of tax) is the share of revaluation gain recognised on the valuation of Optus Centre of $0.4 million (2022: $32.3 million).

[2] Capital expenditure consists of additions of investment properties.

27 SEGMENT REPORTING (cont'd)

No business segment information has been prepared as all investment properties are used mainly for industrial (including warehousing and business park) purposes and they are similar in terms of purpose, economic characteristics, types of tenants and nature of services provided to tenants. As such, the Group's CODMs are of the view that the Group has only one reportable segment, which is the leasing of investment properties. Accordingly, no operating segment information has been prepared. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

Major tenants

Rental income from one major tenant of the Group's reportable segment represents approximately $25.6 million (2022: $10.3 million) of the Group's rental income.

28 FINANCIAL RATIOS

	Group	
	2023 %	2022 %
Expenses to weighted average net assets[1]		
– Expense ratio excluding performance-related fee	1.24	1.16
– Expense ratio including performance-related fee	1.56	1.52
Portfolio turnover rate[2]	–	–

1 The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property related expenses, borrowing costs, changes in fair value of financial derivatives, investment properties and foreign exchange gains/(losses).

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

29 SUBSEQUENT EVENTS

i. On 24 April 2023, the Group announced its divestment of a leasehold property at 541 Yishun Industrial Park A in Singapore, at a sale price of $12.88 million (the "Divestment). The Divestment is targeted to be completed by the third quarter of 2023, subject to relevant authority's approval.

ii. On 5 May 2023, the Board of the Manager approved a distribution of 2.654 Singapore cents per Unit in respect of the period from 1 January 2023 to 31 March 2023 to be paid on 28 June 2023.

iii. On 31 May 2023, the Trust launched an equity fund raising comprising a private placement and a non-renounceable preferential offering to raise gross proceeds of up to approximately $100.0 million. On 1 June 2023, the Trust announced the closed of the private placement with a total of 57,660,000 new units that will be issued on 12 June 2023 pursuant to the private placement at an issue price of $1.214 per new unit. The gross proceeds raised from the private placement is approximately $70.0 million.

STATISTICS OF UNITHOLDINGS

As at 23 May 2023

ISSUED AND FULLY PAID UNITS

725,038,894 Units (voting rights: 1 vote per Unit)

There is only one class of Units in AIMS APAC REIT.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 – 99	568	5.48	21,129	0.00
100 – 1,000	1,336	12.90	745,167	0.10
1,001 – 10,000	5,089	49.12	26,164,083	3.61
10,001 – 1,000,000	3,336	32.20	148,387,535	20.47
1,000,001 and above	31	0.30	549,720,980	75.82
Total	10,360	100.00	725,038,894	100.00

TOP 20 UNITHOLDERS

As listed in the Register of Unitholders

No.	Name	Number of Units	%
1	Raffles Nominees (Pte.) Limited	135,029,831	18.62
2	Citibank Nominees Singapore Pte Ltd	94,511,187	13.04
3	RHB Bank Nominees Pte Ltd	68,327,663	9.42
4	DBS Nominees (Private) Limited	61,282,131	8.45
5	HSBC (Singapore) Nominees Pte Ltd	48,028,625	6.62
6	DBSN Services Pte. Ltd.	31,682,679	4.37
7	AIMS APAC REIT Management Limited	19,420,305	2.68
8	Phillip Securities Pte Ltd	14,297,207	1.97
9	OCBC Securities Private Limited	10,801,824	1.49
10	AIMS Fund Management (Cayman) Limited	7,761,900	1.07
11	United Overseas Bank Nominees (Private) Limited	5,872,670	0.81
12	Maybank Securities Pte. Ltd.	5,849,247	0.81
13	OCBC Nominees Singapore Private Limited	4,991,815	0.69
14	IFAST Financial Pte. Ltd.	4,454,063	0.61
15	BPSS Nominees Singapore (Pte.) Ltd.	4,431,197	0.61
16	ABN AMRO Clearing Bank N.V.	4,336,800	0.60
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,583,316	0.49
18	DB Nominees (Singapore) Pte Ltd	3,299,949	0.46
19	AIMS Financial Holding Limited	3,218,818	0.44
20	UOB Kay Kian Private Limited	2,878,763	0.40
	Total	534,059,990	73.65

STATISTICS OF UNITHOLDINGS

As at 23 May 2023

SUBSTANTIAL UNITHOLDERS AS AT 23 MAY 2023

As listed in the Register of Substantial Unitholders maintained by the Manager.

Name	Direct interest	Number of Units Deemed interest	Total interest	% of total issued Units
AIMS APAC Capital Holdings Limited[1]	40,319,528	19,420,305	59,739,833	8.24
AIMS Financial Holding Limited[2]	3,218,818	59,739,833	62,958,651	8.68
Great World Financial Group Pty Ltd[3]	–	75,013,401	75,013,401	10.35
Great World Financial Group Holdings Pty Ltd[3]	–	75,013,401	75,013,401	10.35
Mr George Wang[3]	–	75,013,401	75,013,401	10.35
ESR HK Management Limited	55,651,841	–	55,651,841	7.68
ESR Group Limited[4]	9,101,957	83,659,976	92,761,933	12.79
Mr Chan Wai Kheong[5]	12,823,976	28,919,845	41,743,821	5.76

1 AIMS APAC Capital Holdings Limited ("AACHL") holds an interest in AIMS APAC REIT Management Limited (the "Manager") and is deemed to have an interest in 19,420,305 Units held by the Manager.

