



宝泽
AIMS

AIMS APAC REIT

2019
Annual Report

BUILT FOR
GREATER
HEIGHTS

ENDURING ♦ EVOLVING ♦ GROWING



BUILT FOR GREATER HEIGHTS

Mountains are nature's towering landscapes that command awe and inspire ascent. They have endured the changing seasons through the ages with their strong base and solid form. Every mountain's base, slope, and peak tell stories of its existence and environment. They are a symbol of strength and success.

This year's Annual Report gives us a look at the rising aspirations of AIMS APAC REIT and how, similar to a mountain range, it continues to endure, evolve, and grow as a group built to achieve great things.

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AIMS APAC REIT (formerly known as AIMS AMP Capital Industrial REIT) ("AA REIT" or the "Trust") is a real estate investment trust listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") since April 2007. The principal investment objective of AA REIT is to invest in a diversified portfolio of income-producing and high quality industrial real estate located throughout Asia Pacific. AA REIT's portfolio includes properties that support warehousing and logistics, business parks, light industries, high-tech and manufacturing activities. As at 31 March 2019, the Trust's total assets under management was S\$1.48 billion. The Trust is rated investment grade BBB- by Standard & Poor's.



ENDURING



THE BASE

WHERE DREAMS BEGIN



We started with a vision to become the trusted provider of industrial real estate solutions to a vast growing market. Our foundational principles and values provide us with a strong sense of identity and direction, showcased in everything we do.

INTRODUCTION

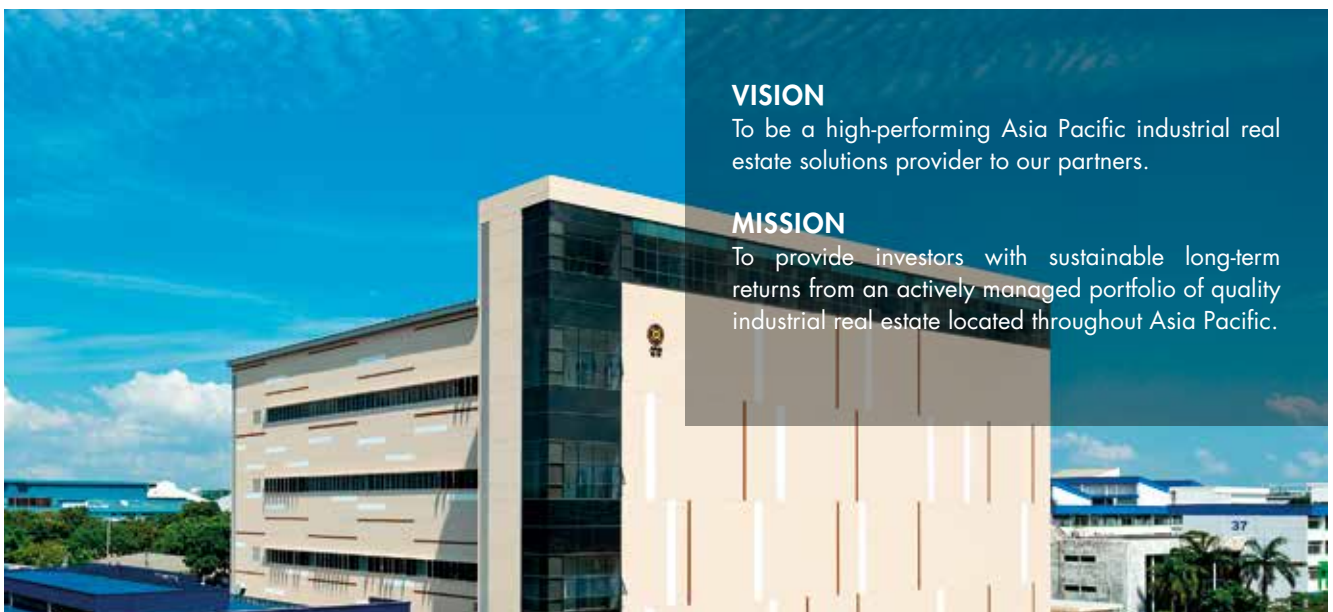


THE TRUST

AIMS APAC REIT (formerly known as AIMS AMP Capital Industrial REIT) ("AA REIT") is a real estate investment trust listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") with the investment mandate to invest in high quality income-producing industrial real estate throughout Asia Pacific.

THE MANAGER

AA REIT is managed by AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial REIT Management Limited) (the "Manager"), wholly-owned by AIMS Financial Group (the "Sponsor").



VISION

To be a high-performing Asia Pacific industrial real estate solutions provider to our partners.

MISSION

To provide investors with sustainable long-term returns from an actively managed portfolio of quality industrial real estate located throughout Asia Pacific.

OUR SPONSOR



AIMS Financial Group ("AIMS") is the sole sponsor of AA REIT. Established in 1991, AIMS is a diversified financial services and investment group, active in the areas of mortgage lending, securitisation, investment banking, funds management, property investment, venture capital, stock broking and high-tech investment. AIMS is also a strategic investor in the Sydney Stock Exchange.

AIMS has raised funds from capital markets and issued residential mortgage-backed securities, predominantly rated AAA by both Standard & Poor's and Fitch Ratings. AIMS has also attracted a number of international investors into the Australian markets and is the investment manager for various funds.

AIMS' 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.

LETTER TO UNITHOLDERS



George Wang
Chairman



Koh Wee Lih
Chief Executive Officer

LETTER TO UNITHOLDERS

Dear Unitholders,

FY2019 has been a significant year for AA REIT and one that will set the course for the next phase in our evolution.

The acquisition by AIMS Financial Group of all of AMP Capital's shares in the management entities of AA REIT was completed in March 2019 and the Trust has since been renamed to AIMS APAC REIT.

Since becoming a Sponsor when it acquired control of the Manager in 2009, AIMS Financial Group has consistently demonstrated its commitment in ensuring the Trust delivers sustainable long-term returns to Unitholders. Under its sponsorship over the past decade, AA REIT has successfully grown its total assets under management (AUM) by almost three times from S\$544.0 million in 2009 to close to S\$1.5 billion in 2019 through strategic acquisitions, asset enhancement initiatives and development projects.

The consolidation of AIMS Financial Group's interests reaffirms its ongoing commitment to the Trust and provides continuity in the management of AA REIT's assets. The renaming of the Trust also reinforces our ambition to be a high-performing Asia Pacific industrial real estate solutions provider.

As we move into this next chapter, we remain steadfast in our strategy to build a high-quality, resilient portfolio to future-proof the Trust for the long term.

We would like to take this opportunity to thank AMP Capital for its support and partnership over the past nine years, which have played a key part in AA REIT's success thus far. It has been a rewarding endeavour and we wish AMP Capital all the best.

DELIVERING STABLE RESULTS IN TIMES OF CHANGE

While challenges remained in the operating environment throughout FY2019, AA REIT continued its focus on active asset and lease management to deliver stable results.

Gross revenue in FY2019 was S\$118.1 million and net property income was S\$78.5 million, up by 1.0% and 2.7% respectively from the prior year. This was primarily due to the maiden rental contribution from our first third-party greenfield build-to-suit development at 51 Marsiling Road from April 2018, as well as higher rental contribution and occupancy rates for the property at 8 Tuas Avenue 20.

Distributable income for FY2019 was S\$70.5 million, an increase of 4.6% compared to last year. This brought total Distribution per Unit (DPU) to 10.25 cents.

Testament to our commitment to proactively engaging and retaining quality tenants, AA REIT successfully executed 60 new and renewed leases during the year, representing 119,382 square metres and 18.8% of the portfolio's total net lettable area. Portfolio occupancy was maintained at a healthy rate of 94.0%, above JTC Corporation's overall industry average of 89.3% for the first quarter of 2019.

BUILDING ON OUR FOUNDATIONS

We continue to evolve and build on the solid foundations we have set, seeking to expand our presence in the region through diversification and strategic acquisitions.

In May 2019, we announced the proposed acquisition of Boardriders APAC HQ, a light industrial development located in Gold Coast, Queensland, Australia for AUD38.46 million, with a headline yield of 7.8%¹. GSM (Operations) Pty Ltd, a wholly-owned subsidiary of Boardriders Inc., a leading action sports and lifestyle company, will lease the entire property for 12 years on a triple net basis with 3.0% annual rent increments and a rent review at the mid-term of the lease.

The acquisition represents an opportunity to further strengthen our portfolio with a strategic, yield-accretive addition that offers a strong tenant profile and income stability. With this investment, we will continue to build on the positive momentum to proactively evaluate future growth opportunities, supported by our disciplined investment approach.

UNLOCKING VALUE IN OUR PORTFOLIO

In line with our vision to be the trusted provider of industrial real estate solutions to our partners, we recognise the importance of creating and delivering added value for our tenants and Unitholders. To do so, we constantly look for organic growth opportunities that will unlock untapped potential to strengthen and optimise our portfolio. In this regard, we have two ongoing portfolio-enhancing initiatives: the asset enhancement initiative (AEI) at 29 Woodlands Industrial Park E1, NorthTech, and the redevelopment of 3 Tuas Avenue 2.

The AEI currently underway at our NorthTech property will help to deliver a better occupancy experience for our tenants and cater to their specific business needs. Upon completion,

1. Based on first year net property income of AUD3.0 million over acquisition price of AUD38.46 million.

LETTER TO UNITHOLDERS



NorthTech will be a modern and energy efficient facility that offers good connectivity within the Woodlands area, a growing commercial, industrial and residential hub.

The design-and-build redevelopment of 3 Tuas Avenue 2 continues to progress and is on track for completion in the second half of 2019. The project will increase the gross floor area of the asset by 52.0% to approximately 24,890 square metres and transform the asset into a modern and versatile ramp-up industrial facility.

In our efforts to build a higher value portfolio, the Manager will continue to actively manage the Trust's assets and leases to diversify and increase the quality of our portfolio.

COMMITTED TO PRUDENT CAPITAL AND RISK MANAGEMENT

AA REIT continued its strong track record of prudent capital and risk management in FY2019.

As at 31 March 2019, AA REIT's aggregate leverage was 33.7% and weighted average debt maturity was 2.4 years. The Trust retained its financial flexibility with sufficient undrawn committed facilities to fully repay the fixed rate notes maturing in

FY2020. Post-repayment, the weighted average debt maturity (as at 31 March 2019) would increase to approximately 2.8 years on a proforma basis. Furthermore, 85.8% of AA REIT's borrowings are on fixed rates, taking into account interest rate swaps and fixed rates notes.

The capital structure of the Group remains well-positioned and in November 2018, AA REIT successfully established a S\$750.0 million Multicurrency Debt Issuance Programme to provide further flexibility in managing our capital structure. Overall blended funding cost was maintained at 3.6% for the second consecutive year.

BUILDING A SUSTAINABLE FUTURE

We recognise that conducting business in a responsible and efficient manner is key to long-term success. We understand the need to be accountable to our stakeholders in building a business that is sustainable and resilient in the long run, while complying with environmental regulations and improving the quality of life.

As such, our approach to sustainability encompasses a broad view across environmental, social and economic factors. The Manager is committed to minimising our environmental impact

LETTER TO UNITHOLDERS

through our business operations, giving back to the community and making positive contributions to the economy. In each of these areas, we continue to track and measure our progress to ensure our efforts will translate into cost savings, value creation and support the best interests of our stakeholders.

This is the third year that AA REIT has published an annual sustainability report in accordance with the Global Reporting Initiative (GRI) Standards, demonstrating our commitment to sustainable growth as well as open management of sustainability issues. In FY2019, the Manager conducted a materiality review and the Board considered and re-validated the environmental, social and governance (ESG) topics that are of concern to stakeholders and significant to AA REIT's business. In addition, the Manager conducted a peer benchmarking and decided to disclose two new GRI sub-topics on anti-corruption and socio-economic compliance to support our efforts to uphold high standards of governance in our business operations.

We continue to integrate sustainable practices across our operations and encourage you to read our Sustainability Report found within this Annual Report to review the progress we have made against our key GRI Indicators this year.

LOOKING AHEAD

Despite a robust performance in the manufacturing sector in 2018, the growth of Singapore's economy is expected to moderate in 2019, in line with the projected slower pace of growth across global economies. The oversupply in the industrial property sector in Singapore has started to ease during the year with overall industrial rentals remaining stable. Based on JTC Corporation's 1Q2019 market report for industrial properties, another 1.2 million square metres of industrial space is estimated to come on stream during the rest of 2019. In comparison, the average annual supply of industrial space over the past three years was around 1.4 million square metres.

Looking forward, we believe the industrial property market is stabilising and expect to see growth in the short to medium term even as the challenging landscape facing Singapore continues. Escalating tensions between the United States and its key trading partners, a slowdown in China's economy and prolonged uncertainty regarding the United Kingdom's Brexit would impact ASEAN economies to varying degrees. However, Singapore will find opportunities to capitalise on its position as a regional hub from businesses reassessing their supply chains and sourcing locations.

Even as Singapore and the global economies continue to evolve, the Manager remains focused on anticipating and adapting to evolving market conditions and we will continue to

grow AA REIT's portfolio to ensure we remain well-positioned to navigate volatility in the operating environment.

IN APPRECIATION

On behalf of the Board and management, we would like to acknowledge our fellow Directors, management team and staff for all their dedication and hard work over the past year. We express our gratitude to our outgoing Directors, Mr Eugene Paul Lai Chin Look, Mr Norman Ip Ka Cheung and Mr Nicholas Paul McGrath, who have all retired earlier this year, for their leadership and commitment to the Trust over the past decade. We wish them the very best in their future endeavours.

We also warmly welcome to the Board Mr Chong Teck Sin as Non-Executive Independent Director and Mr Ko Kheng Hwa as Non-Executive Lead Independent Director.

At the same time, we would like to thank our Unitholders, valued tenants, business partners and service providers for their ongoing support and trust in our strategy and management. We look forward to continuing to partner with you in the Trust's next chapter.

As we build on our foundations to reach towards greater heights, the Manager will continue to strengthen and optimise our portfolio with a focus on creating and delivering sustainable, long-term value for Unitholders.

Yours sincerely,

George Wang
Chairman

Koh Wee Lih
Chief Executive Officer

FINANCIAL HIGHLIGHTS

(S\$'million unless otherwise stated)

FOR THE FINANCIAL YEAR ENDED 31 MARCH	2019	2018	2017
Gross revenue	118.1	116.9	120.1
Net property income	78.5	76.4	79.4
Distributions to Unitholders	70.5	67.4	70.5
Distribution per Unit ("DPU") (cents)	10.25 ¹	10.30 ¹	11.05

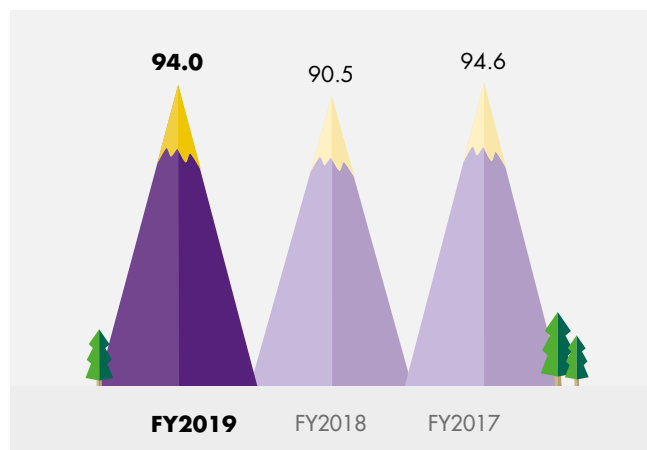
BALANCE SHEET AS AT 31 MARCH	2019	2018	2017
Total assets	1,484.8	1,477.6	1,465.5
Total liabilities	556.3	538.6	577.0
Total borrowings	499.7	494.9	529.3
Unitholders' funds	928.5	939.0	888.5
Total Units in issue ² (million)	691.5	684.1	639.3

KEY FINANCIAL RATIOS AS AT 31 MARCH	2019	2018	2017
Net asset value per Unit (S\$)	1.34	1.37	1.39
Aggregate leverage ratio ³ (%)	33.7	33.5	36.1
Interest cover ratio ⁴ (times)	5.0	4.7	5.0
Expense ratio ⁵ (%)	1.01	1.02	0.97

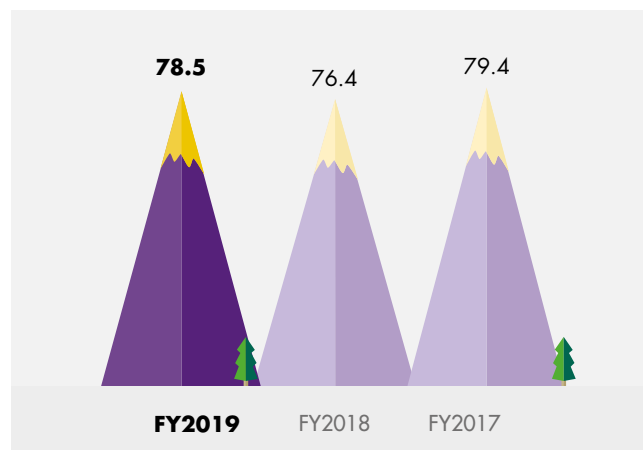
1. DPU decreased marginally in FY2019 as compared to FY2018 mainly due to the increase in Units following the private placement of 42,145,000 Units in December 2017. DPU for FY2018 was lower compared to FY2017 partly due to the increase in Units arising from the private placement in December 2017.
2. For FY2019, the total Units in issue included 633,688 Units to be issued to the Manager as partial payment of the base fee element of the management fees incurred for the period from 1 January 2019 to 31 March 2019. For FY2018, the total Units in issue included 666,737 Units issued to the Manager on 11 July 2018 as partial payment of the base fee element of the management fees incurred for the period from 1 January 2018 to 31 March 2018. For FY2017, the total Units in issue included 679,091 Units issued to the Manager on 28 July 2017 as partial payment of the base fee element of the management fees incurred for the period from 1 January 2017 to 31 March 2017.
3. Aggregate leverage ratio is computed as total borrowings as a percentage of total assets.
4. Bank covenant: minimum of 2.0 times.
5. Expenses to weighted average net asset value (excludes performance-related fee): The expenses refer to the expenses of the Group excluding property-related expenses, borrowing costs, changes in fair value of financial derivatives, investment properties, investment properties under development and foreign exchange gains/(losses). There were no performance fees in FY2019, FY2018 and FY2017.

KEY HIGHLIGHTS

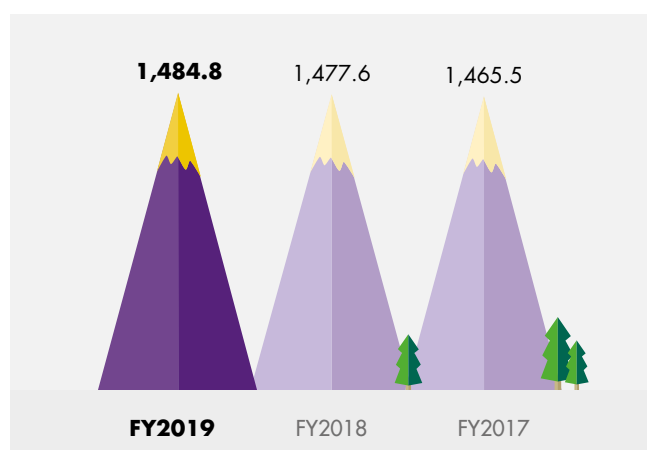
OCCUPANCY RATE (%)



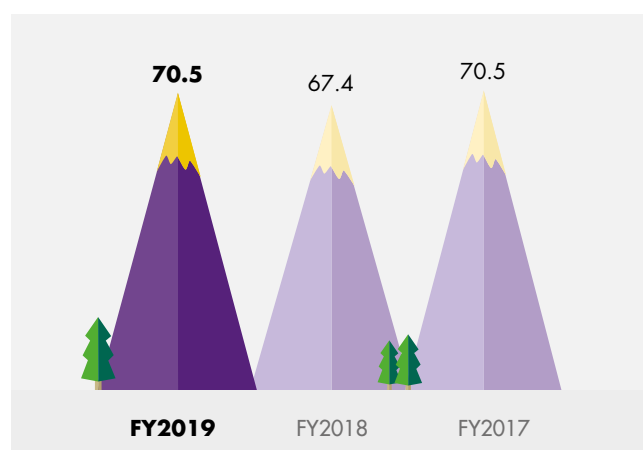
NET PROPERTY INCOME (S\$'million)



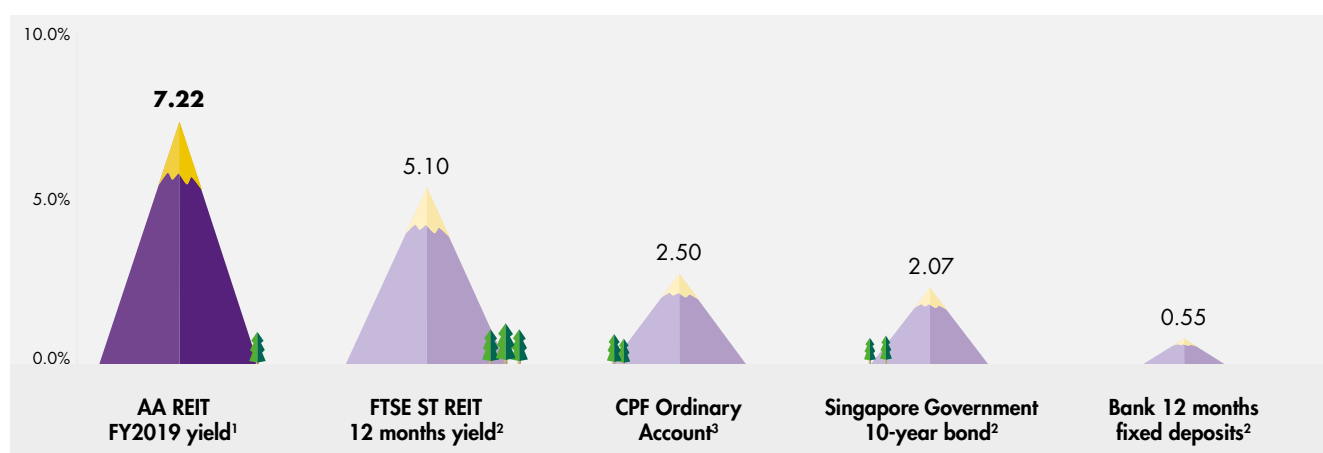
TOTAL ASSETS (S\$'million)



DISTRIBUTIONS TO UNITHOLDERS (S\$'million)



YIELD PER ANNUM (%)



1. Based on closing price of S\$1.42 on 29 March 2019 and actual FY2019 DPU of 10.25 cents.

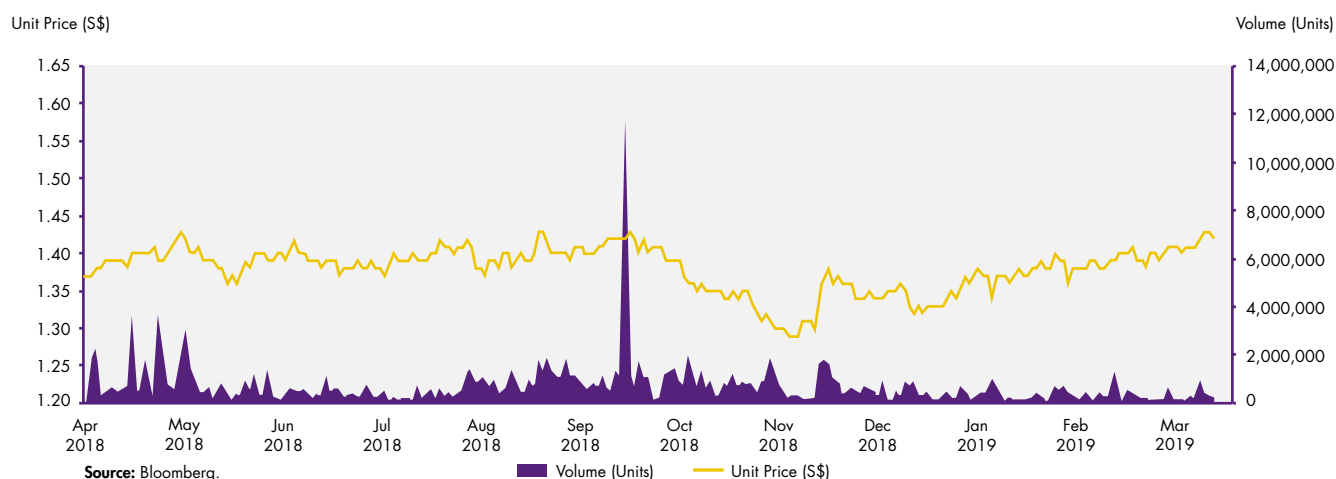
2. Source: Bloomberg data as at March 2019.

3. Prevailing CPF Ordinary Account interest rate.

TRADING PERFORMANCE

	31 March 2019	31 March 2018	31 March 2017
Net asset value per Unit (\$\$)	1.34	1.37	1.39
Closing price (\$\$)	1.42	1.360	1.385
Highest price during financial year (\$\$)	1.43	1.495	1.485
Lowest price during financial year (\$\$)	1.29	1.320	1.250
Total volume traded during financial year (Units 'million)	168.4	150.3	102.9
Average daily volume traded during financial year (Units 'million)	0.673	0.606	0.405
Market capitalisation (based on Closing price) (\$\$'million)	981.1	929.5	884.5

UNIT PRICE AND VOLUME



TOTAL RETURNS

	%
Since listing on 19 April 2007 to 31 March 2019	6.22
From 1 April 2018 to 31 March 2019 (one-year)	12.41
From 1 April 2016 to 31 March 2019 (three-year)	10.18

Total returns are calculated based on the following assumptions:

- (a) Investor fully subscribed for his/her rights entitlements.
- (b) Gross distributions, before deducting any withholding tax which may be applicable.
- (c) Distributions are reinvested into the Trust
 - (i) at the closing price on the ex-distribution date; and
 - (ii) on the day the distributions were paid out.

SIGNIFICANT EVENTS

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APRIL 2018

4Q FY2018 and FY2018 financial results

Announced financial results for the financial year ended 31 March 2018, with a stable DPU of 2.63 cents for the quarter. For FY2018, total DPU was 10.30 cents and total distributable income was S\$67.4 million.

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MAY 2018

Standard & Poor's ("S&P") reaffirmed BBB- investment grade rating

S&P reaffirmed AA REIT's investment grade rating of BBB- with a stable outlook. The stable rating reflected S&P's expectations that AA REIT will continue to generate steady cash flows and successfully execute its asset enhancement initiatives ("AEIs") over the next 24 months.

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MAY 2018

Redevelopment of 3 Tuas Avenue 2

Announced AA REIT's sixth redevelopment at 3 Tuas Avenue 2, with an estimated cost of S\$48.2 million (including land cost), would be due for completion in the second half of 2019. The design-and-build project will transform the site into a modern and versatile ramp-up industrial facility suitable for both production and storage.



JUNE 2018

Groundbreaking ceremony of 3 Tuas Avenue 2



SIGNIFICANT EVENTS

9

JULY 2018

Unveiled AEI plans for NorthTech

Announced AEI plans at 29 Woodlands Industrial Park E1 ("NorthTech") estimated to cost S\$13.0 million. The property will remain operational while the AEI is being carried out. The AEI will further enhance NorthTech as a modern and energy efficient hi-tech industrial facility and would be due for completion in the second half of 2019.



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JULY 2018

1Q FY2019 financial results

Announced financial results for the first quarter ended 30 June 2018, with a DPU of 2.50 cents and total distributable income of S\$17.1 million for the quarter.

9th Annual General Meeting ("AGM")

All resolutions were duly passed at the 9th AGM, including the Proposed Electronic Communications Trust Deed Supplement.

SEPTEMBER 2018



ARC International Awards 2018

AA REIT won the Traditional Annual Report Award (Honours) at the ARC International Awards 2018 Edition under the REIT: Commercial/Industrial/Office category for the second consecutive year for recognition in design, effectiveness, expression and clarity of the 2017 Annual Report's theme.

1

OCTOBER 2018

Board appointment

Appointment of Mr Chong Teck Sin as a Non-Executive Independent Director of the Board. Mr Chong was also appointed as a member of both the Audit, Risk and Compliance Committee ("ARCC") and the Nominating and Remuneration Committee ("NRC").

SIGNIFICANT EVENTS

25

OCTOBER 2018

2Q FY2019 and 1H FY2019 financial results

Announced financial results for the second quarter ended 30 September 2018, with a stable DPU of 2.50 cents and total distributable income of S\$17.1 million for the quarter.

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NOVEMBER 2018

Establishment of Debt Issuance Programme

Established a new S\$750 million Multicurrency Debt Issuance Programme for further flexibility in issuing notes and perpetual securities for the purpose of managing AA REIT's capital structure.



Multicurrency Debt
Issuance Programme
S\$750million

NOVEMBER 2018



The Asset Corporate Awards 2018

AA REIT was awarded The Asset Corporate Awards 2018: Gold Awards in Governance, Environmental Responsibility and Investor Relations for the second consecutive year. This further reaffirms AA REIT's commitment to upholding the highest standards of corporate governance, environmental responsibility and investor relations.

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JANUARY 2019

Board appointment

Appointment of Mr Ko Kheng Hwa as a Non-Executive Independent Director of the Board. Mr Ko was also appointed as a member of both the ARCC and the NRC.



SIGNIFICANT EVENTS

FEBRUARY 2019

1

3Q FY2019 financial results

Announced financial results for the third quarter ended 31 December 2018, with a stable DPU of 2.50 cents and total distributable income of S\$17.2 million for the quarter.



FEBRUARY 2019

20

Board changes

Mr Eugene Paul Lai Chin Look retired as Non-Executive Independent Director of the Board. Mr Lai also stepped down from his position as Chairman of the NRC and member of the ARCC.

Mr Ko Kheng Hwa succeeded Mr Lai as the Chairman of the NRC.

MARCH 2019

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AIMS Financial Group assumes full control of the Manager

Completion of the acquisition by AIMS Financial Group of all of AMP Capital's shares in the management entities of AA REIT ("Share Sale").

Accordingly, the names of the Manager, the Property Manager and the Investment Manager were changed to remove references to "AMP Capital".

Mr Nicholas Paul McGrath, being a nominee director of AMP Capital, stepped down as Non-Executive Non-Independent Director. Mr McGrath also stepped down from his position as member of the NRC.

MARCH 2019

29

Board changes

Mr Norman Ip Ka Cheung retired as Non-Executive Lead Independent Director of the Board. Mr Ip also stepped down from his position as Chairman of the ARCC and member of the NRC.

Mr Chong Teck Sin succeeded Mr Ip as the Chairman of the ARCC.

Mr Ko Kheng Hwa was redesignated as the Non-Executive Lead Independent Director.



SIGNIFICANT EVENTS

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APRIL 2019

Name change to AIMS APAC REIT

Following the completion of the Share Sale on 28 March 2019, the name of the Trust was changed to "AIMS APAC REIT" and its website address to www.aimsapacreit.com.



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APRIL 2019

4Q FY2019 and FY2019 financial results

Announced financial results for the financial year ended 31 March 2019, with a 10.0% quarter-on-quarter increase in DPU to 2.75 cents for the quarter. This brought the total DPU for FY2019 to 10.25 cents, with a 4.6% increase in total distributable income to S\$70.5 million as compared to FY2018.



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MAY 2019



Acquisition of Gold Coast property in Australia

Announced the contract of sale to acquire Boardriders APAC HQ, a light industrial development located in the southern Gold Coast suburb of Burleigh Heads, Queensland, Australia for AUD38.46 million. Boardriders, Inc., a global leading action sports and lifestyle company, will lease back the entire NLA of 14,833 sq m for an initial 12-year term.



THE CREST

WHERE ACHIEVEMENTS RISE



As we build on our foundations, we reach points that may seem high enough. But as we keep evolving and reaching higher, we will continue to expand our presence in the region and beyond, through diversification and strategic acquisitions.

A scenic landscape photograph of a mountain valley. In the foreground, a dirt path leads through a rocky, hilly area with sparse vegetation. The middle ground features a large, steep mountain slope with a prominent rocky outcrop on the left. The background shows a range of mountains under a clear blue sky. The word "EVOLVING" is overlaid in large, white, sans-serif capital letters across the center of the image.

EVOLVING

BOARD OF DIRECTORS OF THE MANAGER



Ko Kheng Hwa



George Wang



Peter Michael Heng



Koh Wee Lih



Chong Teck Sin

BOARD OF DIRECTORS OF THE MANAGER

GEORGE WANG

Chairman, Non-Executive Non-Independent Director and Member of the Nominating and Remuneration Committee

Mr Wang was appointed as a Director on 7 August 2009 and reprised the role as Chairman of the Manager on 16 January 2014. He was previously the Chairman from 7 August 2009 to 19 April 2012.

Mr Wang is the founding Executive Chairman of AIMS Financial Group and an active participant in both the Australian and Chinese financial services industries. 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, stock broking and high-tech investment and a strategic investor in the Sydney Stock Exchange. Mr Wang is also the Deputy Chairman of the Sydney Stock Exchange.

Mr Wang is the President of the AustChina Finance & Investment Council. As the President of AustChina Finance & Investment Council, he has been laying the foundation for the financial bridge between Australia and China for many years, closely following the development of the Chinese financial sector, at the same time building a professional team. He is also a patron of the Taronga Foundation which is affiliated with the Taronga Zoo based in Sydney, Australia which operates wildlife conservation programs.

Mr Wang holds a Bachelor of Environmental Engineering from Donghua University, China.

KO KHENG HWA

Non-Executive Lead Independent Director, Chairman of the Nominating and Remuneration Committee and Member of the Audit, Risk and Compliance Committee

Mr Ko was appointed as a Director on 21 January 2019 and was appointed as the Chairman of the Nominating and Remuneration Committee on 20 February 2019. He was redesignated as the Non-Executive Lead Independent Director on 29 March 2019.

Mr Ko has more than 30 years of experience in leadership and international business. He has held leadership positions in various entities in the Singapore public sector, including serving as Managing Director of the Singapore Economic Development Board and as CEO of the JTC Corporation and the National Computer Board (now re-organised into the Government Technology Agency and the Infocomm Media Development Authority).

In the business sector, he served as CEO of the Temasek-linked Singbridge International Singapore Pte Ltd and CEO of the Sustainable Development & Living Business Division of Keppel Corporation Ltd. He was Chairman of Pacific Internet Ltd, which was previously listed on the NASDAQ stock market, and Arcasia Land Pte Ltd (now known as Ascendas Land (Singapore) Pte Ltd). He also held the post of Lead Independent Director at iX Biopharma Ltd, a company listed on the Singapore Stock Exchange.

Mr Ko held various leadership positions during his time in China, having served as board director of the China-incorporated joint venture companies that master-developed the Sino-Singapore Guangzhou Knowledge City and the Sino-Singapore Tianjin Eco-City.

Mr Ko is currently Chairman of Envision Digital International Pte Ltd and Senior Advisor to the Envision Digital Group, as well as an Independent Director at Ho Bee Land Limited which is listed on the Singapore Stock Exchange. He also serves as Senior or Expert Advisor to several companies including the Boston Consulting Group International, Inc.

Mr Ko holds a Bachelor of Arts (Honours) in Civil Engineering from the University of Cambridge, a Master of Science in Management from the Massachusetts Institute of Technology, and completed the Advanced Management Program at the Harvard Business School. He is also a Fellow of The Institution of Engineers, Singapore and a Fellow of the Singapore Computer Society. Mr Ko was a President Scholar and was awarded the Public Administration Gold Medal by the Singapore Government.

PETER MICHAEL HENG

Non-Executive Independent Director, Member of the Audit, Risk and Compliance Committee and Member of the Nominating and Remuneration Committee

Mr Heng was appointed as a Director on 31 March 2017.

Mr Heng has over 31 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.

Mr Heng holds a Bachelor of Science (Economics) from the London School of Economics and Political Science.

BOARD OF DIRECTORS OF THE MANAGER

CHONG TECK SIN

Non-Executive Independent Director, Chairman of the Audit, Risk and Compliance Committee and Member of the Nominating and Remuneration Committee

Mr Chong was appointed as a Director on 1 October 2018 and the Chairman of the Audit, Risk and Compliance Committee on 29 March 2019.

Mr Chong 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 20 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, InnoTek Limited, and Accordia Golf Trust Management Pte. Ltd. He was an independent director at AVIC International Maritime Holdings Limited from 2011 to 2017. 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.

Mr Chong holds a Bachelor of Engineering from the University of Tokyo, and a Master of Business Administration from the National University of Singapore.

KOH WEE LIH

Executive Director and Chief Executive Officer

Mr Koh joined the Manager in December 2008 and was appointed the Chief Executive Officer of the Manager on 1 January 2014. He was subsequently appointed as a Director on 29 January 2014. Prior to this appointment, Mr Koh was the Head of Real Estate for the Manager since October 2011 and its Senior Investment Manager before that.

As the Chief Executive Officer of the Manager, Mr Koh is responsible for the overall planning, management and operation of the Trust. He works closely with the Board of Directors to determine business strategies for the strategic development of the Trust.

Mr Koh has over 23 years of experience in investment, corporate finance and asset management, of which more than 15 years are in direct real estate, covering investments, developments, asset management and real estate private equity in the Asia Pacific region.

Mr Koh holds a Master of Business Administration, a Master of Science in Industrial and Operations Engineering and a Bachelor of Science (Summa Cum Laude) in Aerospace Engineering from the University of Michigan.

SENIOR MANAGEMENT OF THE MANAGER



Koh Wee Lih



Stella Yeak



Toh Lay Gan



Heng Khiam Yeong



Terence Lim

SENIOR MANAGEMENT OF THE MANAGER

KOH WEE LIH

Chief Executive Officer

Mr Koh Wee Lih is also an Executive Director of the Manager. Please refer to his profile under the Board of Directors.

STELLA YEAK

Vice President, Finance and Company Secretary

Ms Yeak has been with the Manager since February 2013 and has over 20 years of experience in group financial and management reporting, budget and forecasting, financial controls, audit, taxation and compliance with regional exposure in South East Asia, North Asia and Australia, of which more than 15 years are in the real estate industry.

Ms Yeak is responsible for the financial accounting and reporting, capital management, taxation, compliance as well as corporate secretarial matters of AA REIT.

Ms Yeak holds a Bachelor of Accountancy (Honours) from the Nanyang Technological University of Singapore. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants and a Certified Practising Accountant with CPA Australia.

TOH LAY GAN

Vice President, Asset Management

Ms Toh has been with the Manager since March 2015 and has over 23 years of experience in the real estate industry and expertise in asset and lease management.

As the Vice President, Asset Management of the Manager, Ms Toh is responsible for the asset and lease management of AA REIT's portfolio.

Prior to joining the Manager, she was the Head of Portfolio and Asset Management with Ascendas Land (S) Pte Ltd. She also held various roles in the Ascendas Group heading the asset management / leasing teams of different property clusters. Ms Toh was credited particularly for her involvement in the successful launch of Ascendas REIT in 2002. Prior to joining Ascendas, she was with DTZ Leung and Far East Organization where she specialised in valuation and marketing of industrial properties respectively.

Ms Toh holds a Bachelor of Science (Honours) in Estate Management from the National University of Singapore.

HENG KHAM YEONG

Vice President, Development & Facility Management

Mr Heng joined the Manager in January 2018 and has over 20 years of experience in real estate development spanning across architectural consultancy, project management, migration management and contract administration in both green and brown field projects.

As the Vice President, Development & Facility Management of the Manager, Mr Heng is responsible for the facility management of AA REIT's portfolio and oversees all development and/or asset enhancement initiatives.

Prior to joining the Manager, he was the Senior Associate Director at Davis Langdon KPK, an AECOM Company. He was responsible for the project management consultancy services in Singapore and reported directly to the Executive Director of Construction Services. He was also AECOM's local and regional point of contact for several key clients.

Mr Heng holds a Bachelor of Arts (Architectural Studies) from the National University of Singapore and a Bachelor of Architecture from Deakin University, Australia.

TERENCE LIM

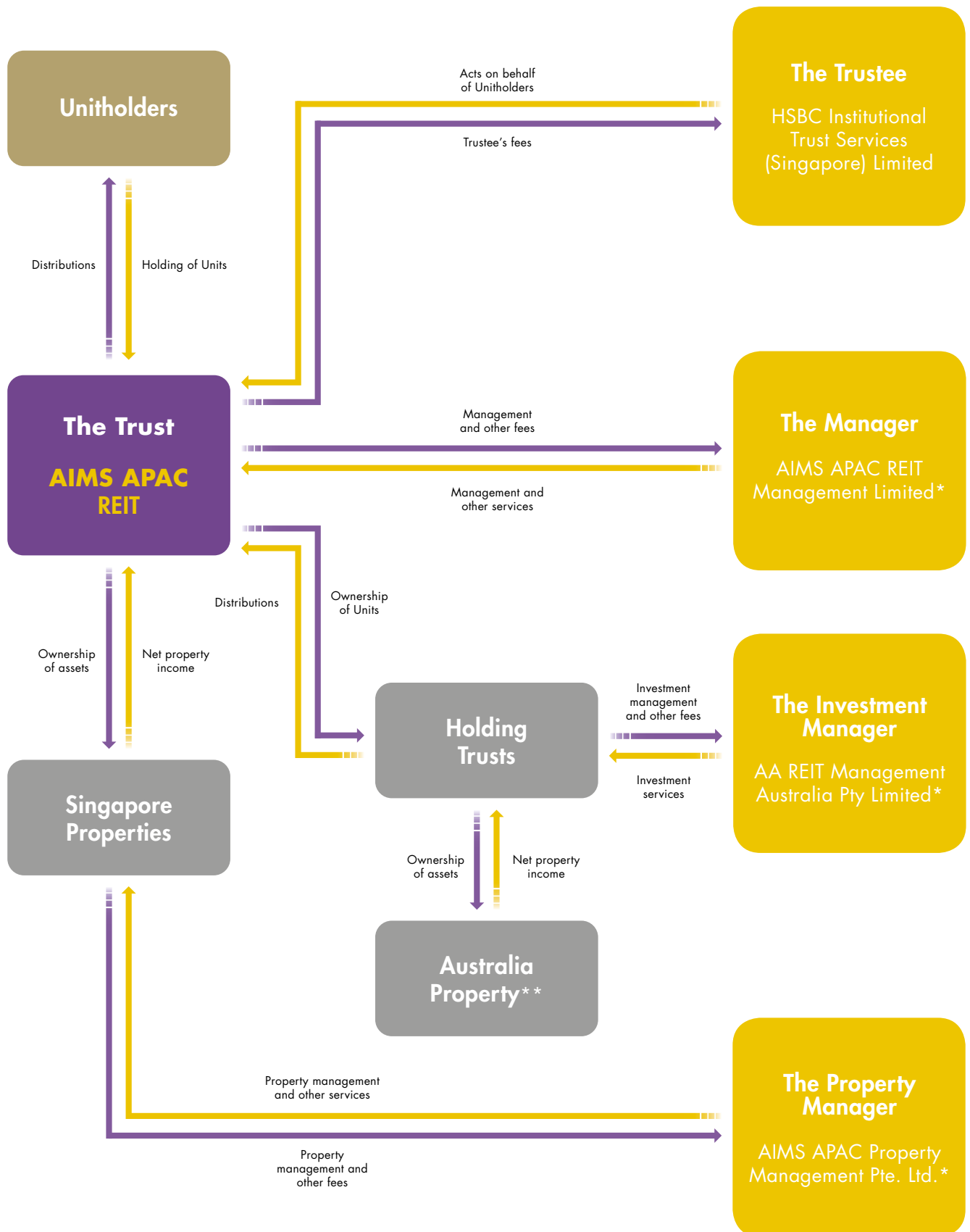
Vice President, Investment & Investor Relations

Mr Lim joined the Manager in July 2018 and has over 22 years of advisory experience with various financial institutions, with an emphasis on capital markets and corporate finance advisory activities such as equity fund-raising activities, corporate finance advisory services, mergers and acquisitions and various corporate exercises for SGX-listed entities.

As Vice President, Investment & Investor Relations, Mr Lim is responsible for developing and executing AA REIT's investment strategies to enhance the portfolio returns, as well as managing the investor relations function. He also supports the capital markets activities of AA REIT.

Mr Lim holds a Bachelor of Business Administration from the National University of Singapore and is a member of the Singapore Institute of Directors.

TRUST STRUCTURE OF AIMS APAC REIT



* Indirectly owned by AIMS Financial Group.

** Held through a joint venture. The joint venture partners have certain pre-emptive rights that may be triggered if there are changes in the trust ownership structure.

A photograph of a snow-capped mountain peak, likely Mount Everest, with a rocky foreground. The sky is a deep blue with wispy white clouds. The word "GROWING" is overlaid in large, white, sans-serif capital letters across the middle of the image.

GROWING



THE PEAK

WHERE GROWTH HAS NO LIMITS



Mountains can keep growing thanks to the Earth's forces, making peaks rise to higher levels. In the same manner, our enduring and evolving nature enables us to keep growing to new heights – to optimise and strengthen our portfolio as well as our balance sheet, and deliver long-term sustainable returns to our Unitholders.

INVESTOR RELATIONS



SGX-Beijing Forum, Park Hyatt Beijing, China on 5 November 2018.

The Manager views Investor Relations as a strategic management responsibility that enables effective two-way communication between AA REIT and its stakeholders - comprising Unitholders, existing and potential investors, the investment community and the media.

EFFECTIVE AND OPEN COMMUNICATIONS

The Manager is committed to delivering timely, transparent and open communication to all stakeholders. Its Investor Relations policy ensures that important and material information on AA REIT's financial and operational performance, strategic direction and corporate developments are disclosed in a clear, concise and consistent manner, in accordance with the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Securities and Futures Act (Chapter 289). The Manager has a non-discriminatory and coordinated practice of disclosing such information through multiple channels to Unitholders, the investment community and the media simultaneously. Consistent with its commitment to a high standard of corporate disclosure, disclosures are also disseminated through the SGX-ST via SGXNET and on AA REIT's corporate website at www.aimsapacreit.com. Members of the public can also subscribe to the e-mail alert service through the website. This ensures that investors have access to information on AA REIT so that they can make informed and timely investment decisions.

STAYING CONNECTED WITH STAKEHOLDERS

The Investor Relations team maintains regular two-way communication with investors through various touch points

including one-on-one meetings, group meetings, local and overseas investor conferences, results briefings, teleconferences and non-deal roadshows to engage the investment community. These interactions encourage active dialogue on AA REIT's financial and operational performance, industry trends and prospects. In addition, these channels allow us to effectively reach out to existing and potential new investors.

In FY2019, the Manager continued to actively engage the investment community, holding numerous investor and analyst meetings, both locally and in the region, to keep the market



REIT Symposium 2018, Singapore on 19 May 2018.

INVESTOR RELATIONS

and investors apprised of AA REIT's financial performance and corporate developments. The Manager continues to nurture and maintain its links with sell-side research analysts based in Singapore who issue regular reports and updates.

Retail investors are an important stakeholder group, and one of the key channels to maintain direct communications with the Manager is through the Annual General Meeting. Held on 26 July 2018, the 9th AGM was well-attended by approximately 200 Unitholders, where they could raise questions to the Board and the Management directly. Retail investors can also contact the Investor Relations team through e-mail or telephone with their queries.

INVESTOR RELATIONS RESOURCES

AA REIT's corporate website is a key resource for corporate and Unit price information, financial information, annual reports and announcements. All new announcements are made available on the corporate website immediately after

they are released on the SGXNET to ensure equal and prompt dissemination of information.

ACCLAIMED FOR STAKEHOLDER ENGAGEMENT

In recognition of the Manager's continued commitment to uphold high standards of corporate governance, corporate social responsibility, environmental responsibility and investor relations, AA REIT was awarded the Gold Awards in Governance, Environmental Responsibility and Investor Relations for the second consecutive year at The Asset Corporate Awards 2018.

UNITHOLDERS, INVESTORS AND MEDIA CONTACT

Mr Terence Lim

Vice President, Investment & Investor Relations

Telephone : +65 6309 1050

Email : investorrelations@aimsapac.com

INVESTOR AND MEDIA RELATIONS ACTIVITIES IN FY2019



CORPORATE GOVERNANCE

OUR ROLE

AIMS APAC REIT (formerly known as AIMS AMP Capital Industrial 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 the Singapore Exchange Securities Trading Limited ("SGX-ST") and is externally managed by AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial 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 the 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, including the Listing Manual issued by the SGX-ST ("Listing Manual"), the applicable provisions of the Securities and Futures Act (Chapter 289) ("SFA"), the Code on Collective Investment Schemes (including Appendix 6 thereto on property funds ("Property Funds Appendix")), written directions, notices, codes and other guidelines that may be issued by MAS from time to time, the Trust Deed and the 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. (formerly known as AIMS AMP Capital 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 management agreements.

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.

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 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.

CORPORATE GOVERNANCE

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 Code of Corporate Governance issued by MAS on 2 May 2012 ("2012 Code") when discharging our responsibilities as the Manager.

This report describes the corporate governance practices and structures that were in place during the financial year ended 31 March 2019 ("FY2019") with specific reference to the principles and guidelines of the 2012 Code, and where applicable, the Listing Manual and the Companies Act (Chapter 50 of Singapore) ("Companies Act").

The following paragraphs describe our corporate governance policies and practices in FY2019 as the Manager with specific references to the 2012 Code. Any deviations from the 2012 Code are also explained.

BOARD MATTERS

The Board's conduct of affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and the management remains accountable to the Board.

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

The Board comprises members with a breadth of expertise in real estate, accounting or finance, investments, business and management. The current Board members are as follows:

Mr George Wang	Chairman, Non-Executive	Non-Independent
Mr Ko Kheng Hwa	Non-Executive	Lead Independent
Mr Peter Michael Heng	Non-Executive	Independent
Mr Chong Teck Sin	Non-Executive	Independent
Mr Koh Wee Lih	Executive Director and Chief Executive Officer	Non-Independent

The profiles of the Directors and other relevant information are set out on pages 20 to 22 of this Annual Report.

The Board meets regularly, at least once every quarter and as warranted by particular circumstances, to discuss and review the strategies and policies of AA REIT, including any significant acquisition and/or disposal, the annual budget, the financial performance of AA REIT against a previously approved budget and to approve the release of the quarterly and full year results. 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.

In the discharge of its functions, the Board is supported by special board committees ("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 the NRC are both chaired by Non-Executive Independent Directors.

CORPORATE GOVERNANCE

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 Board is also assisted by the Property Investment Committee ("PIC"), which comprises the Chief Executive Officer and Vice President, Finance, of the Manager, and one management representative from the Sponsor to manage the assets of AA REIT. The PIC has adopted terms of reference to define its scope of authority and responsibilities in relation to AA REIT, which include:

- considering the appropriateness of the potential purchase and/or sale of:
 - direct property assets; and
 - other Permissible Investments (as defined in the Property Funds Appendix), and recommending the same to the Board for approval;
- considering the appropriateness of potential asset enhancement and/or development projects to be undertaken by AA REIT;
- overseeing the asset management strategy of the investment property portfolio of AA REIT; and
- overseeing the valuation process of the assets within AA REIT.