2 Deemed to have an interest in Units held by AACHL and Units which AACHL has interests in as AACHL is a wholly-owned subsidiary of AIMS Financial Holding Limited ("AFHL").

3 Deemed to have an interest in:
(i) Units which AFHL has interests in;
(ii) 4,148,064 Units held by a fund managed by AIMS Fund Management Limited ("AFML");
(iii) 7,761,900 Units held by AIMS Fund Management (Cayman) Limited ("AFMCL"); and
(iv) 144,786 Units held by a fund managed by AIMS Real Estate Funds Limited ("AREFL").

4 Deemed to have an interest in:
(i) 55,651,841 Units held by ESR HK Management Limited, a wholly-owned subsidiary of ESR Group Limited ("ESR"); and
(ii) 28,008,135 Units held by e-Shang Infinity Cayman Limited, a wholly-owned subsidiary of ESR.

5 Deemed to have an interest in Units held by Splendid Asia Macro Fund.

UNITHOLDINGS OF DIRECTORS OF THE MANAGER AS AT 21 APRIL 2023

Based on the Register of Directors' Unitholdings, save as disclosed below, none of the Directors holds any interest in Units issued by AIMS APAC REIT.

Name	Direct interest	Number of Units Deemed interest	Total interest	% of total issued Units
Mr George Wang[6]	–	70,318,874	70,318,874	9.76

6 Deemed to have an interest in (i) Units which AFHL has interests in; (ii) Units held by a fund managed by AFML; (iii) Units held by AFMCL and (iv) Units held by a fund managed by AREFL.

FREE FLOAT

Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10.0% of its listed securities are at all times held by the public. Based on the information made available to the Manager as at 23 May 2023, approximately 71.10% of the Units in AIMS APAC REIT were held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year which fall under the Listing Manual of the SGX-ST and the Property Funds Appendix under the Code on Collective Investment Schemes are:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000) S$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
AIMS APAC REIT Management Limited			
– Manager's base management fees	REIT Manager	11,333	–
– Manager's performance fees		4,476	–
AIMS APAC Property Management Pte. Ltd.			
– Property management fees	Subsidiaries of the controlling shareholder of the REIT Manager	1,931	–
– Lease management fees		966	–
– Marketing services commissions		3,034	–
– Project management fees		189	–
– Property tax services fees		167	–
– Reimbursement of on-site staff costs[1]		689	–
AA REIT Management Australia Pty Limited			
– Investment management fees		3,676	–
– Reimbursement of property management fees[2]		533	–
HSBC Institutional Trust Services (Singapore) Limited			
– Trustee's fees	REIT Trustee	368	–

The Trust has not obtained a Unitholders' mandate pursuant to Rule 920 of the Listing Manual for interested person transactions.

Please also refer to note 25 "Significant Related Party Transactions" in the Notes to the Financial Statements. Except as disclosed above,

(a) there are no other material contracts entered into by AA REIT and/or its subsidiaries involving the interests of the Chief Executive Officer, any director or controlling Unitholder, either still subsisting at the end of the year or entered into since the end of the previous financial year; and

(b) there were no additional interested person (excluding transactions of less than S$100,000 each) entered into up to and including 31 March 2023.

[1] Represents the employment costs and remuneration to the employees of the Property Manager based on-site that are engaged solely and exclusively for management of the relevant properties.

[2] During the financial year ended 31 March 2023, property management fees was collected by Macquarie Park Trust ("MPT") from Optus Administration Pty Limited, the master lessee of Optus Centre (the "Tenant") in relation to the property management services provided by AA REIT Management Australia Pty Limited to Optus Centre. The property management fee is not considered to be a property expense for the Group as it is fully recoverable by MPT from the Tenant. In the event the property management fee is not directly recoverable from the Tenant, no property management fee will be paid to AA REIT Management Australia Pty Limited by MPT.

OPERATING EXPENSES AND TAXATION

In accordance with the disclosure requirements under paragraph 11.1 item (l) of the Property Funds Appendix under the Code on Collective Investment Schemes, the total operating expenses of AA REIT (comprising property expenses, trust expenses and all fees paid to the Manager and interested parties) was S$67.1 million, which is approximately 6.7% of its net asset value attributable to Unitholders as at 31 March 2023. The income tax credit for the year ended 31 March 2023 of S$1.7 million relates to the changes on deferred tax liability and withholding tax refund for the Trust's investment in Australia.

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

1 Raffles Place #39-03
One Raffles Place
Singapore 048616

Telephone: (65) 6309 1050
Website: www.aimsapacreit.com

For the online version of AA REIT FY2023 Annual Report,
please refer to https://investor.aimsapacreit.com/ar.html

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