Written resolutions and minutes of meetings of the PIC are circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during such 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, valuation of properties, annual budget for operating/capital expenditure, distributions to Unitholders, bank borrowings and hedging strategies as well as arrangements in relation to cheque signatories. Appropriate delegations of authority and approval sub-limits are also provided at Management level to facilitate operational efficiency.

The number of Board and Board Committee meetings held during FY2019 as well as the attendance of each Director at these meetings are set out in the table below:

	Board meetings	ARCC meetings	NRC meetings
Number of meetings held in FY2019	5	5	3
Board members			
Mr George Wang	5 out of 5	n/a	3 out of 3
Mr Norman Ip Ka Cheung ¹	4 out of 4	4 out of 4	3 out of 3
Mr Eugene Paul Lai Chin Look ²	4 out of 4	4 out of 4	3 out of 3
Mr Peter Michael Heng	5 out of 5	5 out of 5	2 out of 3
Mr Nicholas Paul McGrath ³	4 out of 4	n/a	3 out of 3
Mr Chong Teck Sin ⁴	4 out of 4	4 out of 4	1 out of 1
Mr Ko Kheng Hwa ⁵	2 out of 2	2 out of 2	1 out of 1
Mr Koh Wee Lih ⁶	5 out of 5	5 out of 5	3 out of 3

n/a Not applicable as Director is not a member of the ARCC.

- 1 Mr Norman Ip Ka Cheung retired as Non-Executive Lead Independent Director, Chairman of the ARCC and member of the NRC on 29 March 2019.
- 2 Mr Eugene Paul Lai Chin Look retired as Non-Executive Independent Director, Chairman of the NRC and member of the ARCC on 20 February 2019.
- 3 Mr Nicholas Paul McGrath retired as Non-Executive Non-Independent Director and member of the NRC on 28 March 2019.

CORPORATE GOVERNANCE

- 4 Mr Chong Teck Sin was appointed as Non-Executive Independent Director, member of the ARCC and member of the NRC on 1 October 2018. Following the retirement of Mr Norman Ip Ka Cheung on 29 March 2019, Mr Chong succeeded Mr Ip as Chairman of the ARCC. For avoidance of doubt, with effect from 29 March 2019, Mr Chong is the Non-Executive Independent Director, Chairman of the ARCC and member of the NRC of the Manager.
- 5 Mr Ko Kheng Hwa was appointed as Non-Executive Independent Director, member of the ARCC and member of the NRC on 21 January 2019. Following the retirement of Mr Eugene Paul Lai Chin Look on 20 February 2019, Mr Ko succeeded Mr Lai as Chairman of the NRC with effect from 20 February 2019. Following the retirement of Mr Norman Ip Ka Cheung on 29 March 2019, Mr Ko succeeded Mr Ip as Non-Executive Lead Independent Director. For avoidance of doubt, with effect from 29 March 2019, Mr Ko is the Non-Executive Lead Independent Director, Chairman of the NRC and member of the ARCC of the Manager.
- 6 Mr Koh Wee Lih, being the Chief Executive Officer, attends all the ARCC and the NRC meetings by invitation although he is not a member of either Board Committee.

The Manager's Constitution permits Board meetings to be held by way of telephone conference or any other electronic means of communication by which all persons participating in the meeting are able contemporaneously, to hear and be heard by all other participants. If a Director is unable to attend a Board meeting or Board Committee meeting, he 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 has any views and comments on the matters to be discussed so that they can be conveyed and tabled at the meeting for discussion.

The Manager issues formal letters to new Directors 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 Company Director ("LCD") Programme conducted by the Singapore Institute of Directors in order to acquire relevant knowledge of what is expected of a listed company director. The LCD 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 2012 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.

The Board is regularly updated either during Board Meetings or at specially convened meetings involving 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.

Board composition and guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10.0% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The size and composition of the Board is reviewed regularly to ensure that the Board is of an appropriate size and comprises persons who as a group provide the necessary core competencies, balance and diversity of skills, experience and knowledge of AA REIT, taking into consideration the nature and scope of AA REIT's operations, the requirements of AA REIT's business, the need to avoid undue disruptions from changes to the composition of the Board and Board Committees and that the Board has a strong independent element. The Board is of the view that, taking into account the nature and scope of AA REIT's operations, the present Board size is appropriate and facilitates effective decision-making.

CORPORATE GOVERNANCE

The Board considers and assesses the independence of each Director in accordance with the 2012 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 of AA REIT do not appoint the directors of the Manager. In addition, Guideline 2.2 of the 2012 Code recommends that independent directors make up at least half of the Board in certain specified circumstances, including where the Chairman is not an independent director. 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, of whom majority are Independent Directors. The majority of the Board members are also Non-Executive Directors with the Chief Executive Officer as the only Executive Director.

Under the 2012 Code, an independent director is one who has no relationship with the Manager, its related corporations, its 10.0% shareholders or its officers and the 10.0% Unitholders of AA REIT that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of AA REIT.

In addition, under Regulation 13D of the SF(LCB) Regulations, an independent director is one who:

- (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.

An independent director who did not satisfy any condition mentioned in (a) to (c) above, 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.

The independence of each Independent Director is reviewed by the NRC annually. The NRC assesses whether each of the Independent Directors has any relationships or circumstances which could affect his 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.

Following its annual review and on the basis of the declarations of independence provided by the Independent Directors, the Board and the NRC are of the view that all its Independent Directors are independent in character and judgement and there are no relationships or circumstances which are likely to affect or could appear to affect the Directors' independent business judgement in the best interests of AA REIT. Pursuant to Regulation 13E(b)(i) of the SF(LCB) Regulations, the Board of the Manager, after considering the relevant requirements under the SF(LCB) Regulations and the recommendation of the NRC, is satisfied that all its Independent Directors:

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

CORPORATE GOVERNANCE

Non-Executive 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 Independent and Non-Executive Directors on issues that are brought before the Board. It also enables the Board to interact and work with Management through a robust exchange of ideas and views to help shape the strategic process. The Non-Executive Directors have the discretion to meet informally without the presence of Management during the course of the year.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of Chairman and Chief Executive Officer are separate and the positions are held by two separate persons in order to maintain effective segregation of duties, appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

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 Executive Director, 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.

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.

The Chairman and the Chief Executive Officer are not related to each other. The division of responsibilities between the Chairman and the Chief Executive Officer and the clarity of their roles allows for a robust and professional relationship between the Board and Management which facilitates effective oversight.

Guideline 3.3 of the 2012 Code recommends appointing an independent director to be the lead independent director in certain specified circumstances, including where the Chairman is not an independent director. Mr Ko Kheng Hwa is the current Lead Independent Director in accordance with Guideline 3.3 of the 2012 Code. Mr Ko as 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 Vice President, Finance, has failed to resolve or is inappropriate.

Board membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

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.

During the year, the composition of the Board, including the selection of candidates for new appointment to the Board as part of the Board's renewal process, is determined using the following principles:

- the Board should comprise directors with a broad range of commercial experience, including expertise in funds management, the property industry, and financial management; and
- at least half of the Board should comprise Independent Directors.

CORPORATE GOVERNANCE

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.

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 comprises four Directors, the majority of whom, including NRC Chairman, are independent directors. The current members of the NRC are as follows:

Mr Ko Kheng Hwa	NRC Chairman
Mr Peter Michael Heng	NRC Member
Mr Chong Teck Sin	NRC Member
Mr George Wang	NRC Member

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

- reviewing Board succession plans for the Directors, particularly for the Chairman and the Chief Executive Officer, as well as the composition of the Board at regular intervals, and when a Director gives notice of his intention to retire or resign. This is to ensure that the Board is of an appropriate size and comprises of directors who as a group provide the necessary core competencies, balance and diversity of skills, experience and knowledge to AA REIT, taking into consideration the nature and scope of AA REIT's operations, and that the Board has a strong independent element;
- making recommendations to the Board for the appointment of new directors, including reviewing the suitability of any candidate put forward by any Director for appointment, with regard to the current and mid-term needs and goals of AA REIT and the Manager, the relevant expertise of the candidates and their potential contributions, whether the candidate has sufficient time to commit to his or her responsibilities as a Director, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by the MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound);
- reviewing the performance of the Board and each Director annually and proactively addressing any issues identified in the Board and Director performance evaluation;
- annual review of the independence of each Director, or as and when circumstances require, bearing in mind the guidelines set out in the 2012 Code and the provisions of the SF(LCB) Regulations and justifying to the Board where a Director who would not be considered independent under the provisions of the 2012 Code or the SF(LCB) Regulations may be deemed independent, and *vice versa*; and
- reviewing of training and professional development programmes for 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 FY2019, none of the Directors has appointed an alternate director.

CORPORATE GOVERNANCE

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 public 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. For FY2019, the Board is of the view that such appointments do not hinder the Directors from carrying out their duties as Directors of the Manager 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.

Board performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each director to the effectiveness of the Board.

The NRC formally assesses and discusses the performance of the Directors, the Board as a whole and its Board Committees in comparison with industry peers on an annual basis. Each Director presents his responses to the NRC, and the NRC will recommend to the Board key areas for improvement and follow-up action, where necessary.

The performance of the Directors, the Board and Board Committees is evaluated annually, taking into account a set of definitive performance criteria including, *inter alia*, board composition and size, board processes and board effectiveness. In FY2019, this evaluation was conducted internally. However, the NRC has the discretion to engage external consultants to conduct the evaluation, if it deems necessary. The Board is of the view that this set of performance criteria allows for appropriate comparison and addresses how the Directors have enhanced long-term Unitholders' value, and will justify its reasons should the Board deem it necessary for the performance criteria to be changed. As part of the process, questionnaires are sent to the Directors, who will evaluate the Board and Board Committees on which they sit in accordance with the provisions of the 2012 Code. The evaluation categories covered in the questionnaire include Board composition, Board process, environmental, sustainability and governance, management of the Manager's performance, director development and management as well as risk management. As part of the questionnaire, the Board also considers focus areas which the Board and/or Board Committee should focus on for the next financial year as well as any underlying concerns which a Director may have regarding the function of the Board and/or Board Committees. A Director's peer evaluation is also carried out wherein each Director assesses other members of the Board. The results are then aggregated and reported to the Chairman of the NRC. The results of the questionnaire are then deliberated upon by the NRC for approval by the Board, and, if necessary, follow-up actions will be taken by the Chairman with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities. In FY2019, 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.

Each Director is assessed on his contributions to the effectiveness of the Board. In evaluating the contribution by each Director, various factors, including individual performance of principal functions and fiduciary duties, Directors' attendance, commitments and contributions during Board meetings and/or Board Committee meetings are taken into consideration.

Other contributions by an individual Director, including 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 will be considered. In FY2019, the NRC is of the view that the Directors have fared well against the performance criteria, and the NRC is satisfied with the Directors' performance.

Access to information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

CORPORATE GOVERNANCE

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 ("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 so as to be at hand 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 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 his or their duties effectively.

Remuneration matters

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel and performance.

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 recommending a general framework of remuneration for Directors and key management personnel of the Manager;
- reviewing and recommending the specific remuneration packages for each Director and key management personnel; and
- reviewing the Manager's obligations arising in the event of the termination of a Director's or executive officer's contract of service and ensure that such contract of service contains fair and reasonable termination clauses which are not overly generous.

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No member of the NRC is involved in any decision relating to his 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 comprises a fixed component and a variable component. 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 long-term bonuses, and the Board, with the support of the NRC, reviews the eligibility of employees for such bonuses on an annual basis. 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.

The compensation structure for the variable component is comprehensive and structured, and directly linked to corporate and individual performance, both in terms of financial, non-financial 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 employees and subjected to downside risks to prevent excessive risk taking. 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. Some of the KPIs of the Manager include distribution growth of AA REIT, occupancy rate of AA REIT's property portfolio and the unit price performance of AA REIT compared to its peers. This will allow alignment of the Manager's employees' interests with those of AA REIT's Unitholders. During FY2019, the NRC has reviewed the performance of the Manager and is satisfied that all KPIs have largely been achieved.

The Chief Executive Officer and Non-Executive Non-Independent Directors are not paid directors' fees by the Manager. 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 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 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 are paid by the Manager. As at 31 March 2019, the directors' fees paid in cash were as follows:

Directors' fees	FY2019	FY2018
Board Members		
Mr George Wang	-	-
Mr Norman Ip Ka Cheung ¹	S\$74,597	S\$77,500
Mr Eugene Paul Lai Chin Look ²	S\$62,500	S\$70,000
Mr Peter Michael Heng	S\$67,500	S\$65,000
Mr Nicholas Paul McGrath ³	-	-
Mr Chong Teck Sin ⁴	S\$32,540	-
Mr Ko Kheng Hwa ⁵	S\$13,306	-
Mr Koh Wee Lih	-	-

1 Mr Norman Ip Ka Cheung retired as Non-Executive Lead Independent Director, Chairman of the ARCC and member of the NRC on 29 March 2019.

2 Mr Eugene Paul Lai Chin Look retired as Non-Executive Independent Director, Chairman of the NRC and member of the ARCC on 20 February 2019.

3 Mr Nicholas Paul McGrath retired as Non-Executive Non-Independent Director and member of the NRC on 28 March 2019.

4 Mr Chong Teck Sin was appointed as Non-Executive Independent Director, member of the ARCC and member of the NRC on 1 October 2018. Following the retirement of Mr Norman Ip Ka Cheung on 29 March 2019, Mr Chong succeeded Mr Ip as the Chairman of the ARCC. For avoidance of doubt, with effect from 29 March 2019, Mr Chong is the Non-Executive Independent Director, Chairman of the ARCC and member of the NRC of the Manager.

5 Mr Ko Kheng Hwa was appointed as Non-Executive Independent Director, member of the ARCC and member of the NRC on 21 January 2019. Following the retirement of Mr Eugene Paul Lai Chin Look on 20 February 2019, Mr Ko succeeded Mr Lai as Chairman of the NRC with effect from 20 February 2019. Following the retirement of Mr Norman Ip Ka Cheung on 29 March 2019, Mr Ko succeeded Mr Ip as Non-Executive Lead Independent Director. For avoidance of doubt, with effect from 29 March 2019, Mr Ko is the Non-Executive Lead Independent Director, Chairman of the NRC and member of the ARCC of the Manager.

CORPORATE GOVERNANCE

The Board is cognisant of the requirements under Principle 9, Guideline 9.1, Guideline 9.2, Guideline 9.3 and Guideline 9.6 of the 2012 Code for listed issuers to make certain remuneration disclosures, *inter alia*, a breakdown (in percentage or dollar terms) of the Chief Executive Officer's and top five key management personnel's remuneration (in bands of S\$250,000) earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives as well as to fully disclose the remuneration of the Chief Executive Officer and the aggregate total remuneration paid to the top five key personnel (who are not directors or the Chief Executive Officer).

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

- 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 receives from AA REIT had been disclosed under the "Interested person/interested party 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; 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 majority of the current management team has been serving the Manager and AA REIT for a considerable period of time and it is a stable and effective team. 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.

There were no employees of the Manager who were immediate family members of a Director or the Chief Executive Officer in FY2019 and whose remuneration exceeded S\$50,000 during the financial year ended 31 March 2019.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board strives to present a balanced and understandable assessment of AA REIT's performance, position and prospects through quarterly and annual financial reports as well as timely announcements through SGXNET announcements and media releases, AA REIT's website and/or analyst briefings.

To assist the Board in this regard, Management provides the Board with timely, complete and adequate information, including management and financial reports and such explanation and information as the Board may require on a quarterly basis through the most expedient means, including email, in order to enable the Board to make a balanced and informed assessment of AA REIT's performance, position and prospects.

The Board also takes adequate steps to ensure that compliance with prevailing legislative and regulatory requirements, and establishing written policies, where necessary. The Manager has, pursuant to Rule 720(1) of the Listing Manual, received undertakings from all its Directors and executive officers that they each shall, in the exercise of their powers and duties as directors and officers comply to the best of their endeavour with the provisions of the Listing Manual, the SFA, the Code on Takeovers & Mergers, and the Companies Act (where applicable).

CORPORATE GOVERNANCE

Risk management, internal controls and audit

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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 carrying out the Board's responsibility of overseeing the risk management framework and policies for AA REIT.

One of the ARCC's duties is to assess the scope and results of the internal audit function and the independence of the internal auditors. The ARCC has a policy of assessing the need to rotate the internal audit function on a triennial basis. In 2017, Ernst & Young Advisory Pte Ltd ("EY") was 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 unrestricted access to the ARCC. 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 regular monitoring of 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 to business objectives and in place to address related risks.

In FY2019, 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. With respect to FY2019, the ARCC has reviewed and is satisfied as to the independence, adequacy and effectiveness of the internal audit function.

The Board, in consultation with Management, has also established a risk identification and management framework development and has implemented risk management policies and processes covering areas such as anti-money laundering and countering of terrorism, financial risk management, outsourcing 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. 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.

A Chief Risk Officer ("CRO") has been appointed to provide oversight and co-ordination of risk management to the Manager and AA REIT.

Information on risk management can be found in the section "Risk Management Report" on pages 49 to 50 of this Annual Report.

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The Board has received assurance from the Chief Executive Officer and Vice President, Finance 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 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 2019, 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 Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed; and (c) based on management oversight and applicable reports submitted by independent auditors (for financial and non-financial reviews), the risk management and internal control systems to the extent they address the financial, operational, compliance and information technology risks faced by the Group in its current business environment have been effectively designed, are operating effectively in all material aspects and were adequate as at 31 March 2019.

Based on the enterprise risk management framework established and maintained by the Manager, work performed by the internal and external auditors, and reviews conducted by Management and various Board Committees, the Board, with the concurrence of the ARCC, is of the opinion that the system of risk management and internal controls was adequate and effective to address material financial, operational and compliance risks, which the Board considers relevant and material to its current business environment as at 31 March 2019.

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, Risk and Compliance Committee

Principle 12: The Board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

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 Chairman
Mr Ko Kheng Hwa	ARCC Member
Mr Peter Michael Heng	ARCC Member

Members of the ARCC are appropriately qualified to discharge their responsibilities as they possess the requisite relevant accounting or related financial management expertise and experience. None of the ARCC members was previously a partner of the incumbent external auditors, KPMG LLP, within the previous 12 months, nor does any of the ARCC members hold any financial interest in KPMG LLP.

The ARCC is governed by written terms of reference with explicit authority to investigate any matter within its terms of reference, has full access to and cooperation by Management and the CRO, has full discretion to invite any Director or senior executive to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The roles of the ARCC include:

- reviewing 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 processes;
- reviewing the effectiveness of the Manager's internal audit function on at least an annual basis;

CORPORATE GOVERNANCE

- reviewing the scope and results of the internal and external audit work performed and assessing the independence and objectivity of the internal and external auditors;
- 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
- meeting with the internal and external auditors without the presence of Management, at least once a year.

During FY2019, the ARCC's activities included the following:

- The ARCC performed independent reviews of AA REIT's quarterly and full year financial results before their submission to the Board. In conducting its review of the audited financial statements of AA REIT which had been 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 the financial year ended 31 March 2019, 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 and investment property under development	<p>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.</p> <p>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 residual methods were consistent with generally accepted market practices. The external auditors also determined that the key assumptions used in the valuations, including the projected cash flows, market rental growth rates, capitalisation rates, discount rates and terminal capitalisation rates, were substantiated by supporting leases or within the range of market data.</p> <p>The ARCC held discussions with the external auditors and Management to assess the valuation methodologies and assumptions applied including the reasonableness of the capitalisation rates, discount rates and estimated development costs adopted by the valuers as well as comparable market transactions and are satisfied that the valuation method and estimates are reflective of current market conditions (e.g. rental rates and occupancy rates) and the valuation reports are prepared in accordance with recognised appraisal and valuation standards.</p>

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.

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- 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 FY2019 was approximately S\$302,000, of which audit fees amounted to approximately S\$203,000 and non-audit fees amounted to approximately S\$99,000. The non-audit fees paid/payable to the external auditors mainly related to general tax, goods and services tax compliance services and due diligence services in relation to the establishment of a new S\$750 million multicurrency debt issuance programme.

The ARCC is satisfied with the 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 of Unitholders ("AGM").

The Board, on behalf of 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.

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, all employees can notify in writing of any reportable conduct to the Whistleblower Protection Officer or the Chairman of the ARCC. The email address of the Whistleblower Protection Officer is compliance@aimsapac.com.

The ARCC ensures that independent investigations and any appropriate follow-up actions are carried out.

The number of ARCC meetings held and corresponding attendance for the financial year are set out on page 32 of this Annual Report.

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UNITHOLDERS' RIGHTS AND RESPONSIBILITIES

Communication with Unitholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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 of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders 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 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.

The investor relations function is headed by the Vice President, Investment & Investor Relations. In order to provide regular updates to Unitholders, the Manager also 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), discusses the business outlook and solicits to understand views of Unitholders and to address Unitholders' concerns. Please refer to the "Investor Relations" section for more information.

Guideline 15.5 of the 2012 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.

Unitholders' rights and conduct of Unitholders' meetings

Principle 14: Companies should treat all shareholders fairly and equitably and should recognise, protect and facilitate the exercise of shareholders' rights and continually review and update such governance arrangements.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Manager adopts the principle that 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.

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.

CORPORATE GOVERNANCE

Directors (including the chairpersons of the respective Board Committees), Chairman of the Board, Chief Executive Officer, senior management of the Manager and the external auditors of AA REIT are in attendance at general meetings and Unitholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. 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. 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.

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 displayed 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 are taken and are available to Unitholders for inspection upon request.

ADDITIONAL INFORMATION

Dealings in AA REIT Units

In line with Rule 1207(19) of the Listing Manual on Dealings in Securities, a quarterly memorandum is issued to the Directors, officers and employees of the Manager on restrictions on dealings in the Units in AA REIT:

- (a) during the period one month before the public announcement of the Group's annual results and two weeks before the public announcement of the Group's quarterly results, and ending on the date of announcement of the relevant 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 notice to the Manager of his acquisition of Units or changes in the number of Units which he holds or in which he has an interest within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest.

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. The Manager has also undertaken that it will not deal in the Units one month before the public announcement of the Group's annual results and two weeks before the public announcement of the Group's quarterly results and ending on the date of announcement of the relevant results.

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;

CORPORATE GOVERNANCE

- (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 at least one third 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.

Interested party transactions

The Manager has established an internal control system to ensure that all transactions with Interested Parties (as defined in the Property Funds Appendix) ("Interested Party Transactions") are undertaken on 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 one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix).

The Manager maintains a register to record all 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) transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the Group's net tangible assets will be subject to review by 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 party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the Group's net tangible assets will be subject to the review and prior approval of the ARCC;
- (c) transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested 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
- (d) the ARCC's approval shall only be given if the transactions are on arm's length and on normal commercial terms and consistent with similar types of transactions with third parties which are not 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 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 Party. If the Trustee is to sign any contract with an 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.

CORPORATE GOVERNANCE

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/interested party transactions (equal to or exceeding S\$100,000 each in value) entered into by AA REIT during the financial year are disclosed on page 191 of this Annual Report.

Fees payable to the Manager

The Code on Collective Investment Schemes requires the Manager to disclose the following matters in relation to the Manager's fees payable out of the deposited property of AA REIT:

- (a) the methodology for the computation of the fees; and
- (b) the justification of how such methodology takes into account the Unitholders' long term interests.

The methodology for the computation of the fees is disclosed on page 133 and 134 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:

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.

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.

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.

CORPORATE GOVERNANCE

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.

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 CRO and a team of risk leaders on risk management issues.

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 and information technology 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 FY2019

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 FY2019 include but are not limited to the following:

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 in the PIC. The PIC will then consider the appropriateness of the potential transaction before making a recommendation to the Board. The role of the PIC is set out on page 32 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 faces real estate market risks such as the volatility in rental rates and occupancy rates due to strong competition and soft demand for industrial premises which have an adverse effect on property yields. In order to mitigate such risks, the Manager has established a diversified tenant base, reduced its tenant concentration risk and has in place proactive tenant management strategies. Regular feedback is also obtained from tenants to foster close landlord-tenant relationships. Where the opportunity arises, the Manager also embarks on asset enhancement activities to improve the value, performance and competitiveness of the properties in AA REIT's portfolio.

Operational risk

All operations are aligned to AA REIT's focus on generating 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.

A Business Continuity Plan has been approved by the Board, to minimise the potential impact from disruptions to critical businesses in the event of emergencies such as terrorism, haze and pandemics. The Manager practises risk transfer by procuring relevant insurance policies to mitigate certain financial losses.

CORPORATE GOVERNANCE

Project management risk

The construction and redevelopment of investment properties usually take two to three 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.

Interest rate risk

The Manager adopts a proactive interest rate management approach in managing the risk associated with adverse movement in interest rates on interest bearing borrowings which carry floating interest rates. The Manager also monitors interest rate risk regularly to limit AA REIT's net interest exposure to adverse movements in interest rate. As part of risk management, the Manager enters into hedging transactions to partially mitigate the risk of such interest rate fluctuations through the use of interest rate swaps and/or fixed rate borrowings. As at 31 March 2019, 85.8% of AA REIT's total debt was on fixed rates taking into account interest rate swaps entered into and fixed rates medium term notes issued.

Credit risk

Tenant credit evaluations are performed by the Manager at the investment stage prior to the acquisition of an asset. For new 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.

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 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.

Foreign exchange risk

AA REIT is exposed to fluctuation of the Australian dollar against the Singapore dollar. The Manager's strategy is to achieve a natural hedge through the use of Australian dollar denominated borrowings to fund the Group's interest in the Australian joint venture, thereby mitigating the foreign exchange risk. As at 31 March 2019, the Group's investment in its Australian joint venture is substantially hedged as approximately 76.0% of the interest in the joint venture was funded with Australian dollar dominated borrowings. The level of foreign currency denominated borrowings also effectively hedges more than half of the foreign currency income from Optus Centre.

Regulatory and compliance risk

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, including the SFA, Listing Manual, Property Funds Appendix, Trust Deed, conditions of the capital markets services licence for real estate investment trust management issued by MAS as well as tax rulings issued by Inland Revenue of Authority of Singapore on taxation of AA REIT and its Unitholders. 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.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

◆ GRI 102-1 | 102-46 | 102-50 | 102-52 | 102-53 | 102-54 | 102-56



As the manager of AIMS APAC REIT ("AA REIT"), AIMS APAC REIT Management Limited (the "Manager") is pleased to present our third annual Sustainability Report. This report details our environmental, social and governance ("ESG") management strategy and performance for the financial year from 1 April 2018 to 31 March 2019 ("FY2019 Report").

The FY2019 Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core Option. The GRI Standards are a globally recognised set of sustainability reporting standards based on ESG disclosure best practices and are regarded to be the most widely accepted, comprehensive, and the first of its kind. The GRI Content Index can be found on pages 63 to 66.

This Sustainability Report is published as part of our Annual Report to Unitholders and is also available on our website as part of the Annual Report for FY2019. This report is also prepared in accordance with Rule 711B of the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual").

The scope of the FY2019 Report covers all properties owned by AA REIT in Singapore (where the Manager and AA REIT are headquartered). The content and topic boundaries presented in the FY2019 Report were defined based on the material ESG issues that are likely to affect, or be affected by, our business operations and key stakeholders. In doing so, the process of defining report content is aligned with the GRI's Reporting Principles: materiality, stakeholder inclusiveness, sustainability context and completeness.

Our FY2019 Report has not been externally assured. We value your feedback as it helps drive our process of continuous improvement. We encourage you to share all questions and comments on the FY2019 Report as well as any aspect of AA REIT's performance.

Please contact us at: investorrelations@aimsapac.com

Please visit AA REIT's website for our previous sustainability reports: www.aimsapacreit.com

SUSTAINABILITY REPORT

SUSTAINABILITY BOARD STATEMENT

◆ GRI 102-14

The Board of the Manager believes that sustainable business practices are essential to growing long-term business value and support fundamental business objectives such as resilience, stakeholder best interests and resource efficiency. Accountability to our stakeholders, community and environment helps build a robust business foundation that can continue to thrive in the future.

As we continue our drive towards good corporate citizenship, we are also committed to the transparent management of sustainability issues.

To support our efforts to integrate the consideration of sustainability issues into our business practices, the Manager had established a Sustainability Council ("SC") in FY2017, which operates under the guidance of the Board. The SC comprises key executives across various business functions and are tasked with executing and monitoring sustainability practices as well as measuring performance results against our goals and targets. The SC is responsible for ongoing reviews and assessment of material ESG topics, identification of the nature and impact of relevant ESG topics in relation to the Group's daily operations, as well as updates of key performance indicators and targets. Through the results of regular reviews and key performance measures, the Manager assures the Board and stakeholders of the effectiveness of the instituted sustainability management systems.

In FY2019, the Manager conducted a materiality review and the Board considered and re-validated the ESG topics that are of concern to stakeholders and significant to AA REIT's business. In addition, the Manager conducted a Peer Benchmarking exercise and decided to disclose two new GRI sub-topics on Anti-corruption and Socio-economic compliance to support our effort to uphold high standards of governance in our business operations.

The Board has approved the material ESG topics for disclosure in FY2019 and together with the Manager, will continue to enhance the Group's sustainability governance, which is a fundamental aspect of sustainable growth and long-term value for stakeholders.

Environmental

We are committed to optimising environmental resource management and reducing AA REIT's impact on the environment. As a responsible corporate citizen, we continue

to integrate sustainable practices in our regular operations. We have identified energy and water as key material aspects and have taken actions such as exploring energy-friendly practices in all our asset enhancement initiatives and new developments to optimise energy consumption. We will continue to identify and implement opportunities to mitigate our impact on the environment that translate into cost savings, value creation, and support the best interests of our stakeholders.

Social

We operate with the understanding that our employees are our most valuable asset. We believe that investing in our employees' futures and well-being ultimately translates to strong business value and the ability to attract and retain top talent. Strong employee morale, loyalty and productivity will enable us to be recognised as an employer of choice and to ensure the long-term success of our business. Our business has expanded through the support of our staff, and we have in turn supported their growth, upscaling and equipping them along our journey. We will continue to nurture our people to strengthen business continuity, as well as support the long-term success of the organisation and the development of our talent pool. We will also strive to enhance existing employee engagement initiatives to further improve the overall well-being and satisfaction of our employees.

Governance

Corporate governance best practices form the foundational core to ensuring ethics, transparency and thorough risk management are upheld throughout the business, from the bottom up and the top down. In order to safeguard Unitholders' interests and AA REIT's assets, and maintain our licence to operate, we have internal frameworks and policies to ensure compliance with applicable legislations and regulations. We strive to maintain integrity, transparency, accountability, and discipline in our operations and have put in place a robust governance and risk management framework to ensure our long-term success.

Beyond this Sustainability Report, we aim to expand our Reporting Boundaries in the future and further engage our stakeholders in our efforts as we continue our sustainability journey. With the ongoing support of our stakeholders, we are committed to working together towards addressing our collective impact in these key material aspects.

SUSTAINABILITY REPORT

SUSTAINABILITY MANAGEMENT AT AA REIT

◆ GRI 102-9 | 102-11 | 102-18 | 103-2

As an established listed real estate organisation, we recognise that we are in a position of responsibility to support the Singapore Government's sustainable development framework. We will take a long-term approach in our sustainable development journey by creating economic and social value while safeguarding the environment and our future.

The Manager's primary objective is to create long-term value for all of our stakeholders. Sustainability is key to meeting that objective and is aligned with the best interests of our key stakeholders, as well as traditional business objectives such as resiliency, risk management, and business continuity. As such, we are committed to giving back to the community, making positive contributions to the economy and minimising environmental impacts through our business operations. To help us achieve this, we have considered several approaches which are embedded in our sustainability policy:

- observe and comply with all relevant legislation, regulations, and codes of practice;
- consider sustainability issues in key impact areas and integrate these considerations into business decisions;
- ensure all the Manager's employees are aware of its sustainability initiatives and are committed to implementing, supporting, and measuring these activities; and
- review, report and continuously strive to improve sustainability performance.

The Manager's sustainability strategy is based on prudent risk management and ambitious long-term value creation. This involves periodically reviewing policies, reporting compliance levels, preventing breaches and identifying opportunities for continual improvement. We believe that achieving our sustainability goals requires the integration of sustainable best practices into our overarching business strategy as well as day-to-day operations. Our progress and success are measured through performance tracking (measuring the energy and water consumption at our properties) and the identification of future opportunities and initiatives.

Our sustainability risk management approach considers the Precautionary Principle introduced by the United Nations in Principle 15 of 'The Rio Declaration on Environment and Development'. This strategy is founded on preemptively avoiding risks when the impacts are uncertain, as preventative measures are often more effective and less costly than reparative efforts.

In order to pursue our vision of business sustainability, we have designed and implemented relevant policies, programmes and procedures to manage sustainability issues efficiently across all our functions. To ensure proper implementation, all our employees are aware of our goals and strategy and are provided with appropriate training.

Sustainability governance

The SC takes the lead in our sustainability initiatives and drives the sustainability agenda by advising the Manager's Board on the overall sustainability policy ensuring that such policies and procedures in relation to ESG issues are aligned with the business strategy and monitoring the performance of sustainability policies and practices.

As subcomponents of the SC, the Sustainability Steering Committee ("SSC") and the Operational Health and Safety ("OHS") Committee support the functions of the SC. The OHS Committee advises and makes recommendations to support AA REIT's and the Manager's health and safety matters while the SSC is responsible for the implementation and integration of specific sustainable practices at the operational level.

Sustainability across the supply chain

As part of our efforts to promote sustainability, we endeavour to ensure that appropriate sustainability measures are implemented across our value chain. This includes appropriate risk management procedures for outsourcing and procurement of goods and services.

In FY2019, we have a supply chain consisting of approximately 370 active suppliers, including facility managers, maintenance service providers, contractors, professional consultants and financial institutions which are mainly based in Singapore. Criteria such as reputation, professional expertise, track record, pricing, financial standing and compliance with legal requirements are key considerations for selecting suppliers. Where feasible and applicable, we will obtain at least three quotes for a procurement. If the contract sum is substantial, we will conduct a pre-qualification and tender process where feasible. The tender will be awarded to the supplier that has best met all the necessary criteria.

Moving forward, we continue to implement policies that facilitate sustainability throughout the supply chain and encourage our key suppliers to adopt sustainability best practices such as implementing energy-efficient features in our asset management.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT








◆ GRI 102-40 | 102-42 | 102-43 | 102-44

The Manager understands that the stakeholder engagement process is essential in identifying material issues and protecting the best interests of key stakeholders. Key stakeholder groups provide valuable perspectives on the impacts and value that arise from our business operations and initiatives. We have identified key stakeholder groups based on importance, representation, responsibility, dependency, and proximity to AA REIT's business.

We directly engage with key stakeholders through regular two-way communications, cultivate their input, and integrate their

concerns and ideas for improvement into our sustainability strategy and initiatives.

To strengthen our relationships and communication with our stakeholders, we aim to continuously improve our communication channels. In FY2019, we conducted a survey to obtain feedback from key stakeholders and have integrated their perspectives into this FY2019 Report, as well as our sustainability strategy. The survey resulted in positive feedback and the identification of proposed areas for improvement in the FY2019 Report.

Stakeholder	Concerns raised	Modes of engagement	Frequency of engagement
Unitholders/ Investors 	<ul style="list-style-type: none"> Economic performance Anti-corruption Occupational health and safety 	<ul style="list-style-type: none"> Engagement through a formal survey Dedicated investor relations team Dedicated investor relations section in AA REIT website Quarterly announcement of financial results on SGXNET Quarterly results briefing for analysts Regular financial and non-financial performance updates on SGXNET Annual General Meetings Regular investor meetings via investor conferences, face-to-face meetings and non-deal roadshows 	<ul style="list-style-type: none"> Biennially Periodically Periodically Quarterly Quarterly Periodically Annually Periodically
Banks 	<ul style="list-style-type: none"> Economic performance Energy Environmental compliance 	<ul style="list-style-type: none"> Engagement through a formal survey Email updates and regular informal communication through phone or face-to-face meetings 	<ul style="list-style-type: none"> Biennially Periodically
Tenants 	<ul style="list-style-type: none"> Economic performance Environmental compliance Market presence 	<ul style="list-style-type: none"> Engagement through a formal survey Regular site visits, face-to-face meetings, and phone calls Routine notices/email updates Targeted sponsorship to support tenants' corporate events 	<ul style="list-style-type: none"> Biennially Periodically Periodically Periodically
Property Managers 	<ul style="list-style-type: none"> Energy Training and education Anti-corruption 	<ul style="list-style-type: none"> Engagement through a formal survey Regular meetings Email updates and phone calls 	<ul style="list-style-type: none"> Biennially Bi-monthly Periodically
Bond Holders 	<ul style="list-style-type: none"> Occupational health and safety Energy Anti-corruption 	<ul style="list-style-type: none"> Engagement through a formal survey Face-to-face meetings 	<ul style="list-style-type: none"> Biennially Periodically
Board of Directors 	<ul style="list-style-type: none"> Economic performance Anti-corruption Environmental compliance 	<ul style="list-style-type: none"> Engagement through a formal survey Board meetings Email updates and regular informal communication through phone New Directors' orientation and training 	<ul style="list-style-type: none"> Biennially Quarterly Periodically Periodically
Senior Management and Team Members 	<ul style="list-style-type: none"> Economic performance Employment Training and education 	<ul style="list-style-type: none"> Engagement through a formal survey Training and team building activities Department meetings Performance review 	<ul style="list-style-type: none"> Biennially Periodically Monthly Annually

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

◆ GRI 102-46 | 102-47 | 103-1




The scope and content of the FY2019 Report and the Manager's materiality assessment process are aligned with the GRI's four Reporting Principles of materiality, stakeholder inclusiveness, sustainability context, and completeness. In the process of identifying key material ESG aspects, the Manager embraced stakeholder inclusiveness to ensure that the perspectives of stakeholders are properly addressed. The results of the stakeholder engagement process and the assessment of the sustainability context of our business operations enabled us to measure the most relevant data and manage the most impactful issues. As a result, the most material and comprehensive set of ESG indicators have been assessed and presented in the FY2019 Report.

In FY2017, the Manager and its external consultant directly engaged with our key stakeholders in a thorough materiality

assessment process. Stakeholders were engaged through various platforms such as formal surveys, face-to-face meetings and informal communications such as phone calls and emails. The perspectives and feedback from stakeholders were consolidated and analysed by the SC, the Manager, and the external consultant to identify and prioritise the ESG issues on which to focus our efforts.

We are committed to updating the materiality assessment on a biennial basis. In FY2019, as the Manager was of the view that AA REIT's business had not materially changed as compared to FY2017, the Manager and its external consultant conducted a Peer Benchmarking exercise with selected comparable listed industrial REITs and decided to accept and disclose two new GRI sub-topics on Anti-corruption and Socio-economic compliance.

Material aspects and indicators identified

Categories	Material Aspects	List of GRI Indicators	Aspect Boundary
Economic 	<ul style="list-style-type: none"> Economic Performance Anti-corruption 	<ul style="list-style-type: none"> 201-1 Direct economic value generated and distributed 205-3 Confirmed incidents of corruption and actions taken 	<p>Within organisation</p> <p>Within organisation</p>
Environment 	<ul style="list-style-type: none"> Energy Water 	<ul style="list-style-type: none"> 302-1 Energy consumption within the organisation 303-1 Water withdrawal by source 	<p>Common areas of properties with operational control</p>
Social 	<ul style="list-style-type: none"> Occupational Health and Safety Training and Education Socio-economic Compliance 	<ul style="list-style-type: none"> 403-1 Workers' representation in formal joint management-worker health and safety committees 404-1 Average hours of training per year per employee 419-1 Non-compliance with laws and regulations in the social and economic area 	<p>Within organisation and tenants</p> <p>Within organisation</p> <p>Within organisation</p>

SUSTAINABILITY REPORT

ECONOMIC

ANTI-CORRUPTION

◆ GRI 103-1 | 103-2 | 103-3 | 205-3

The Manager is committed to conducting business in an ethical manner and adopts a zero-tolerance policy against all forms of corrupt activities, including and not limited to bribery, corruption, fraud, and embezzlement. This commitment helps ensure that our reputation is upheld, and the trust with our stakeholders is maintained.

Our approach

We have established a Code of Conduct, which comprises well-defined anti-corruption guidelines and procedures for business dealings with customers, suppliers and all employees of the Manager. The Code of Conduct also sets out guidelines on gifts and entertainment, conflicts of interest, compliance with applicable laws, dealing in securities and misuse of confidential information. In addition, we also have in place a whistleblowing policy, with corresponding procedures and channels to allow for stakeholders to report alleged corruption, unethical practices, conflicts of interest and/or other improprieties.

The Manager is committed to promoting a culture of strong ethical behaviour to ensure all employees fully understand

and abide by our foundational principles and core values that influence business operations of the Manager. All new employees are given anti-corruption awareness training and familiarisation with the Code of Conduct during their orientation. We will also conduct in-house anti-corruption awareness training based on the Code of Conduct for employees on a timely basis.

FY2019 performance

The success of our anti-corruption efforts is evaluated by the number of confirmed incidents of corruption, with our target always being zero instances. In FY2019, we achieved our goal of zero instances of corrupt activities.

FY2020 target

Ethical business is one of our core values and we have a continual target of zero instances of corruption. Going forward, the Manager will continue to maintain the highest standards of ethics and integrity in our business dealings through anti-corruption awareness training to our employees.



SUSTAINABILITY REPORT

ENVIRONMENT

The Manager understands that conducting business in a sustainable manner generates long-term value, promotes resource efficiency and makes good business sense, in addition to being part of responsible corporate citizenship. Our sustainability policy is to integrate the consideration of material ESG issues into our daily business activities in a manner that optimises resources and reduces environmental impact.

As a testament to this commitment, more than one-third of AA REIT's Singapore portfolio by net lettable area is BCA Green Mark compliant as at 31 March 2019. Furthermore, we will assess the feasibility of pursuing BCA Green Mark Gold or higher for all new developments undertaken by AA REIT. AA REIT's Optus Centre, Macquarie Park, New South Wales, Australia has also achieved a NABERS Energy Rating of 4.5 stars and a NABERS Water Rating of 3.5 stars this year.

We believe that organisations should take the lead in pursuing sustainable practices. We obtained approval for electronic communications from our Unitholders at our previous AGM, and in meeting their expectations of favouring sustainable practices, we have stopped sending out hard copies of this Annual Report FY2019 to Unitholders, unless requested. This Annual Report was also printed with FSC paper, in support of the practice of sustainable forestry worldwide. In addition, we provide an archive of the e-copies of our past Annual Reports subsequent to our Initial Public Offering in 2007 on our corporate website.

ENERGY

◆ GRI 103-1 | 103-2 | 103-3 | 302-1

The Manager understands that climate change is one of the greatest threats currently facing humanity. Therefore, we are committed to reducing our greenhouse gas emissions through improved energy efficiency. In accordance with the Paris Agreement in December 2015, Singapore has pledged to reduce its emissions intensity by 36% by 2030 compared to 2005 levels. We will continually strive to incorporate energy-efficient practices in our business operations to reduce emissions and help Singapore achieve its 2030 targets.

Our approach

Our approach to improving energy efficiency focuses on reducing energy consumption in the most cost-efficient manner possible. This strategy generates the most long-term value for financial and environmental stakeholders alike. To improve energy efficiency, we continuously monitor the effectiveness of our investments in sustainable building upgrades such as the use of Light-Emitting Diode ("LED") lights in the common areas of our properties, upgrading of old equipment to energy-efficient

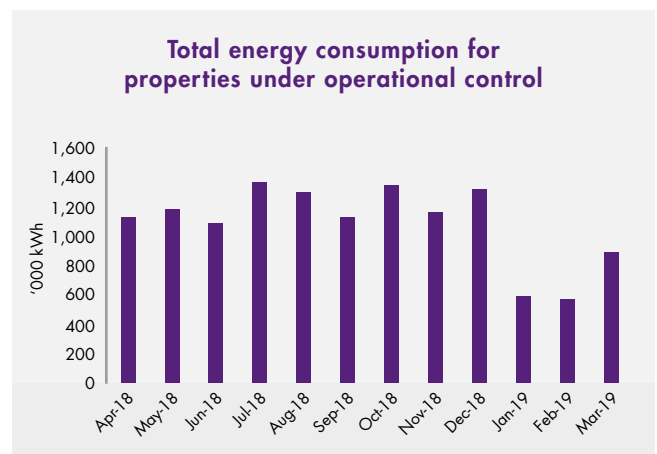
ones and motion detectors for exit staircases and toilets. The effectiveness of this approach is assessed through measurable year-on-year progress of our energy-efficient practices.

FY2019 performance

The scope of the data presented below covers the energy consumption of 17 out of 26 properties in our portfolio, over which we have operational control (FY2018: AA REIT had operational control over 19 out of 27 properties in its portfolio). Our energy consumption was from non-renewable power generation (electricity) sources. This data was derived from actual billings. The graph below shows the total energy consumption in FY2019 by month for the common areas (building services, corridors, and perimeter lighting) of these properties.

The total consumption for FY2019 was 13,014,013 kWh for the 17 properties based in Singapore. This was a marginal increase of approximately 1.9% from last year's consumption. The graph below shows the energy consumption per month for FY2019.

Energy efficiency initiatives in FY2019 include the of installation of LED lights at the common areas of 27 Penjuru Lane and 7 Clementi Loop.



FY2020 target

We will conscientiously work towards making our new projects and existing properties in our portfolio more energy efficient whenever the opportunity arises. In this regard, we aim to obtain BCA Green Mark Gold for the ongoing development at 3 Tuas Avenue 2 and BCA Green Mark compliant for the asset enhancement initiative at 29 Woodlands Industrial Park E1, NorthTech upon their respective completions. Going forward, we will explore more energy-friendly practices and consider them in our business operations.

SUSTAINABILITY REPORT

WATER

◆ GRI 103-1 | 103-2 | 103-3 | 303-1

The Manager understands that water consumption will be an increasingly material aspect in the REIT sector due to global and national water resource trends. Therefore, we are committed to optimising water consumption throughout our portfolio, ensuring that AA REIT remains competitive in a water-scarce future. In FY2018, we began tracking and analysing our water consumption in an effort to identify cost-effective opportunities to improve water efficiency.

Our approach

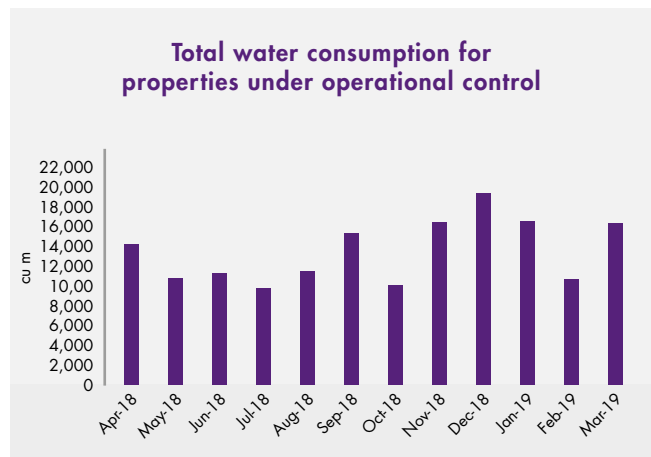
We track water consumption of the properties in AA REIT's portfolio over which we have operational control. Based on the results, the Manager identifies and implements water conservation opportunities such as water-efficient fittings in its newly developed properties and raising employee awareness of daily habitual best practices. The efficacy of such efforts is evaluated based on measured improvement in water efficiency data and measurable progress towards our goals.

In addition to tracking and monitoring improvements, we are a Public Utilities Board ("PUB") Friend of Water Steward. In FY2019, we obtained PUB's Water Efficiency Building ("WEB") certification for two of our properties at 8 Tuas Avenue 20 and 1 Bukit Batok Street 22. We will continue to assess the rest of our portfolio for such improvement works.

FY2019 performance

We currently measure water use performance based on the total volume of water consumed across our Singapore operations. In FY2019, only municipal water was utilised, totalling 162,101 cubic metres for the 17 Singapore-based

properties over which we have operational control. This was approximately a 1.6% decrease from last year's consumption. This data was derived from actual billings. The graph below shows the total water consumption in FY2019 by month:



FY2020 target

We will continue to be an active advocate of water conservation in the Singapore REIT sector. We will continue to measure and assess our water performance data and identify new water-efficient practices within our portfolio and for new developments. In this regard, the ongoing redevelopment at 3 Tuas Avenue 2 and the asset enhancement initiative at 29 Woodlands Industrial Park E1, NorthTech will include the installation of water-efficient fittings. In addition, we aim to progressively achieve WEB certification for all eligible buildings in AA REIT's portfolio and we aim to apply for WEB assessment for our property at 103 Defu Lane 10.

SUSTAINABILITY REPORT

SOCIAL



We hold a long-term perspective regarding our relationship with our staff — they are treated as members of the AA REIT family. Since our Initial Public Offering in 2007, our business has expanded through the support of our staff, and we have in turn supported their growth - upscaling and equipping them along their journey. Like a multi-generational family, our staff includes millennials working side-by-side with employees who have been with us for over 10 years. We may come from diverse backgrounds, but we share a common pride in being part of an organisation that makes a difference in society. We believe that treating employees as critical stakeholders increases employee morale, loyalty, and productivity and will enable us to be recognised as an employer of choice.

OCCUPATIONAL HEALTH AND SAFETY

◆ GRI 103-1 | 103-2 | 103-3 | 403-1

The Manager is committed to fostering a culture of safety and facilitating a safe working environment for all our employees. This commitment goes beyond physical safety to encompass overall well-being, recognising our employees are our most valued asset. We implement various initiatives that focus on enhancing awareness, implementing best practices, nurturing well-being and eliminating all avoidable OHS incidents.

Our approach

In FY2017, we established an OHS Committee to drive OHS initiatives at the organisational level. The OHS Committee is responsible for managing and initiating our OHS activities

such as reviewing occupational health and safety issues, implementing appropriate work practice control measures and issuing ongoing reminders to our staff. As of 31 March 2019, our OHS Committee comprises five members from various departments, representing approximately 22.0% of our workforce.

In addition, all staff members have been trained to identify potentially hazardous situations and report them to the OHS Committee to help continually improve the safety of our operations. The effectiveness of our OHS management is measured by the number of avoidable OHS incidents, with our goal always being zero.

FY2019 initiative

A number of initiatives were completed in FY2019, including both OHS programmes and initiatives promoting general employee well-being. These are as follows:

- During FY2019, we successfully obtained the bizSAFE Level 2 certification from the Workplace Safety and Health Council.
- We nominated an employee to be our Risk Management ("RM") Champion. This employee attended the bizSAFE Level 2 Course on "Develop a Risk Management Implementation Plan". We also have in place RM capabilities to manage incidents such as security threats and emergency preparedness.
- During FY2019, we organised a wide range of activities and initiatives such as team building sessions, health talks and screenings, ergonomic workshops, weekly Fruits Day and Eat-With-Your-Family Days.

FY2020 target

In order to ensure that our workforce remains safe, happy and healthy, we will continue to review employee safety and well-being practices and performance annually. This is in accordance with the Workplace Safety and Health Act, which requires all workplaces to conduct a risk assessment for every work activity and the process carried out at the workplaces. We have a continual goal of facilitating a culture of safety and operating an incident-free workplace. We will also strive to enhance existing employee engagement initiatives to further improve the overall well-being of our employees.

SUSTAINABILITY REPORT

TRAINING AND EDUCATION

◆ GRI 102-7 | 102-8 | 103-1 | 103-2 | 103-3 | 404-1

We believe that our employees are our most valuable asset and investing in their personal and professional development creates long-term value for our business. The Manager is committed to nurturing our employees and providing opportunities for growth and development that empowers them to perform to their best abilities and take on new responsibilities and challenges.

Our approach

We invest in the future of our business by investing in the development of our employees so that we can grow and develop together. We keep our employees abreast of the latest industry trends and career developments through professional courses and on-the-job training throughout the year. Our training programmes consist of internal and external talks, seminars, webinars, and courses, covering topics such as finance, governance, regulatory updates, leadership, safety, ethics, and skills development. Employees are encouraged to take ownership of their skills development based on skillset gaps identified during individual performance reviews. Together with on-the-job training and guidance, this can lead to greater effectiveness at work.

To emphasise the importance of sustainable development and corporate citizenship, we also incorporate ESG-related education to raise the awareness of our social and environmental responsibilities as a corporate citizen.

FY2019 performance

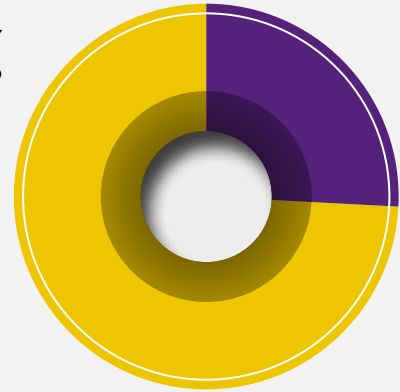
The effectiveness of our training and education programmes is measured in hours of training received by each employee. During the reporting period of FY2019, we have provided a total of 746 training hours for all our employees. Each employee received an average of 32.4 training hours per annum, exceeding our FY2019 target of 26 hours. The charts on this page showcase our employee data for the reporting period.

FY2020 target

We will continue to aim for an average of at least 26 training hours per employee per annum in the next financial year. Going forward, we remain committed to nurturing our talent pool for business continuity and resiliency in order to invest in the long-term success of our organisation and our people.

Total employees

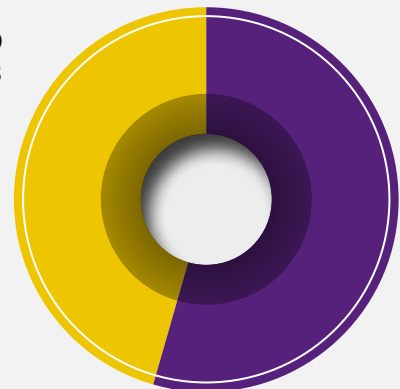
◆ Female	17
◆ Male	6



Note: All our employees are permanent employees based in Singapore.

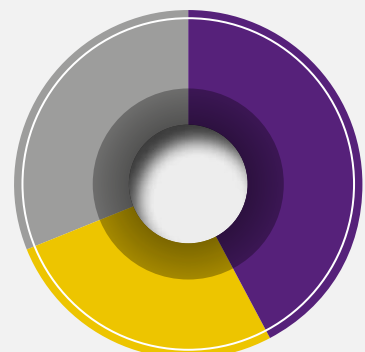
Average training hours by gender

◆ Male	37.0
◆ Female	30.8



Average training hours by employee category

◆ Senior Management	45.0
◆ Middle Management	33.7
◆ Executive	28.4



SUSTAINABILITY REPORT

SOCIO-ECONOMIC PERFORMANCE

◆ GRI 103-1 | 103-2 | 103-3 | 419-1

The Manager is committed to complying with all applicable regulatory requirements, including SGX-ST Listing Manual, the Code on Collective Investment Schemes issued by the MAS, tax rulings issued by the Inland Revenue Authority of Singapore ("IRAS") and our Trust Deed.

Our approach

In order to safeguard our stakeholders' best interests and AA REIT's assets, uphold our reputation and maintain our social license to operate, we implement robust internal frameworks and policies to ensure compliance with applicable legislation and regulations. Our enterprise risk management ("ERM") framework defines the process for the identification and management of major risks and the counter-measures to mitigate or eliminate them. In addition, all employees are required to strictly adhere to guidelines outlined in the Code of Conduct, which sets out guidelines and procedures to ensure compliance.

FY2019 performance

We did not incur any significant fines or non-monetary sanctions for non-compliance with relevant operational laws and regulations during FY2019.

FY2020 target

Going forward, the Manager will continue to comply with all applicable laws and regulations. We will strive to uphold high standards of governance in our business operations and seek to maintain zero incidents of non-compliance in the next reporting period. To achieve this on an ongoing basis, all regulatory requirements will be regularly reviewed and our procedures and respective operational teams will be updated as necessary.

COMMUNITY ENGAGEMENT

As a member of the community in which we are based, the Manager is dedicated to being a model corporate citizen that contributes positively and invests in the community. Corporate Social Responsibility ("CSR") is instilled within our foundational principles and core values. We encourage the spirit of volunteerism and actively encourage our employees to take part in our regular community and volunteering events.

The Manager launched its "Blessed For Good" initiative in FY2017 where we adopted Voluntary Welfare Organisations ("VWO") in Singapore focusing on seniors. We believe that all seniors can lead their lives with dignity and remain integrated within the community.



XiSer CareServe 喜舍苑 (formerly known as Tai Pei Social Services) ("XiSer") was our adopted VWO in FY2019. XiSer is a step-down care facility caring for long-staying patients from the Institute of Mental Health ("IMH"). The residents under XiSer's care are mostly destitutes who have been staying in IMH for a long period of time. We made two visits to XiSer during FY2019, with organised activities to interact with the residents to brighten up their day.

The Manager will continue with our CSR contributions, as well as explore other initiatives where we can make an impact on the community. We believe that no at-risk person should be constrained from leading a dignified life. In this spirit, the Manager intends to continue its support for XiSer for a second year.

SUSTAINABILITY REPORT

AWARDS AND RECOGNITION

We are proud to have been recognised by several external organisations for our achievements related to ESG issues. These awards validate our commitment to upholding the highest standards and best practices in our industry.



ARC INTERNATIONAL AWARDS 2018 EDITION

September 2018

In recognition for the design, effectiveness, expression and clarity of the 2017 Annual Report's theme, AA REIT was awarded the **Traditional Annual Report Award (Honors)** at the ARC International Awards 2018 in the Real Estate Investment Trust (REIT): Commercial/Industrial/Office category.



THE ASSET CORPORATE AWARDS 2018

November 2018

AA REIT was awarded the **Gold Awards in Governance, Environmental Responsibility and Investor Relations** at The Asset Corporate Awards 2018, in recognition of the Manager's continued commitment to upholding high standards of Corporate Governance, Environmental Responsibility, and Investor Relations.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standard	Disclosures	Chapter/ Page Number(s), performance	Omission
ORGANISATIONAL PROFILE			
GRI 102: General Disclosures 2016	102-1	Name of the organisation	4, 51
	102-2	Activities, brands, products, and services	Investment in and management of a diversified portfolio of income-producing and high quality industrial real estate.
	102-3	Location of headquarters	Corporate Directory
	102-4	Location of operations	Singapore and New South Wales, Australia
	102-5	Ownership and legal form	25, 133
	102-6	Markets served	102-107
	102-7	Scale of the organisation	10-12, 60, 102-115
	102-8	Information on employees and other workers	60
	102-9	Supply chain	53
	102-10	Significant changes to organisation and its supply chain	No changes.
	102-11	Precautionary Principle or approach	53
	102-12	External initiatives	<p>Our policies and business activities are aligned with the prevailing regulatory requirements and are supported by a variety of external charters and principles. These include (but are not limited to):</p> <ul style="list-style-type: none"> • Securities and Futures Act (Chapter 289) • SGX-ST Listing Manual • Code on Collective Investment Schemes including Appendix 6 on Property Funds • Code of Corporate Governance 2012 • Other policies and procedures adopted by AA REIT, which can be found in pages 30 to 50 of the Corporate Governance section <p>Accordingly, we have developed and adopted a range of corporate policies and internal controls that support the Board and Management. These policies and controls cover matters such as personal data protection, anti-money laundering and countering terrorism financing, conflicts of interest, business continuity, insider dealing, enterprise risk management, and outsourcing.</p>

SUSTAINABILITY REPORT

GRI Standard	Disclosures	Chapter/ Page Number(s), performance	Omission
GRI 102: General Disclosures 2016	102-13	Membership of associations The Manager is a member of The REIT Association of Singapore (REITAS).	
	STRATEGY		
	102-14	Statement from senior decision-maker 52	
	ETHICS AND INTEGRITY		
	102-16	Values, principles, standards and norms of behaviour 4, 30-50	
	GOVERNANCE		
	102-18	Governance structure 30-50, 53	
	STAKEHOLDER ENGAGEMENT		
	102-40	List of stakeholder groups 54	
	102-41	Collective bargaining agreements Not Applicable as we don't have trade unions.	
	102-42	Identifying and selecting stakeholders 54	
	102-43	Approach to stakeholder engagement 54	
	102-44	Key topics and concerns raised 54	
	REPORTING PRACTICE		
	102-45	Entities included in the consolidated financial statements 159-161	
	102-46	Defining report content and topic Boundaries 51, 55	
	102-47	List of material topics 55	
	102-48	Restatements of information Restated unit for water consumption for FY2018. Reported unit: litres; Actual unit: cubic metres.	
	102-49	Changes in reporting Additional material issues: • 205-3: Anti-corruption • 419-1: Socio-economic Compliance 102-115	
	102-50	Reporting period 51	
	102-51	Date of the most recent report May 2018	
	102-52	Reporting cycle 51	
	102-53	Contact point for questions regarding the report 51	

SUSTAINABILITY REPORT

GRI Standard		Disclosures	Chapter/ Page Number(s), performance	Omission
GRI 102: General Disclosures 2016	102-54	Claims of reporting in accordance with GRI Standards	51	
	102-55	GRI content index	63-66	
	102-56	External assurance	51	
MATERIAL TOPICS				
CATEGORY: ECONOMIC				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	7-9, 55	
	103-2	The management approach and its components	7-9	
	103-3	Evaluation of the management approach	7-9	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	123-187	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	55,56	
	103-2	The management approach and its components	56	
	103-3	Evaluation of the management approach	56	
GRI 205: Anti-Corruption 2016	205-3	Confirmed incidents of corruption and actions taken	56	
CATEGORY: ENVIRONMENT				
SUB-CATEGORY: ENERGY				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	55, 57	
	103-2	The management approach and its components	57	
	103-3	Evaluation of the management approach	57	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	57	

SUSTAINABILITY REPORT

GRI Standard		Disclosures	Chapter/ Page Number(s), performance	Omission
SUB-CATEGORY: WATER				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	55, 58	
	103-2	The management approach and its components	58	
	103-3	Evaluation of the management approach	58	
GRI 303: Water 2016	303-1	Water withdrawal by source	58	
CATEGORY: SOCIAL				
SUB-CATEGORY: OCCUPATIONAL HEALTH AND SAFETY				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	55, 59	
	103-2	The management approach and its components	59	
	103-3	Evaluation of the management approach	59	
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	59	
SUB-CATEGORY: TRAINING AND EDUCATION				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	55, 60	
	103-2	The management approach and its components	60	
	103-3	Evaluation of the management approach	60	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	60	
SUB-CATEGORY: SOCIO-ECONOMIC COMPLIANCE				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	55, 61	
	103-2	The management approach and its components	61	
	103-3	Evaluation of the management approach	61	
GRI 419: Socio Economic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	61	

PROPERTY SHOWCASE

20 GUL WAY, SINGAPORE



The property comprises a five-storey warehouse and logistics facility serviced by a central vehicular ramp with a substantial hardstand marshalling yard. The property has 291 loading and

unloading bays that are mostly fitted with dock-levellers.

It is located in a well-established industrial estate at the north-western junction of Gul Way and Gul Circle in Jurong Industrial Estate and is approximately 23.0 km from the City Centre. The property is a short drive from Gul Circle MRT station and Joo Koon MRT station and is well-served by expressways such as Ayer Rajah Expressway and Pan Island Expressway. The property is also a short drive from the Tuas Checkpoint, the second causeway between Singapore and Malaysia.

Property details

Valuation (S\$'million)	232.20
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	15.92
Capitalisation rate (%)	6.50
Acquisition date	19 April 2007
Purchase price (S\$'million)	39.40
Leasehold title expiry date	15 January 2041
Land area (sq m)	76,946.10
Gross floor area (sq m)	153,892.20
Net lettable area (sq m)	148,647.77
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Part master lease (CWT Pte. Limited), part multi-tenanted
Occupancy of property (%)	90.7
Annual gross rental income FY2019 (S\$'million)	17.36

OPTUS CENTRE, 1-5 LYONPARK ROAD, MACQUARIE PARK, NEW SOUTH WALES, AUSTRALIA



The property is a secure campus style A Grade business park which was completed in 2007 and comprises six buildings. The buildings are a combination of four and five levels and are arranged in a chevron shape that opens to the main entrance. The buildings are serviced by a total of 15 passenger

lifts and two goods lifts. Amenities include a secure central courtyard featuring extensive landscaping, water feature, paved seating areas and a basketball court. The business park also provides various cafes, retail food court area, bar, automated teller machines, a convenience store and a childcare centre for the exclusive use of employees.

It is located at 1-5 Lyonpark Road, Macquarie Park with access to Epping Road and is a short drive from Macquarie Shopping Centre and Macquarie University. It is approximately 15.0 km to the northwest of the Sydney central business district and is approximately 12.0 km to the northwest of the North Sydney central business district.

Property details

Valuation (S\$'million)	223.27 ^{1,2}
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	15.31
Capitalisation rate (%)	6.25
Acquisition date	7 February 2014
Purchase price (S\$'million)	205.33 ^{1,3}
Leasehold title expiry date	Freehold
Land area (sq m)	37,171.40 ¹
Gross floor area (sq m)	41,255.06 ¹
Net lettable area (sq m)	41,255.06 ¹
Property type	Business Park
Town planning	Business Park

Lease terms

Lease type	Master Lease (Optus Administration Pty Limited)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	16.02 ¹

1. Reflects 49.0% interest in the property.
 2. Based on exchange rate of AUD1.00 = S\$0.969489. The valuation for the property is AUD470.00 million appraised by Jones Lang LaSalle Advisory Services Pty Ltd as at 31 March 2019.
 3. Based on exchange rate of AUD1.00 = S\$1.113350. The purchase price for the 49.0% interest in the property was AUD184.425 million.

PROPERTY SHOWCASE

27 PENJURU LANE, SINGAPORE



The property incorporates two five-storey individual building envelopes providing high clearance warehouse and logistics

facility with mezzanine offices serviced by a central vehicular ramp. In addition, there is an attached nine-storey ancillary office annex incorporating both office accommodation and a canteen.

It is located within a well-established industrial estate along Penjuru Lane, off Penjuru Road and Jalan Buroh in the Jurong Industrial Estate and is approximately 16.5 km from the City Centre. The property is in close proximity to Ayer Rajah Expressway, Pan Island Expressway, West Coast Highway and Jurong East MRT station.

Property details

Valuation (S\$'million)	167.70
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	11.50
Capitalisation rate (%)	6.25
Acquisition date	15 October 2010
Purchase price (S\$'million)	161.00
Leasehold title expiry date	15 October 2049
Land area (sq m)	38,297.00
Gross floor area (sq m)	95,758.40
Net lettable area (sq m)	95,091.59
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	94.3
Annual gross rental income FY2019 (S\$'million)	12.80

8 & 10 PANDAN CRESCENT, SINGAPORE



The property comprises one five-storey (Block 8) and one six-storey (Block 10) warehouse buildings. The two blocks

are serviced by 16 cargo lifts and 12 passenger lifts. The property has loading and unloading areas accommodating a total of 80 bays with 38 dock-levellers on the first storey.

It is located at the southern junction of Pandan Crescent and West Coast Highway and is approximately 13.0 km from the City Centre. The property is well-served by expressways such as West Coast Highway, Ayer Rajah Expressway and Pan Island Expressway. The Clementi MRT station and bus interchange are both a short drive away.

Property details

Valuation (S\$'million)	149.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	10.22
Capitalisation rate (%)	6.00
Acquisition date	19 April 2007
Purchase price (S\$'million)	115.00
Leasehold title expiry date	31 May 2068
Land area (sq m)	32,376.50
Gross floor area (sq m)	80,940.00
Net lettable area (sq m)	65,831.72
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	91.3
Annual gross rental income FY2019 (S\$'million)	9.76

PROPERTY SHOWCASE

29 WOODLANDS INDUSTRIAL PARK E1, NORTHTECH, SINGAPORE



The property comprises an L-shaped four-storey high-technology industrial building with a basement car park. The building is serviced by nine passenger lifts, nine cargo lifts and six lift lobbies with ancillary canteen and clinic located on the first storey. Asset enhancement works for the common areas, including

the passenger lift lobbies, toilets and external landscaping, and upgrading of the air-conditioning system are ongoing and are expected to be completed in the second half of 2019.

It is located within a well-established industrial estate at the south-western junction of Admiralty Road West and Woodlands Avenue 8 in Woodlands East Industrial Estate. The property is within close proximity to Admiralty MRT station, Sembawang MRT station and the upcoming Woodlands North MRT station. Its accessibility to other parts of Singapore is enhanced by its proximity to Seletar Expressway, Bukit Timah Expressway and the upcoming North-South Corridor and is approximately 23.5 km from the City Centre.

Property details

Valuation (S\$'million)	110.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	7.54
Capitalisation rate (%)	6.25
Acquisition date	21 February 2011
Purchase price (S\$'million)	72.00
Leasehold title expiry date	8 January 2055
Land area (sq m)	17,955.50
Gross floor area (sq m)	45,481.26
Net lettable area (sq m)	36,627.02
Property type	Hi-tech
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	9.90

1A INTERNATIONAL BUSINESS PARK, SINGAPORE



The property comprises a 13-storey high-technology business park building with a basement car park. The building is designated for business park use and incorporates ancillary office and warehouse areas that are serviced by

four passenger lifts and two loading and unloading bays located on the first storey.

It is located within the precinct of International Business Park, off Boon Lay Way and Jurong East Street 11. International Business Park is a business and technology hub for companies involved in high-technology industries that include software development, research and some ancillary supporting activities. The property is within a short drive from Jurong East MRT station, Pan Island Expressway, Ayer Rajah Expressway and is approximately 14.0 km from the City Centre.

Property details

Valuation (S\$'million)	84.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	5.76
Capitalisation rate (%)	6.00
Acquisition date	30 November 2009
Purchase price (S\$'million)	90.20
Leasehold title expiry date	31 May 2059
Land area (sq m)	7,988.40
Gross floor area (sq m)	19,949.60
Net lettable area (sq m)	16,697.00
Property type	Business Park
Town planning	Business Park

Lease terms

Lease type	Master Lease (Eurochem Corporation Pte Ltd)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	8.73

PROPERTY SHOWCASE

30 TUAS WEST ROAD, SINGAPORE



The property comprises a purpose-built five-storey ramp-up warehouse facility with mezzanine office and six loading and unloading bays with dock-levellers on each level.

It is located within the well-established Jurong Industrial Estate on the south-eastern side of Tuas West Road near its junction with Pioneer Road and is approximately 28.0 km from the City Centre. The property is a short walk from the Tuas West Road MRT station. Accessibility to other parts of Singapore is enhanced by its proximity to Pan Island Expressway and Ayer Rajah Expressway. The property is also a short drive from the Tuas Checkpoint, the second causeway between Singapore and Malaysia.

Property details

Valuation (S\$'million)	59.10
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	4.05
Capitalisation rate (%)	6.25
Acquisition date	11 January 2010
Purchase price (S\$'million)	17.30
Leasehold title expiry date	31 December 2055
Land area (sq m)	12,894.90
Gross floor area (sq m)	26,817.48
Net lettable area (sq m)	26,817.48
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Master Lease (CWT Pte. Limited)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	5.08

51 MARSILING ROAD, SINGAPORE



The property is a five-storey purpose-built industrial building which is fully air-conditioned with cargo lift access and ancillary canteen. The building is served by two passenger lifts, one fire lift, two

cargo lifts as well as four loading and unloading bays with dock-levellers.

It is situated at the junction of Marsiling Lane and Marsiling Road within the Marsiling Industrial Estate and is approximately 31.0 km from the City Centre. The property is well served by expressways such as Bukit Timah Expressway and Seletar Expressway. It is a short drive from the Woodlands Checkpoint and is within close proximity to the Woodlands, Marsiling and Admiralty MRT stations as well as the upcoming Woodlands North and Woodlands South MRT stations.

Property details

Valuation (S\$'million)	45.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	3.09
Capitalisation rate (%)	6.50
Acquisition date	16 November 2016
Development cost (S\$'million)	34.9 ¹
Leasehold title expiry date	31 July 2044
Land area (sq m)	8,611.60
Gross floor area (sq m)	21,529.00
Net lettable area (sq m)	21,529.00
Property type	General Industrial
Town planning	Business 2

Lease terms

Lease type	Master Lease (Beyonics International Pte Ltd)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	4.13

1. Including land cost of S\$9.72 million.

PROPERTY SHOWCASE

103 DEFU LANE 10, SINGAPORE



The property comprises a six-storey industrial facility with sheltered car parking and display area on the first storey. There are two vehicular accesses into the property, one for loading and

unloading purposes and another for cars and motorcycles from Defu Lane 10. The building has 12 loading and unloading bays with dock-levellers/scissors lifts, two passenger lifts and three cargo lifts.

It is located within a well-established industrial estate along Defu Lane 10 in Defu Industrial Estate. The property is a short drive from Kovan MRT station and Hougang MRT station with close proximity to expressways including Central Expressway, Seletar Expressway, Kallang-Paya Lebar Expressway, Pan Island Expressway via Eunos Link and is approximately 10.0 km from the City Centre.

Property details

Valuation (S\$'million)	35.50
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	2.43
Capitalisation rate (%)	6.50
Acquisition date	21 January 2008
Purchase price (S\$'million)	14.50
Leasehold title expiry date	30 June 2043
Land area (sq m)	7,541.00
Gross floor area (sq m)	18,852.50
Net lettable area (sq m)	17,604.59
Property type	Logistics and Warehouse
Town planning	Business 1

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	3.97

15 TAI SENG DRIVE, SINGAPORE



The property comprises a five-storey light industrial building with a basement.

The property has three loading and unloading bays with dock-levellers and is serviced by two passenger lifts and two cargo lifts.

It is located along the eastern end of Tai Seng Drive, a cul-de-sac off Airport Road within the Tai Seng Industrial Estate. The property is a short drive from Tai Seng MRT station, Pan Island and Kallang-Paya Lebar Expressways, Bartley viaduct and is approximately 9.5 km from the City Centre.

Property details

Valuation (S\$'million)	35.30
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	2.42
Capitalisation rate (%)	6.25
Acquisition date	17 December 2007
Purchase price (S\$'million)	28.90
Leasehold title expiry date	31 March 2051
Land area (sq m)	9,077.90
Gross floor area (sq m)	22,594.00
Net lettable area (sq m)	17,886.47
Property type	Light Industrial
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	95.2
Annual gross rental income FY2019 (S\$'million)	3.72

PROPERTY SHOWCASE

8 TUAS AVENUE 20, SINGAPORE



The property is a three-storey versatile industrial facility with ramp and cargo lift access. The building has 12 loading and unloading bays with dock-levellers and direct vehicular access to the second storey via a ramp.

The property is located within a well-established industrial estate on the north-western side of Tuas Avenue 20, off Pioneer Road in the Jurong Industrial Estate and is approximately 27.5 km from the City Centre. It is well-served by major arterial roads and expressways such as Jalan Ahmad Ibrahim, Ayer Rajah Expressway and Pan Island Expressway. It is within close proximity to Tuas West Road MRT station and is a short drive from the Tuas Checkpoint, the second causeway between Singapore and Malaysia.

Property details

Valuation (S\$'million)	28.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.92
Capitalisation rate (%)	6.25
Acquisition date	19 April 2007
Purchase price (S\$'million)	11.60
Leasehold title expiry date	15 November 2051
Land area (sq m)	10,560.10
Gross floor area (sq m)	14,757.80
Net lettable area (sq m)	13,359.16
Property type	General Industrial
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	1.72

1 BUKIT BATOK STREET 22, SINGAPORE



The property comprises an eight-storey light industrial building incorporating a four-storey factory and an eight-storey ancillary office space. The building

is served by two passenger lifts and two cargo lifts. There is loading and unloading area provided within the development.

It is located at the south-eastern junction of Bukit Batok Street 22 and Bukit Batok East Avenue 6 within the Bukit Batok Industrial Park A and is approximately 15.5 km from the City Centre. The property is a short drive from Pan Island Expressway and Ayer Rajah Expressway and is within close proximity to Bukit Batok MRT station and the bus interchange.

Property details

Valuation (S\$'million)	25.30
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.73
Capitalisation rate (%)	6.50
Acquisition date	19 April 2007
Purchase price (S\$'million)	18.00
Leasehold title expiry date	30 June 2055
Land area (sq m)	6,399.30
Gross floor area (sq m)	15,978.40
Net lettable area (sq m)	13,955.89
Property type	Light Industrial
Town planning	Business 1

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	59.5
Annual gross rental income FY2019 (S\$'million)	1.49

PROPERTY SHOWCASE

3 TOH TUCK LINK, SINGAPORE



The property comprises a part three-storey and part five-storey warehouse building with ancillary office space. The warehouse space is located at levels one and three while the ancillary office space spans over five floors. The

building is served by one passenger lift and one cargo lift, as well as seven loading and unloading bays with dock-levellers on the first storey.

It is located within the Toh Tuck Industrial Estate to the south-eastern side of Toh Tuck Link, bounded by Old Toh Tuck Road and Toh Tuck Avenue and is approximately 15.5 km from the City Centre. The property is a short drive from Jurong East MRT station, Clementi MRT station and bus interchanges. It is well-served by major roads and expressways such as Boon Lay Way, Commonwealth Avenue West, Ayer Rajah Expressway and Pan Island Expressway.

Property details

Valuation (S\$'million)	23.30
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.60
Capitalisation rate (%)	6.50
Acquisition date	11 January 2010
Purchase price (S\$'million)	19.30
Leasehold title expiry date	15 November 2056
Land area (sq m)	10,724.40
Gross floor area (sq m)	12,492.40
Net lettable area (sq m)	11,956.10
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	2.64

10 CHANGI SOUTH LANE, SINGAPORE



The property comprises a part five-storey and part seven-storey warehouse with

ancillary office space. The building has one passenger lift, three cargo lifts and eight loading and unloading bays with dock-levellers.

It is located within Changi South Industrial Estate. The property is well-served by expressways and major roads such as Pan Island Expressway, East Coast Parkway and is approximately 18.0 km from the City Centre. It is in close proximity to the Singapore Expo, Changi Business Park and Changi International Airport.

Property details

Valuation (S\$'million)	22.80
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.56
Capitalisation rate (%)	6.50
Acquisition date	19 April 2007
Purchase price (S\$'million)	33.80
Leasehold title expiry date	15 June 2056
Land area (sq m)	9,219.10
Gross floor area (sq m)	14,793.00
Net lettable area (sq m)	12,612.88
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	2.14

PROPERTY SHOWCASE

23 TAI SENG DRIVE, SINGAPORE



The property comprises a six-storey light industrial building with a basement car park. The building is used for warehousing, data-centre and ancillary

office and is served by two passenger lifts, one cargo lift and two loading and unloading bays with raised platform.

It is located at the eastern junction of Tai Seng Drive and Tai Seng Avenue, off Airport Road and Hougang Avenue 3, within the Tai Seng Industrial Estate and is approximately 9.5 km from the City Centre. The property is a short drive from Tai Seng MRT station and is well-served by major roads and expressways such as Paya Lebar Road, Eunos Link, Pan Island Expressway, Kallang-Paya Lebar Expressway as well as the Bartley viaduct.

Property details

Valuation (S\$'million)	22.80
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.56
Capitalisation rate (%)	6.25
Acquisition date	11 January 2010
Purchase price (S\$'million)	17.20
Leasehold title expiry date	31 July 2050
Land area (sq m)	3,813.60
Gross floor area (sq m)	9,493.10
Net lettable area (sq m)	8,456.43
Property type	Light Industrial
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	95.4
Annual gross rental income FY2019 (S\$'million)	2.37

11 CHANGI SOUTH STREET 3, SINGAPORE



The property comprises a four-storey industrial building which has 60 car park lots and industrial/warehouse space located at the basement. The

property is served by two passenger lifts, two cargo lifts and three common loading and unloading bays with dock-levellers.

It is located in a well-established industrial estate on the southern end of Changi South Street 3, north of Xilin Avenue within the Changi South Industrial Estate. It is approximately 15.5 km from the City Centre and is a short drive from Changi International Airport. The property is in close proximity to Expo MRT station and is well-served by Pan Island Expressway, East Coast Parkway and Tampines Expressway.

Property details

Valuation (S\$'million)	21.40
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.47
Capitalisation rate (%)	6.50
Acquisition date	17 December 2007
Purchase price (S\$'million)	20.80
Leasehold title expiry date	31 March 2055
Land area (sq m)	8,832.60
Gross floor area (sq m)	14,187.30
Net lettable area (sq m)	11,791.50
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	1.97

PROPERTY SHOWCASE

135 JOO SENG ROAD, SINGAPORE



The property comprises an eight-storey light industrial building with sheltered car parks on the first storey and a canteen located on the second storey.

The building is served by two passenger and two cargo lifts with four loading and unloading bays located on the first storey.

It is located at the north-western junction of Joo Seng Road and Jalan Bunga Rampai and is approximately 8.0 km from the City Centre. The property is in proximity to Tai Seng MRT station and Bartley MRT station. It is well-served by Upper Paya Lebar Road and Upper Aljunied Road, which are both directly linked with Central Expressway, Pan Island Expressway and Kallang-Paya Lebar Expressway.

Property details

Valuation (S\$'million)	20.70
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.42
Capitalisation rate (%)	6.25
Acquisition date	10 March 2008
Purchase price (S\$'million)	25.00
Leasehold title expiry date	30 June 2054
Land area (sq m)	5,420.10
Gross floor area (sq m)	12,385.00
Net lettable area (sq m)	9,666.35
Property type	Light Industrial
Town planning	Business 1

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	88.0
Annual gross rental income FY2019 (S\$'million)	2.22

61 YISHUN INDUSTRIAL PARK A, SINGAPORE



The property comprises a six-storey industrial building suitable for light manufacturing, warehouse, distribution and ancillary offices. The building is

served by one passenger lift and three cargo lifts as well as six loading and unloading bays with four dock-levellers located on the first storey.

It is located at the south-eastern side of Yishun Industrial Park A sited within the Yishun Industrial Estate and is approximately 21.5 km from the City Centre. The property is a short drive from Yishun MRT station, Sembawang MRT station and is well-served by major expressways and major roads such as Central Expressway and Yishun Avenue 2, which lead directly to the Seletar Expressway.

Property details

Valuation (S\$'million)	20.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.37
Capitalisation rate (%)	6.50
Acquisition date	21 January 2008
Purchase price (S\$'million)	24.60
Leasehold title expiry date	31 August 2052
Land area (sq m)	5,921.80
Gross floor area (sq m)	14,601.00
Net lettable area (sq m)	11,916.90
Property type	General Industrial
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	62.2
Annual gross rental income FY2019 (S\$'million)	1.44

PROPERTY SHOWCASE

56 SERANGOON NORTH AVENUE 4, SINGAPORE



The property comprises a seven-storey industrial building incorporating warehouse, production and ancillary office areas. The building is served by

one passenger lift, two cargo lifts and six loading and unloading bays with four dock-levellers.

It is located on the eastern end of Serangoon North Avenue 4, bounded by Yio Chu Kang Road to the east within the Serangoon North Industrial Estate and is approximately 11.5 km from the City Centre. The property is in proximity to Ang Mo Kio MRT station and is well-served by major expressways and roads such as Central Expressway, Seletar Expressway, Tampines Expressway, Yio Chu Kang Road and Ang Mo Kio Avenue 3 and 5.

Property details

Valuation (S\$'million)	19.50
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.34
Capitalisation rate (%)	6.25
Acquisition date	11 January 2010
Purchase price (S\$'million)	14.80
Leasehold title expiry date	15 May 2055
Land area (sq m)	4,999.10
Gross floor area (sq m)	11,750.95
Net lettable area (sq m)	9,899.93
Property type	Logistics and Warehouse
Town planning	Business 1

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	98.1
Annual gross rental income FY2019 (S\$'million)	2.28

541 YISHUN INDUSTRIAL PARK A, SINGAPORE



The property comprises a four-storey factory building primarily incorporating production, warehouse and ancillary offices. The building is served by one passenger lift and two cargo lifts as well

as six loading and unloading bays with dock-levellers located at the first storey.

It is located at the north-eastern junction of Yishun Industrial Park A which gives easy access to Yishun Avenue 2 or Yishun Avenue 7 and is approximately 20.0 km from the City Centre. The property is a short drive from Yishun MRT station and bus interchange. It is well-served by major arterial roads and expressways such as Gambas Avenue, Sembawang Road and Yishun Avenue 2 which directly link to Seletar Expressway and the upcoming North-South Corridor.

Property details

Valuation (S\$'million)	16.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.10
Capitalisation rate (%)	6.50
Acquisition date	3 October 2007
Purchase price (S\$'million)	16.80
Leasehold title expiry date	30 June 2054
Land area (sq m)	6,851.40
Gross floor area (sq m)	8,770.90
Net lettable area (sq m)	8,017.54
Property type	General Industrial
Town planning	Business 1

Lease terms

Lease type	Master Lease (King Plastic Pte Ltd)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	1.89

PROPERTY SHOWCASE

2 ANG MO KIO STREET 65, SINGAPORE



The property comprises an L-shaped three-storey detached factory building incorporating production area, laboratories, warehouse and office areas. Asset enhancement works for the property, which included the replacement of the existing passenger

and cargo lifts and the installation of an additional cargo lift, have been completed in December 2018.

It is located in the Ang Mo Kio Industrial Estate on the north-eastern junction of Ang Mo Kio Street 65 and Street 64, off Yio Chu Kang Road and Ang Mo Kio Avenue 6 and is approximately 14.0 km from the City Centre. The property is well-served by major arterial roads and expressways such as Central Expressway, Seletar Expressway and Tampines Expressway and is within close proximity to Yio Chu Kang MRT station and bus interchange.

Property details

Valuation (S\$'million)	16.00
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	1.10
Capitalisation rate (%)	6.50
Acquisition date	19 April 2007
Purchase price (S\$'million)	15.20
Leasehold title expiry date	31 March 2047
Land area (sq m)	5,610.20
Gross floor area (sq m)	7,325.00
Net lettable area (sq m)	6,255.00
Property type	General Industrial
Town planning	Business 1

Lease terms

Lease type	Master Lease (CIT Cosmeceutical Pte. Ltd)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	2.46

8 SENOKO SOUTH ROAD, SINGAPORE



The property comprises a six-storey food processing factory with an ancillary office building and a single-storey annex building. The building is served by one

passenger lift and two cargo lifts as well as five loading and unloading bays on the first storey.

It is located at the northern side of Senoko South Road, off Woodlands Avenue 8 and Admiralty Road West, within the Woodlands East Industrial Estate and is approximately 23.0 km from the City Centre. The property is a short drive from Admiralty MRT station, Sembawang MRT station and the upcoming Woodlands North MRT station. It is well-served by expressways such as Seletar Expressway, Bukit Timah Expressway and the upcoming North-South Corridor.

Property details

Valuation (S\$'million)	12.40
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	0.85
Capitalisation rate (%)	6.50
Acquisition date	19 April 2007
Purchase price (S\$'million)	12.80
Leasehold title expiry date	31 October 2054
Land area (sq m)	7,031.30
Gross floor area (sq m)	9,249.00
Net lettable area (sq m)	7,278.80
Property type	General Industrial
Town planning	Business 2

Lease terms

Lease type	Master Lease (Sin Hwa Dee Food Stuff Industries Pte Ltd)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	1.43

PROPERTY SHOWCASE

7 CLEMENTI LOOP, SINGAPORE



The property comprises a warehouse and office building with a single level high-bay warehouse and a four-storey

ancillary office block. There are eight loading and unloading bays with dock-levellers within the development. Vertical access for the ancillary office block is via a passenger lift.

It is located within the well-established Clementi West Distripark, on the western side of Clementi Avenue 6 and is approximately 13.0 km from the City Centre. The property is a short drive from Clementi MRT station and is well-served by Pan Island Expressway, Ayer Rajah Expressway and West Coast Highway.

Property details

Valuation (S\$'million)	12.20
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	0.84
Capitalisation rate (%)	6.50
Acquisition date	31 March 2008
Purchase price (S\$'million)	18.30
Leasehold title expiry date	15 June 2053
Land area (sq m)	9,998.30
Gross floor area (sq m)	9,081.30
Net lettable area (sq m)	8,099.31
Property type	Logistics and Warehouse
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	94.2
Annual gross rental income FY2019 (S\$'million)	1.17

1 KALLANG WAY 2A, SINGAPORE



The property comprises an eight-storey building used for light industrial production and ancillary offices. The

building is served by two passenger lifts, one cargo lift, one fire lift and three loading and unloading bays.

It is located on the western junction of Kallang Way 2A and Kallang Way and is approximately 6.5 km from the City Centre. The property is a short drive from Aljunied, MacPherson, Geylang Bahru and Mattar MRT stations. It is well-served by Pan Island Expressway, Central Expressway, Kallang-Paya Lebar Expressway, MacPherson Road and Aljunied Road.

Property details

Valuation (S\$'million)	12.20
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	0.84
Capitalisation rate (%)	6.25
Acquisition date	30 January 2008
Purchase price (S\$'million)	14.00
Leasehold title expiry date	30 June 2055
Land area (sq m)	3,231.40
Gross floor area (sq m)	8,029.29
Net lettable area (sq m)	6,583.50
Property type	Light Industrial
Town planning	Business 2

Lease terms

Lease type	Multi-tenanted
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	1.17

PROPERTY SHOWCASE

26 TUAS AVENUE 7, SINGAPORE



The property comprises a two-storey purpose-built factory with a mezzanine office level. The building has four loading and unloading bays and one cargo lift.

It is located at the junction of Tuas Avenue 7 and Tuas West Road within the Jurong Industrial Estate. The property is well-served by major arterial roads and expressways such as Jalan Ahmad Ibrahim, Ayer Rajah Expressway and Pan Island Expressway and is approximately 27.5 km from the City Centre. The property is a short drive from Tuas West Road and Tuas Link MRT stations and the Tuas Checkpoint, the second causeway between Singapore and Malaysia.

Property details

Valuation (S\$'million)	11.90
Valuation date	31 March 2019
Valuation as percentage of total portfolio value (%)	0.82
Capitalisation rate (%)	6.50
Acquisition date	19 April 2007
Purchase price (S\$'million)	8.30
Leasehold title expiry date	31 December 2053
Land area (sq m)	5,823.30
Gross floor area (sq m)	6,642.16
Net lettable area (sq m)	5,715.13
Property type	General Industrial
Town planning	Business 2

Lease terms

Lease type	Master Lease (Aalst Chocolate Pte Ltd)
Occupancy of property (%)	100.0
Annual gross rental income FY2019 (S\$'million)	1.26

3 TUAS AVENUE 2, SINGAPORE



Artist's impression

The property is currently being developed into a four-storey ramp-up industrial facility and is expected to be completed in the second half of 2019.

As at 31 March 2019, approximately 54.0% of the development has been completed.

It is located on the north-western side of Tuas Avenue 2, near its junction with Pioneer Road, within the Jurong Industrial Estate. The property is in close proximity to Pan Island Expressway, Ayer Rajah Expressway and Tuas Crescent MRT station and is approximately 26.0 km from the City Centre. The property is also a short drive from the Tuas Checkpoint, the second causeway between Singapore and Malaysia.

Property details

Valuation on "As is" basis (S\$'million)	32.70
Valuation on "Completed" basis (S\$'million)	51.80
Valuation date	31 March 2019
Valuation on "As is" basis as percentage of total portfolio value (%)	2.24
Capitalisation rate (%)	6.25
Acquisition date	19 April 2007
Purchase price (S\$'million)	20.80
Leasehold title expiry date	15 March 2055
Land area (sq m)	17,802.70
Proposed gross floor area (sq m)	24,876.10
Proposed net lettable area (sq m)	24,876.10
Property type	General Industrial
Town planning	Business 2

Lease terms

Lease type	NA
Occupancy of property (%)	Under development

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

The following report dated 30 April 2019 was prepared by Knight Frank Pte Ltd ("Knight Frank") for the purpose of inclusion in this Annual Report and incorporates information up to that date, and excludes any information arising or event occurring after that date.

1. OVERVIEW OF THE SINGAPORE ECONOMY

1.1 Singapore economic performance

According to the media release by Ministry of Trade and Industry ("MTI"), the Singapore economy grew by 3.2% in 2018, slightly slower than the 3.9% growth in 2017. The expansion in 2018 was largely due to the expansion of the Electronics, Transport Engineering, Biomedical, Finance and Insurance, Business Services and Wholesale and Retail Trade sectors, although growth in the Electronics sector showed signs of slowing towards the end of 2018.

The Transport Engineering sector expanded the most in 2018, with its index of Industrial Production increasing by 14.9% in 2018. The Marine & Offshore Engineering, supported by improvement in oil prices, and Aerospace subsectors registered a growth of 18.8% and 15.6% respectively. Whether the high growth in Marine & Offshore Engineering in 2018 is sustainable depends largely on the outlook of oil prices. The Electronics sector expanded by 7.6%, led by higher output from the Semiconductors subsector, which recorded an increase in output by 12.3% in 2018. Biomedical sector saw a 7.7% improvement in output, with the output index of Pharmaceuticals and Medical Technology rising by 8.0% and 6.9% respectively.

The slowdown in the Electronics sector weighed down on overall Singapore Gross Domestic Product ("GDP") growth in 4Q 2018. The Singapore economy expanded by 1.9% on a year-on-year ("y-o-y") basis, lower than the 2.4% y-o-y growth in 3Q 2018.

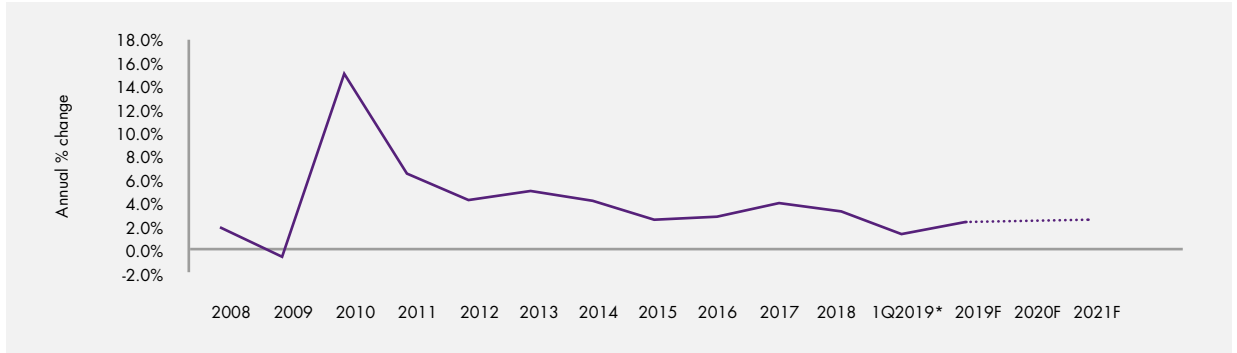
The slower growth further extended to 1Q 2019, according to the flash estimates by MTI. Singapore GDP recorded 1.3% y-o-y growth, lowest since the global financial crisis.

Notwithstanding, the Singapore labour market remained tight. Total employment (excluding Foreign Domestic Workers) grew by 38,300 in 2018, a reversal from the decline in 2017. The annual average resident unemployment rate also fell to 2.9% in 2018, lower than 3.1% in 2017. Retrenchments declined to 10,730 jobs in 2018, lower than that in 2017 (14,720).

MTI forecasted the economic growth in 2019 to be between 1.5% and 3.5% (Exhibit 1-1), with growth projected to come in slightly below the mid-point of the forecast range. The outlook of the Singapore economy was more cautious because of potential economic headwinds and geopolitical uncertainty faced by Singapore's key final demand markets such as United States, China, the Eurozone and ASEAN-5. Within ASEAN, Indonesia, Philippines and Thailand are holding their elections in 2019. Despite the uncertain environment, there is still much potential upside for the Singapore economy. Southeast Asia remains to be one of the most promising regions, given its burgeoning middle-income population. Singapore being the regional hub will benefit greatly from the growth in Southeast Asia. Additionally, there is a possibility of China and United States reaching a trade deal, which will accelerate economic growth at a faster pace.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Exhibit 1-1: Singapore GDP growth rate, 2008 to 2021F



Source: IMF, MTI, Singstat, Knight Frank Research.

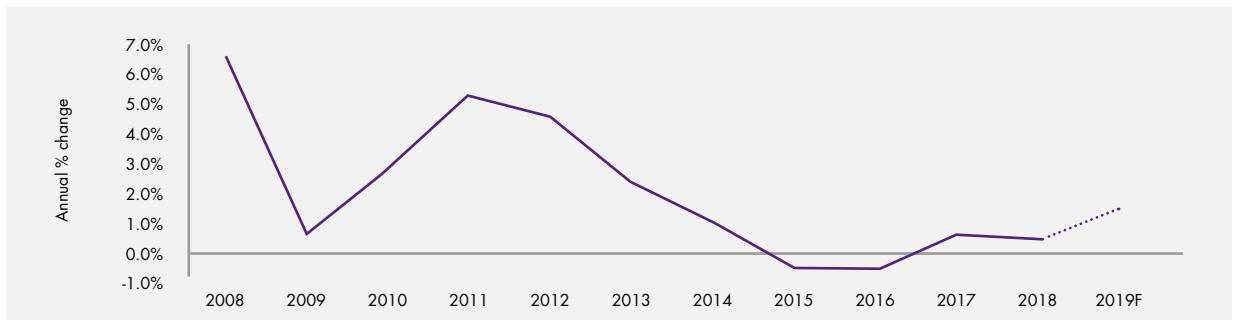
*Based on flash estimates from MTI dated 12 April 2019.

1.2 Inflation rate

For the whole of 2018, core inflation rose to 1.7% from 1.5% in 2017 (Exhibit 1-2). Higher global oil prices, improving job market, and faster pace of wage growth contributed to the inflation. However, Singapore's core inflation started to ease to 1.5% y-o-y in February 2019 from 1.7% y-o-y in January 2019 and 1.9% y-o-y in December 2018. The moderation in inflation was because of slower growth in cost of electricity and gas. The cost of electricity and gas rose by 5.5% y-o-y in February 2019, compared to the 6.5% y-o-y increase in January 2019 and 14.6% in December 2018. This was largely due to a downward revision in electricity tariffs given lower oil prices, as well as the effect of the phased nationwide launch of the Open Electricity Market in electricity prices.

According to the Monetary Authority of Singapore ("MAS") and MTI joint press release, MAS core inflation is projected to be in the range of 1.5% to 2.5% for 2019. Singapore's tight labour market conditions and strong wage growth should continue to add to increasing price pressures. However, we expect inflation likely to be capped by greater market competition in consumer segments such as telecommunications and electricity, and possibly lower global oil prices in 2019, barring any external shocks.

Exhibit 1-2: Singapore inflation rate, 2008 to 2019F



Source: MTI, Singstat, MAS, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

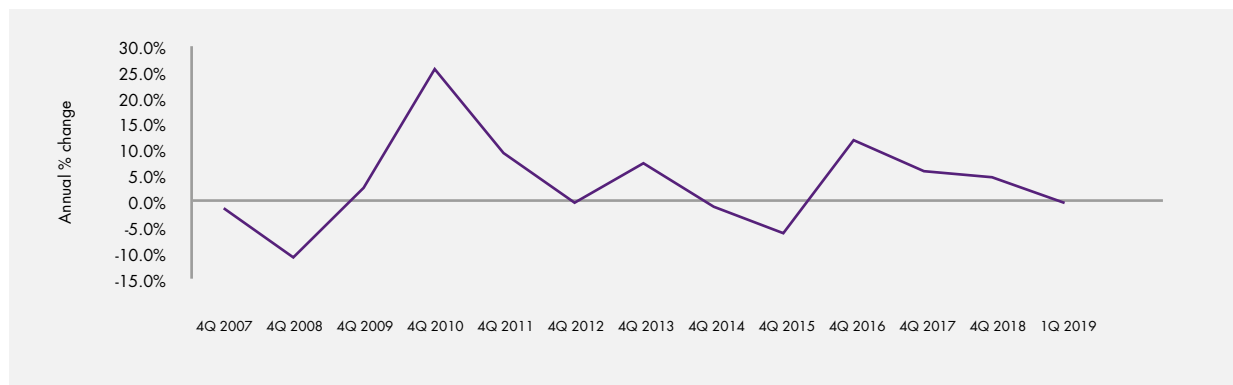
1.3 Manufacturing sector

According to the advanced estimates by MTI, the GDP of the manufacturing sector declined 1.9% y-o-y in 1Q 2019, a contrast from the 5.1% y-o-y growth in 4Q 2018 (Exhibit 1-3). The expansions in output of the Biomedical Manufacturing and Transport Engineering clusters in 1Q 2019 were not able to offset the output declines in both Precision Engineering and Electronic clusters.

Based on the Industrial Output Index, total manufacturing output declined by 0.5% y-o-y in 1Q 2019. Output of the Electronics cluster dropped by 4.6% y-o-y in 1Q 2019, with Data Storage and Computer Peripherals recording 24.9% and 18.2% y-o-y respectively. Output from the Precision Engineering cluster recorded a 13.9% decline y-o-y in 1Q 2019 due to lower production of semi-conductor equipment. In contrast, output from the Biomedical Manufacturing expanded by 12.9% in 1Q 2019, boosted by the 15.1% y-o-y growth in Pharmaceuticals. Output from the Transport Engineering sector increased 4.2% y-o-y, driven by growth in the Land Transport and Aerospace segments. The improvement in the Pharmaceuticals and Transport Engineering sectors will lead to higher demand for special purpose-built industrial spaces with high specifications. Given their nature of operations of Biomedical Manufacturing, CleanTech spaces will remain in demand.

Moving forward, most firms in the manufacturing sector expect business conditions from January to June 2019 to remain the same as in 4Q 2018. Within the manufacturing sector, the biomedical manufacturing and the transport engineering clusters expect a positive business outlook in 1H 2019.

Exhibit 1-3: Singapore index of industrial production, 4Q 2007 to 1Q 2019

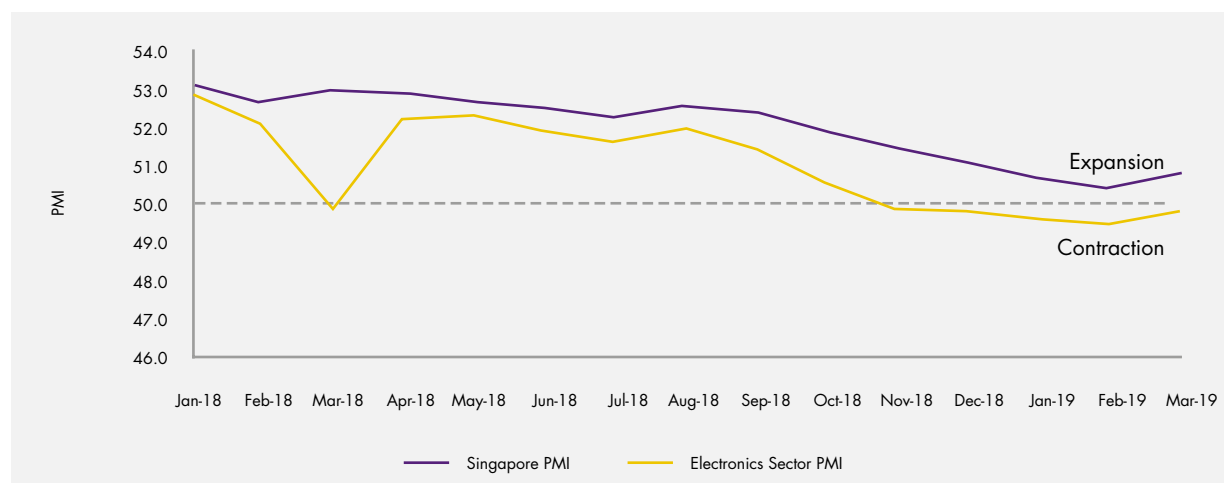


Source: Singstat, Knight Frank Research.

According to Singapore Purchasing Managers' Index ("PMI"), the manufacturing sector expanded at a slower pace, weighed down by subdued demand for electronics output over past six months. However, the decline in growth rate seemed to moderate in March 2019. The PMI was on a downward trend for six months from September 2018 to February 2019, but it reversed the downtrend in March 2019 by edging up 0.4 points from February 2019. The month-on-month improvement in PMI was attributed to faster growth recorded in new orders, new exports, factory output and inventory level. The Electronics sector contracted at a slower pace, posting an improvement of 0.3 point from February 2019. Nevertheless, the sector PMI has been declining since November 2018 (Exhibit 1-4).

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Exhibit 1-4: Singapore PMI and electronics sector PMI, Jan 2018 to Mar 2019

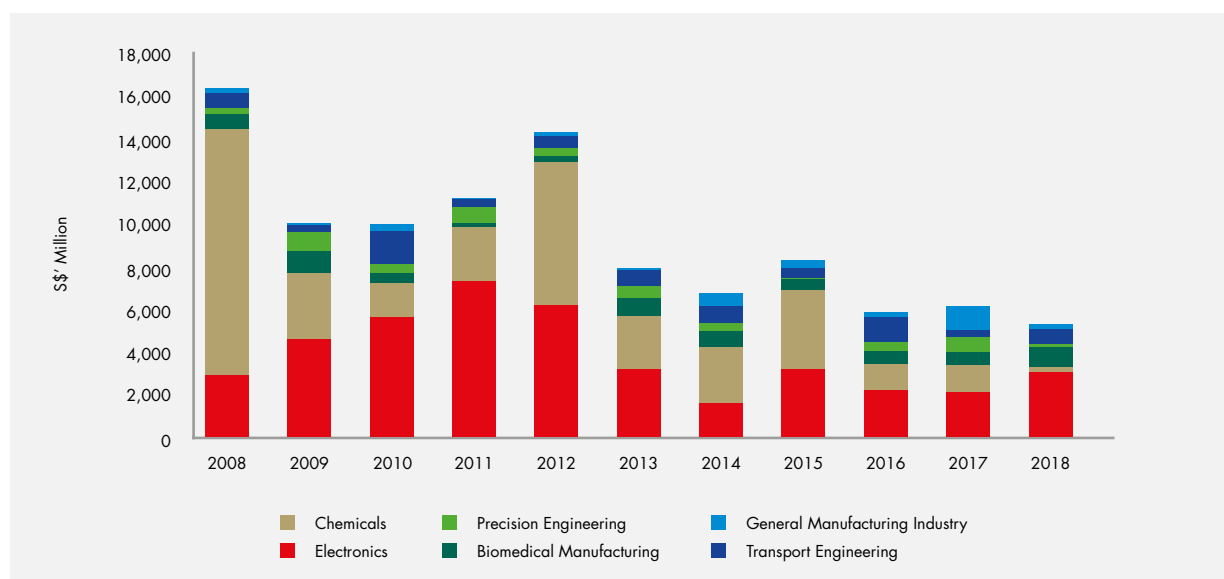


Source: SIPMM, Knight Frank Research.

The fixed asset investment of manufacturing contracted by 14.4% from S\$6.2 billion in 2017 to S\$5.3 billion in 2018 (Exhibit 1-5). The Precision Engineering and General Manufacturing sectors cut back their investments by 75.4% and 82.1% to S\$157 million and S\$195 million in 2018 respectively.

In contrast, the fixed asset investments of the Biomedical and Transport Engineering sectors increased, as both sectors anticipate higher growth from January to June 2019. The Transport Engineering sector recorded a 77% y-o-y growth in fixed asset investments, and the Biomedical Manufacturing sector saw a 47% y-o-y raise in their fixed asset investments.

Exhibit 1-5: Industrial fixed asset investment, 2008 to 2018



Source: Singstat, Knight Frank Research.

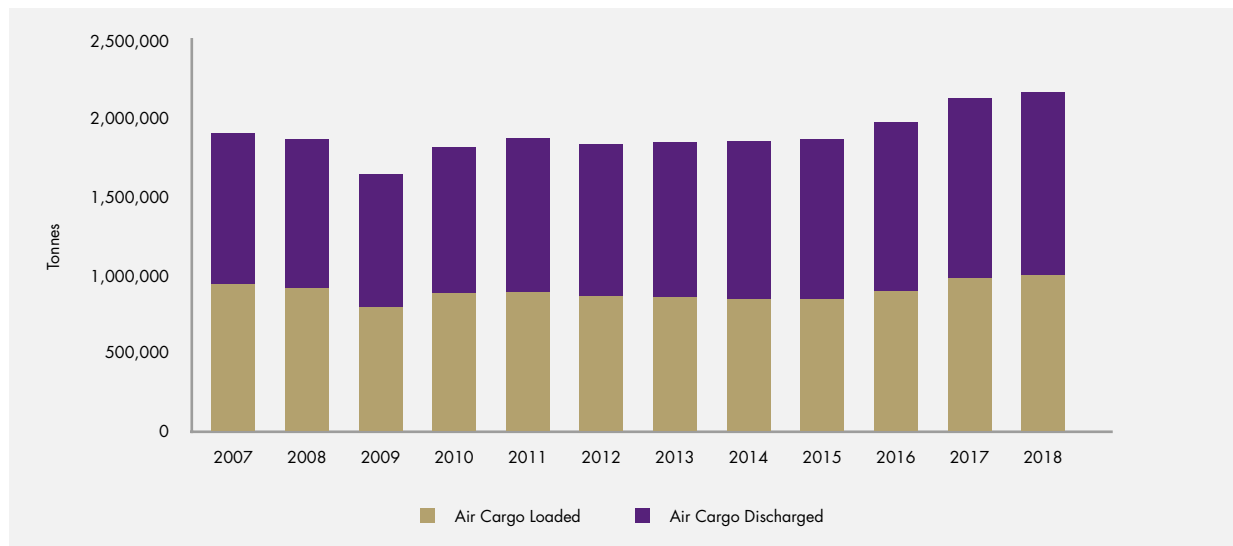
OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

1.4 Logistics sector

The Transportation and Logistics sector continued to grow sustainably in 2018, expanding by 1.5% to S\$33.3 million. The air cargo handled in Singapore rose by 1% to 2.2 million tonnes in 2018 (Exhibit 1-6) while the total container throughput rose by 9% to 36.6 million TEUs in 2018 (Exhibit 1-7). Despite the uncertain external environment, Singapore continues to strive as a regional hub for logistic players, offering excellent infrastructure and connectivity. According to World Bank's Logistics Performance Index 2018, Singapore ranks seventh in the world and third for logistics competence. The upcoming Changi East industrial zone, part of the Changi East Project, and the New Tuas Megaairport will further push the sector to grow exponentially, benefitting from the expected growth of the region.

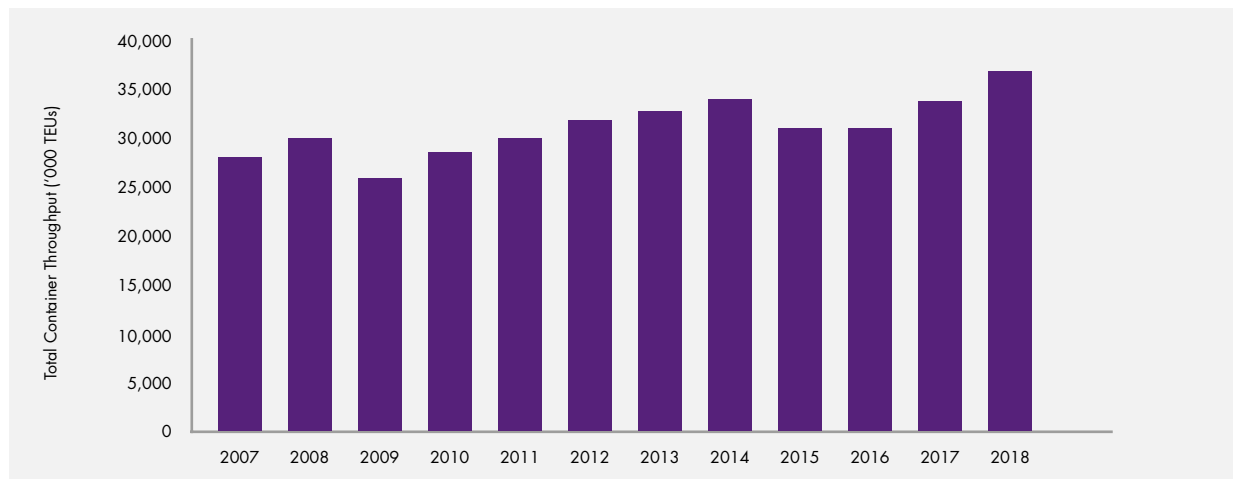
The Tuas Megaairport is slated to open progressively from 2021 and targeted for completion in 2040. The mega terminal will have a total capacity of up to 65 million TEUs, more than the combined 50 million TEUs capacity of the current city terminals. Separately, the Changi East industrial zone, scheduled to complete in 2030, will be developed for airfreight, air express, and Maintenance, Repair and Operations (MRO) activities. Together with the remodelled Changi Airfreight Centre, Changi's handling capabilities will increase to 5.4 million tonnes when the project is completed.

Exhibit 1-6: Air cargo handled in Singapore, 2007 to 2018



Source: Civil Aviation Authority of Singapore, Knight Frank Research.

Exhibit 1-7: Total container volume, 2007 to 2018



Source: Maritime and Port Authority of Singapore, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

1.5 Singapore economic outlook for 2019

MTI forecasts Singapore economic growth to range from 1.5% to 3.5%, and growth is expected to come in slightly below the midpoint of the forecast range. The slower growth projection, compared to 2018 GDP growth, comes on the back of weaker global economic outlook and softened global demand. The outlook in 2019 was weighed down by the trade tensions between United States ("U.S.") and China, heightened risks of the United Kingdom leaving the European Union without a withdrawal agreement, and mounting concerns of China's economy slowing.

Recent releases of statistics also indicated that the key advanced economies were either growing at a slower pace or contracting. The U.S. manufacturing sector expanded at a slower pace and Germany's manufacturing sector contracted for the third successive month in February 2019, according to its PMI. China's National Bureau of Statistics also reported that the profits of manufacturing in January 2019 and February 2019 fell by 15.7% y-o-y and oil processing firms saw their profits dropping by 70.4% y-o-y.

Notwithstanding, the U.S. Federal Reserve indicated that it would not raise its interest rate in 2019, and the announcement would likely ease the pressure on economy. Separately, there is a possibility that U.S. and China can settle on a trade agreement, and a trade deal will reverse the growth outlook.

According to MTI, the manufacturing sector is expected to expand at a slower pace in 2019 compared to 2018. The electronics and precision engineering clusters are expected to face external headwinds due to weakening global demand for semi-conductors and semi-conductor equipment.

Separately, the logistics sector is also expected to grow despite the trade frictions. While there may be disruption in supply chain with facilities relocating to Southeast Asia, it may benefit Singapore given its hub status in the region. Singapore is expected to retain its position as the leading logistics hub in the region with the completion of the new Tuas Megaport, and Changi Airport Terminal 5.

Additionally, the internet economy in Southeast Asia is expected to grow according to the e-Economy SEA Spotlight 2018 report by Temasek and Google. The Southeast Asia internet economy should reach US\$240 billion by 2025, US\$40 billion more than what was previously estimated.

2. SINGAPORE GOVERNMENT POLICIES AFFECTING THE INDUSTRIAL PROPERTY MARKET

2.1 Singapore Budget 2019

The Government will continue to build Singapore's position as a Global-Asia node of technology, innovation and enterprise so that Singapore firms and people can ride on the wave of Industry 4.0. This includes continuing investment in research and development and develop new sectors such as agrotechnology. Enterprise Singapore's investment arm has appointed seven partners to co-invest in Singapore-based AgriFood startups.

The worker levy rates for marine shipyard and process sectors will be deferred for another year as these sectors only started showing signs of recovery.

The carbon tax will apply to this year's emissions and the excise duty for diesel will be raised by 10 cents per litre to 20 cents per litre effective immediately.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

2.2 Draft Master Plan 2019

Three major gateways in the west, north and east are being planned. The western gateway, comprising Jurong Lake District, Jurong Innovation District and Tuas terminal, will boost synergies through knowledge sharing and collaborations between industries and academia. The northern gateway will be anchored by the Northern Agri-tech and Food Corridor with Woodlands serving as the strategic centre. Punggol Digital District will house key growth sectors in the digital economy. The eastern gateway will host aviation-related business and host innovative lifestyle business cluster at Changi City.

2.3 Singapore designates one-north as drone estate

The Ministry of Transport, the Civil Aviation Authority of Singapore and JTC Corporation will designate one-north as a drone estate. Under this initiative, approved operators and research users can carry out trials and operations at one-north. This will encourage demand from the aviation industry, as the area offers an urban environment for testing bedding innovative unmanned aircraft systems (UAS).

2.4 Developing Phase Three of the concept development for JTC aeroSpace

JTC will embark on close engagement with industry stakeholders to develop Phase Three of JTC aeroSpace. The objective is to offer quick-start solutions for companies and to allow new players to enter the aerospace industry with greater ease.

2.5 Three-year roadmap for logistics sector to push for technology adoption

The Singapore Logistics Association (SLA) is working with the members of the Logistics Alliance to spearhead a three-year roadmap on technology adoption, such as the use of data analytics, automated storage and retrieval system and artificial intelligence as well as exploring overseas markets. Apart from establishing platforms to showcase technology and digital applications in the logistics sector, the workgroup will also pilot proof-of-concept projects through the Centre of Innovation for Supply Chain Management @ Republic Polytechnic.

3. OVERVIEW OF INDUSTRIAL MARKET

The total stock of industrial space, both private and public sector, in Singapore amounted to 528.4 million sq ft as at 1Q 2019. The y-o-y increase in the industrial stock in 1Q 2019 moderated to 1.9% from 3.2% in 1Q 2018, as the Government adopted a measured approach in increasing the stock.

About 50.3% of the total stock was single-user factory space, while multiple-user and warehouse space accounted for 23.2% and 22.0% of total stock respectively. Business Park spaces formed only 4.5% of the industrial space in Singapore.

Net absorption of the industrial space also declined from 15.9 million sq ft in 2017 to 12.3 million sq ft in 2018. Notwithstanding, the net absorption in 1Q 2019 was higher at 3.2 million sq ft compared to -162,000 sq ft in 1Q 2018. Correspondingly, the occupancy rate of industrial space has improved by 0.3 percentage-points to 89.3% in 1Q 2019.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

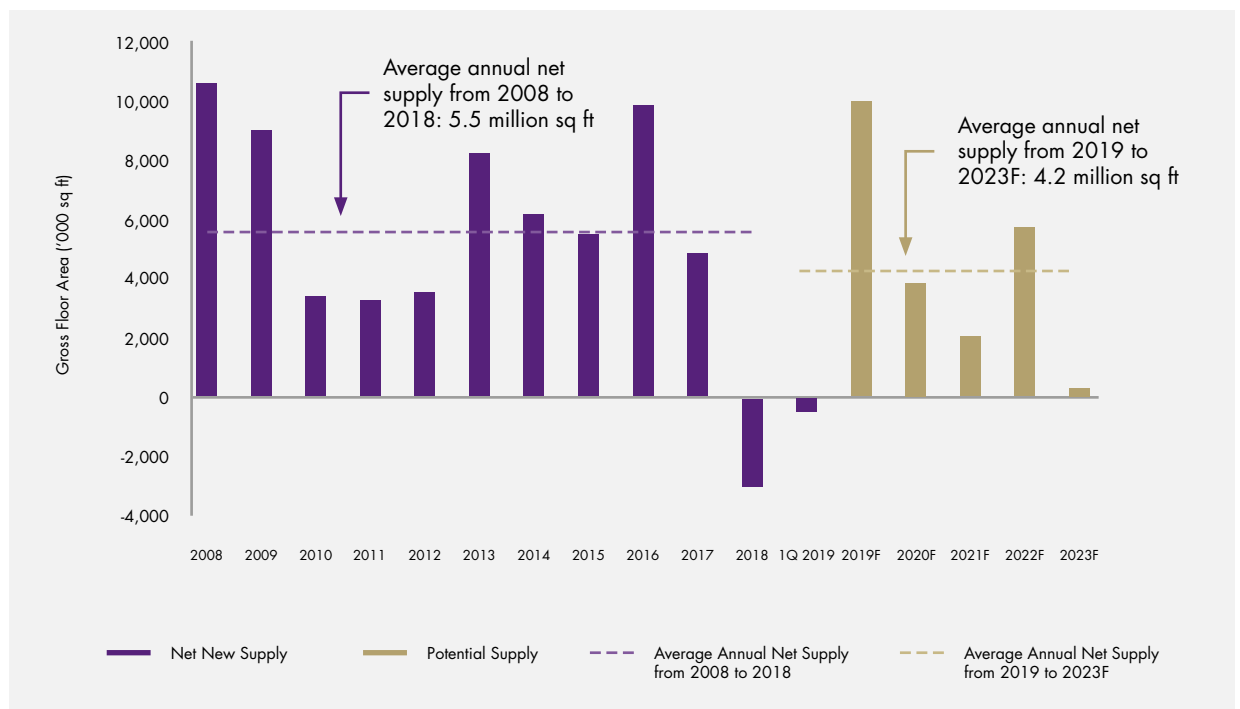
4. REVIEW OF PRIVATE SINGLE-USER FACTORY MARKET SEGMENT

4.1 Existing and potential supply

As at 1Q 2019, the stock for private single-user factory rose by 0.2% y-o-y to approximately 225.4 million sq ft. Geographically, the West Region accounted for 54% or 121.7 million sq ft of private single-user factory space, followed by the North Region (42.8 million sq ft). The East Region recorded the largest percentage increase in the stock by 1.4% y-o-y.

Moving forward, the annual average single-user factory space coming on stream from 2Q 2019 to 2023 is about 4.2 million sq ft, slightly lower than the annual average supply of 5.5 million sq ft from 2008 to 2018. About 9.9 million sq ft of single-user factory space is expected to come on stream from 2Q 2019 to 4Q 2019 (Exhibit 4-1). Notable upcoming completions include the additions and alteration works on a single-user factory at North Coast Drive and a single-user factory at Tuas West Drive (Exhibit 4-2).

Exhibit 4-1: Net new and potential supply of single-user factory space, 2008 to 2023F



Source: JTC, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Exhibit 4-2: Selected major upcoming single-user factory space

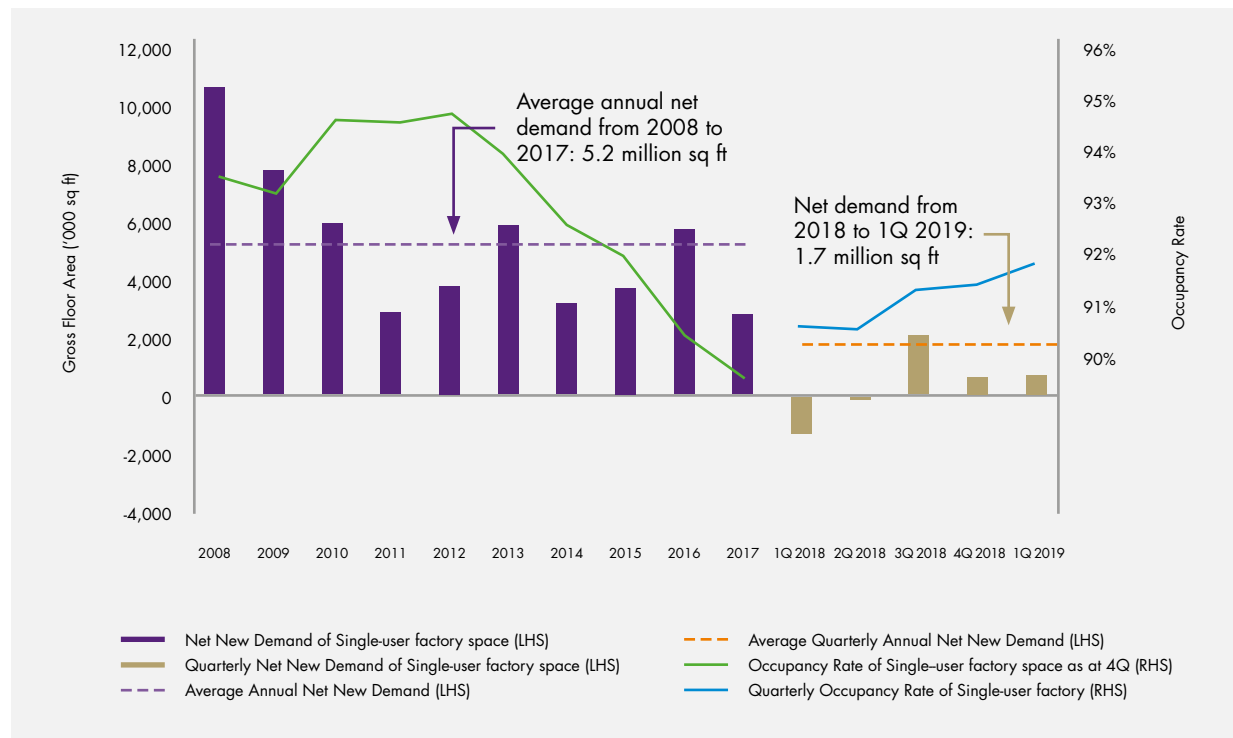
Project	Street/location	Developer	Gross floor area (sq ft)	Year
Additions/alterations to existing factory	North Coast Drive	Micron Semiconductor Asia Operations Pte Ltd	2,812,822	2019
Single-user factory	Tuas West Drive	Tuas West Drive Pte Ltd	310,431	2019
Single-user factory	Sungei Kadut Street 2	Redwood Interior Pte Ltd	161,459	2019
Single-user factory	Tuas Bay Drive	AEL Enviro (Asia) Pte. Ltd.	155,861	2019
Single-user factory	Senoko Way	D.A. Foods Industries Pte Ltd	129,167	2019

Source: JTC, Knight Frank Research.

4.2 Demand and occupancy

The occupancy rate of single-user factory progressively went up to 91.8% in 1Q 2019 from 90.6% in 1Q 2018 (Exhibit 4-3). On a y-o-y basis, net new demand went up from -1.4 million sq ft in 1Q 2018 to 599,000 sq ft in 1Q 2019. While net new demand showed signs of trending downwards from 2017-to-date, the drop in net absorption was likely in correspondence to the drop in net supply in 2018.

Exhibit 4-3: Net demand and occupancy rate of single-user factory space, 2008 to 1Q 2019



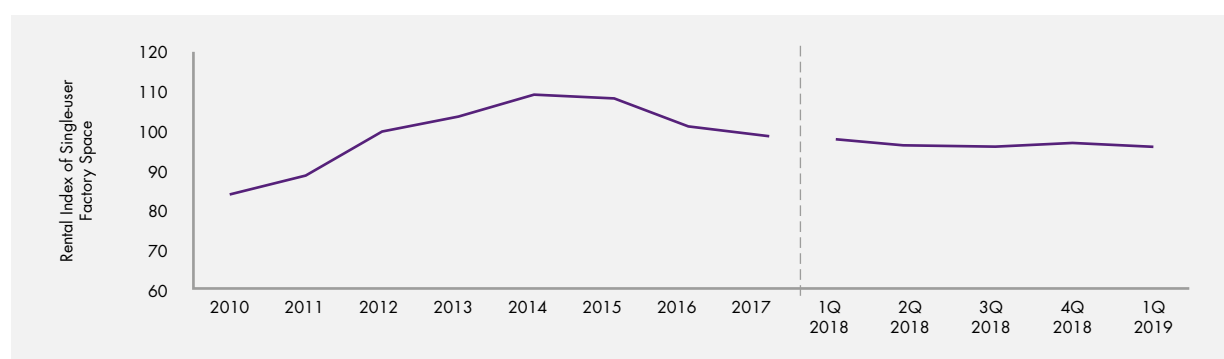
Source: JTC, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

4.3 Rents of single-user factory space

With occupancy improving, the rents of single-user factory space were stabilised. The rental index of single-user factory space declined by 1.7% y-o-y in 1Q 2019, slower than the 2.6% y-o-y decline in 4Q 2017 (Exhibit 4-4). The number of tenancies in single-user factory space also increased to 475 in 2018 from 374 tenancies in 2017. The increase in tenancies further extended to 1Q 2019, improving by 31.8% y-o-y to 170 tenancies.

Exhibit 4-4: Rental index of single-user factory space, 2010 to 1Q 2019

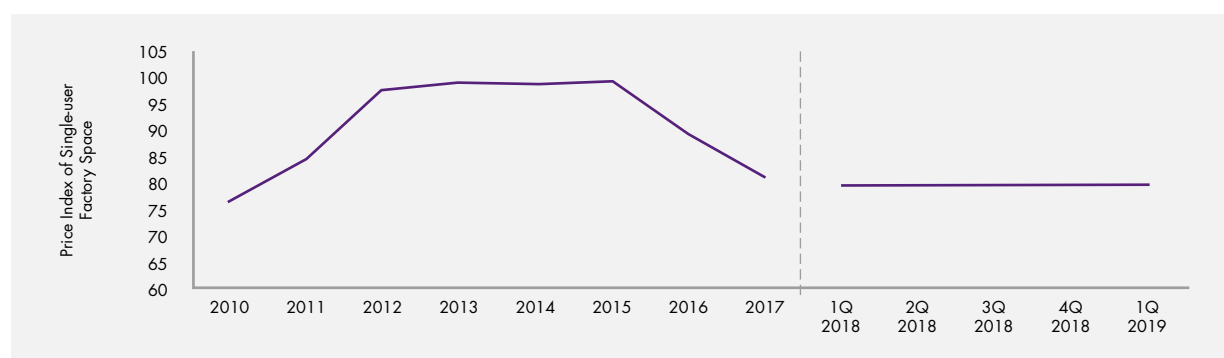


Source: JTC, Knight Frank Research.

4.4 Prices of single-user factory space

Prices of single-use factory space increased by 0.4% y-o-y in 1Q 2019, as it seemed that prices were bottoming out (Exhibit 4-5). The improvement started in 3Q and 4Q 2018, inching upwards by 0.1% ("q-o-q") and 0.3% q-o-q respectively.

Exhibit 4-5: Price index of single-user factory space, 2010 to 1Q 2019



Source: JTC, Knight Frank Research.

4.5 Outlook of the single-user factory segment

The rents of single-user factory space are likely to face pressure to decline in 2019, as demand is expected to slow down with firms in the precision engineering and electronic sectors unlikely to increase their physical footprint. Additionally, there is more supply coming on stream into the market in 2019. Notwithstanding, we expect any blip in rents to be transitory, as there is limited supply in the pipeline in 2020 and 2021.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Demand for high-specification and build to suit industrial spaces to ramp up in the mid-term

As the manufacturing sector increasingly adopts technology and automation in their work processes, there will be added demand for high-specification industrial spaces. More precisely, industrialists are seeking out industrial spaces with heavy floor load and high electrical load to support their machineries. Since the manufacturing sector is still in the infancy stage of automation, this could be an opportunistic time for owners of conventional factory spaces to upgrade and futureproof their existing facilities. For industrialists that can undertake larger industrial space, more of them are on the lookout for greenfield sites which can be build-to-suit facilities for their operations.

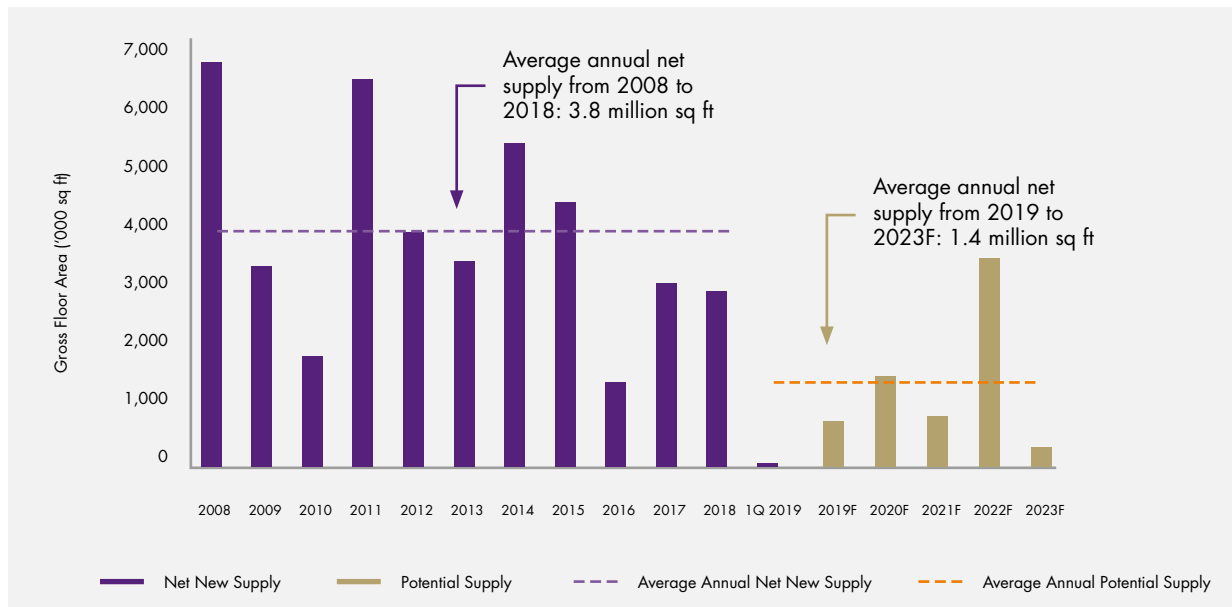
5. REVIEW OF PRIVATE MULTIPLE-USER FACTORY MARKET SEGMENT

5.1 Existing and potential supply

The total stock of private multiple-user stock was 102.7 million sq ft in 1Q 2019, increasing by 1.7% from 101.0 million sq ft in 1Q 2018. The Central region accounted for 40.4%, or 41.5 million sq ft, of the total private multiple-user factory space. On a y-o-y basis, the East region saw the largest increase in floor area at 6.2% followed by the North region at 4.3%.

Net new supply, however, declined from 3.0 million sq ft in 2017 to 2.9 million sq ft in 2018. The upcoming supply from 2019 to 2023 was about 1.4 million sq ft, less than the annual average net supply of 3.8 million sq ft from 2008 to 2018 (Exhibit 5-1). Notable projects that are coming on stream in 2019 include the extension and additions/alterations to existing factories at Jurong East Street 21 and the Food Concept @ 239 Pandan Loop. With the market reaching a new steady state, the government also moderated the pipeline supply accordingly in view of the slowing manufacturing sector (Exhibit 5-2).

Exhibit 5-1: Net new and potential supply of multi-user factory space, 2008 to 2023F



Source: JTC, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Exhibit 5-2: Selected major upcoming multiple-user factory space

Project	Street/location	Developer	Gross floor area (sq ft)	Year
Extension and additions/alterations to existing factory	Jurong East Street 21	Singapore Technologies Electronics Limited	242,187.8	2019
Food Concept @ 239 Pandan Loop	Pandan Loop	JVA Pandan Pte Ltd	75,670.2	2019
Multiple-user factory	Tuas South Link 1	Yee Lee Development Pte Ltd	507,733.2	2020

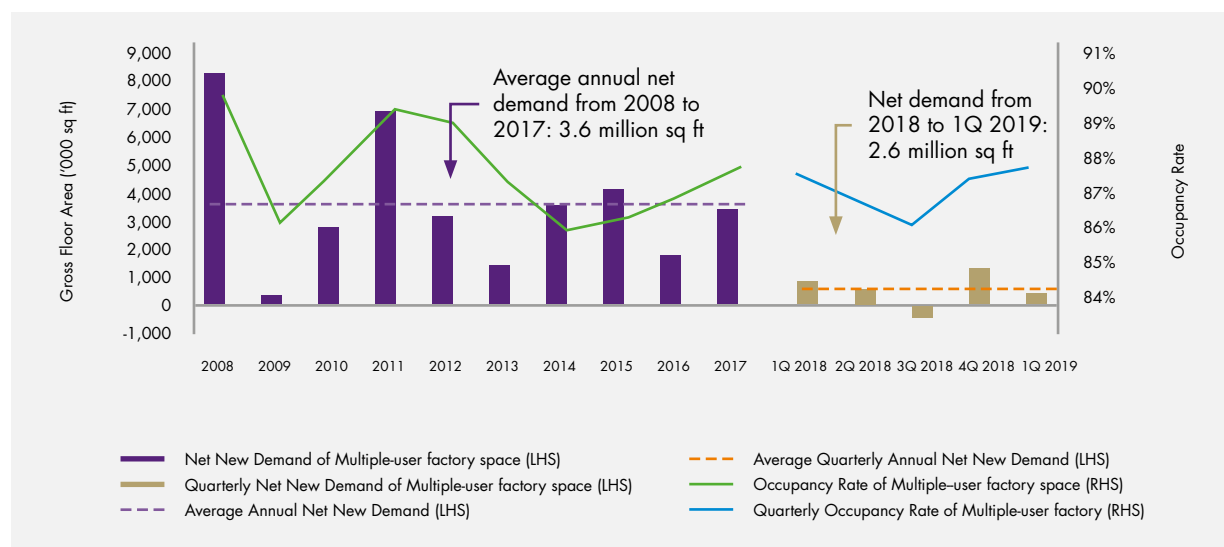
Source: JTC, Knight Frank Research.

5.2 Demand and occupancy

Although net new demand went down to 2.2 million sq ft in 2018 from 3.4 million sq ft, the occupancy rates of private multiple-user factory in 4Q 2018 was 87.4%, marginally lower than the 87.7% in 4Q 2017 (Exhibit 5-3). Net new demand for multiple-user factory remained positive in 1Q 2019 at 0.4 million sq ft, with occupancy rate reaching 87.7%.

Only the North Region recorded an increase in occupancy rate of private multiple-user factory space in 1Q 2019. The other regions registered a decline in occupancy rate with the East region seeing the largest dip in occupancy by 2 percentage-points. While the headwinds faced by the manufacturing sector will pressure demand for multiple-user factory space to moderate, the limited supply in market is likely to cushion the decline in demand.

Exhibit 5-3: Net new demand and occupancy rate supply of multi-user factory space, 2008 to 1Q 2019



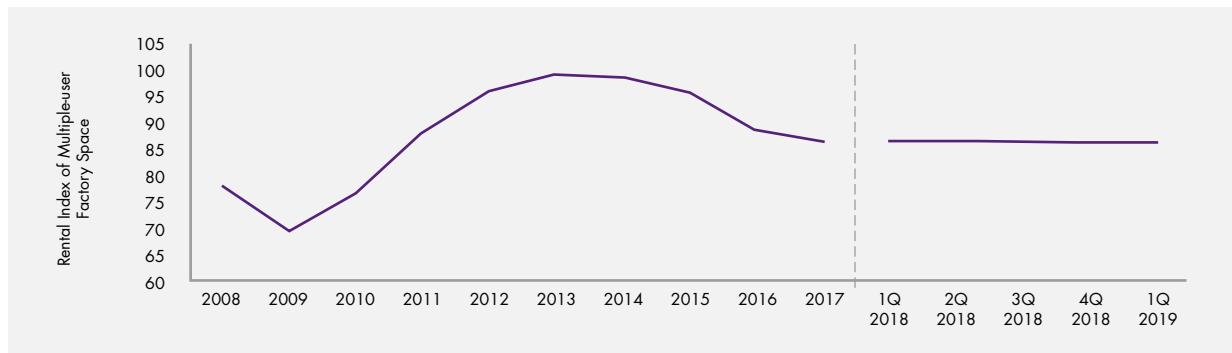
Source: JTC, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

5.3 Rents of multiple-user factory space

With occupancy levels of private multiple-user factory maintaining at a decent level, the rental index for multi-user factory space increased by 1.3% y-o-y in 1Q 2019 (Exhibit 5-4). Notwithstanding, the market tends to be segmented, with rents of ground floor units and rents of those with better specifications performing better than the others.

Exhibit 5-4: Rental index of multiple-user factory space, 2008 to 1Q 2019



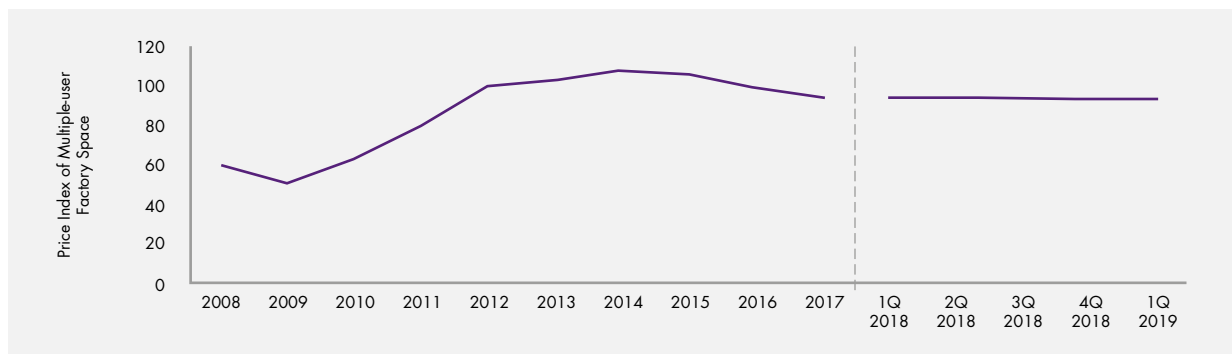
Source: JTC, Knight Frank Research.

5.4 Prices of multiple-user factory space

Prices of multiple-user factory spaces declined slightly by 0.2% in 1Q 2019 y-o-y (Exhibit 5-5). According to JTC, the price index for multiple-user factory space with more than 60 years remaining lease rose the most, increasing by 4.6% y-o-y. The price index for multiple-user factories with less than or equal to 30 years lease remaining also increased by 3.0% y-o-y, supported by demand from end-users. In contrast, the price index for those that have 31 to 60 years remaining lease declined by 5.1% y-o-y in 1Q 2019. The decline in price index probably reflected the lower prices of older properties with less efficient design.

While the uncertain trade environment and the slowing outputs of the precision engineering and electronics sector would discourage buyers of industrial space, the U.S. Federal Reserve decision of maintaining the rates will help ease the pressures.

Exhibit 5-5: Prices of multiple-user factory space, 2008 to 1Q 2019



Source: JTC, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

5.5 Outlook of the multiple-user factory segment

Rents and prices of multiple-user factory space are likely to stay stable

The rents and prices of multi-user factory space are likely to stay stable in 2019. While there are concerns of the slowing global demand for manufactured goods, the moderated upcoming supply should help support rents and prices.

Demand for space is likely to be led by the Food & Beverage sector for central kitchens, and biotechnology and pharmaceutical sectors. Over the next four years, JTC will be opening a series of higher quality large-scale integrated facilities to amalgamate key and supporting industrial trades. While major hubs such as JTC Food Hub @ Senoko will open this year, others such as JTC Poultry Processing Hub @ Buroh, and TimMac @ Kranji will be completed by 2020. These new developments serve to uplift and upscale the overall standard of Singapore's industrial properties, breaking new grounds to plan, design and house various industrial trades and shared facilities more efficiently. The injection of these new developments, along with JTC's efforts, would spur the industry's transformation towards higher productivity and competitiveness.

Apart from providing well-equipped industrial space options, private developers of multiple-user industrial spaces can strengthen their positioning by considering how they can value-add to their clients' businesses by increasing operational flexibility. For instance, each unit can come with internal voids and removable slabs for seamless vertical movement of goods, as seen in JTC Space @ Gul.

6. REVIEW OF PRIVATE AND PUBLIC BUSINESS PARKS MARKET SEGMENT

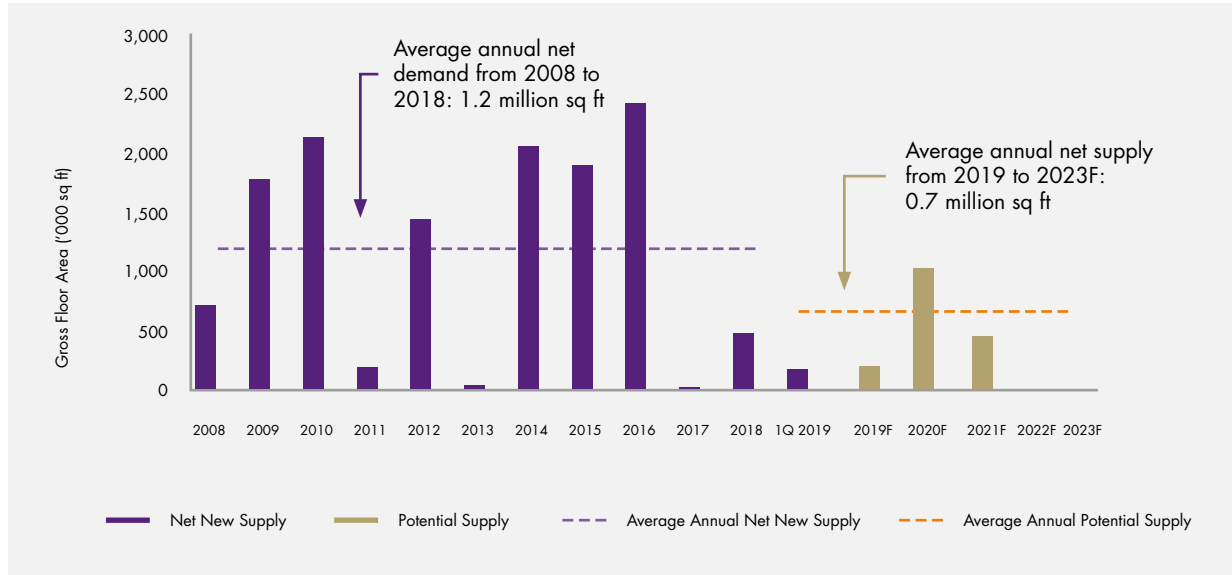
6.1 Existing and potential supply

Net new supply in 2018 was about 0.47 million sq ft, more than the 0.2 million sq ft in 2017. Notable completions in 2018 and 1Q 2019 include Alice@Mediapolis (Gross Floor Area about 425,000 sq ft) and business park at 5 Science Park Drive (25,560 sq ft). As at end of 1Q 2019, the island-wide stock for business parks amounted to 23.5 million sq ft, a 2.8% y-o-y increase from 1Q 2018 (Exhibit 6-1). With the new additions, the Central planning region continued to account for most of the business park stock in Singapore, forming 58.5% of the total stock or close to 13.9 million sq ft.

The average annual supply of business park space in the pipeline was about 0.7 million sq ft from 2019 to 2023, lower compared to the past average annual supply of business park space of 1.2 million sq ft from 2008 to 2018. There are no upcoming business parks in 2022 and 2023. The major business parks coming onstream include the business park at Cleantech Loop, which was slated to complete in 2020, and the JTC business park in Punggol Digital District that was projected to complete beyond 2023 (Exhibit 6-2).

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Exhibit 6-1: Net new and potential supply of business park space, 2008 to 2023F



Source: JTC, Knight Frank Research.

Exhibit 6-2: Selected major upcoming business parks

Project	Street/location	Developer	Gross floor area (sq ft)	Year
Additions/Alterations to existing business park development	Cleantech Loop	JTC Corporation	12,930	2020
Business park development	Cleantech Loop	JTC Corporation	62,520	2020

Source: JTC, Knight Frank Research.

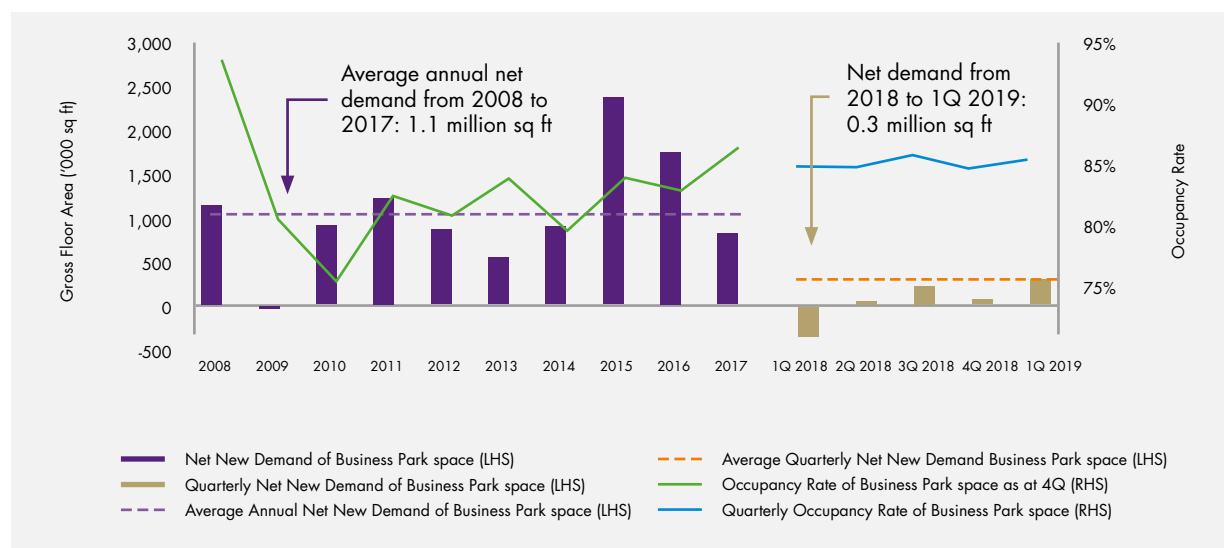
6.2 Demand and occupancy

The slower increase of the net supply, coupled with the removal of some stock due to addition and alteration of International Business Park, led to a drop in net new demand to 4,000 sq ft in 2018 from 0.83 million sq ft in 2017 (Exhibit 6-3). This was the lowest level since 2009 when net new demand was in the negative territory. In 1Q 2019, net new demand for business park space went up by 0.31 million sq ft with occupancy rate reaching 85.6%, 0.5 percentage-points higher y-o-y.

Of the planning regions, the occupancy of business parks in Jurong East recorded the lowest at 70.4% in 1Q 2019, dragged down by occupancy rates of the older business parks. In contrast, the occupancy rate of business parks in Queenstown remained robust at 90.1%, increasing from 87.6% a year ago.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

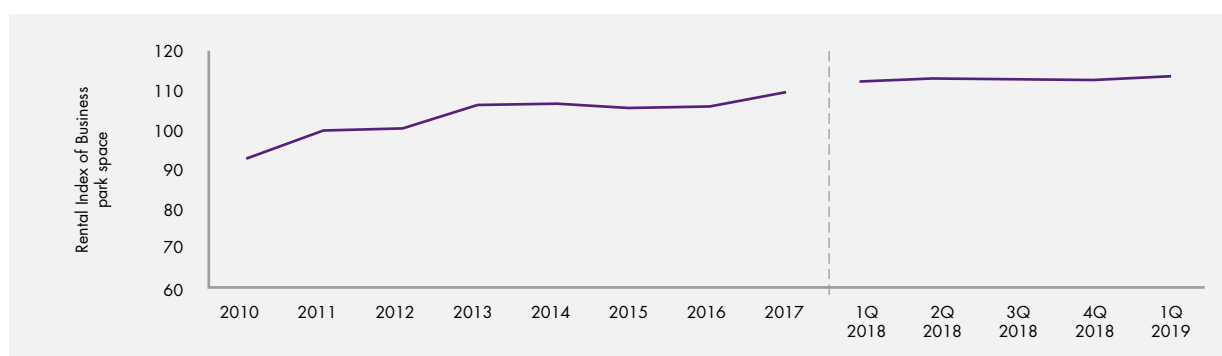
Exhibit 6-3: Net new demand and occupancy rate of business park space, 2008 to 1Q 2019



6.3 Rents of business park space

Rents of business park space maintained on an upward trajectory since 2015, with rents increasing by 1.3% y-o-y in 1Q 2019 (Exhibit 6-4). The limited supply and the growth of the information communication sectors, especially in 2016, helped support the rents of business park space, especially those business parks that have high specifications.

Exhibit 6-4: Rental index of business park space, 2010 to 1Q 2019



6.4 Outlook of the business park segment

Wider divergence of rents and occupancy seen in new and old business park developments

The rise in business park rents since the second half of 2017 was largely supported by limited new supply of developments. With the lack of upcoming supply in 2019 and the expected increase in demand from information technology and pharmaceutical sectors, we expect occupancy rate to remain strong and rents are likely to improve in 2019.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Occupancy for better-designed and well-located business park developments is expected to remain high. Conversely, older business park developments, especially those without the necessary specifications to attract companies and located in less accessible areas are likely to face difficulties in drawing tenants.

Business parks in the Jurong East and Alexandra region are expected to see demand, especially from manufacturing-related companies and those in research and development. Google at Mapletree Business City served as an anchor to the Alexandra region, attracting tech companies to the area.

With office rents expected to improve in 2019, the rental differential between business park and offices in CBD is likely to widen, increasing the incentive of companies to decouple some of their functions and move to business parks.

7. REVIEW OF PRIVATE WAREHOUSE MARKET SEGMENT

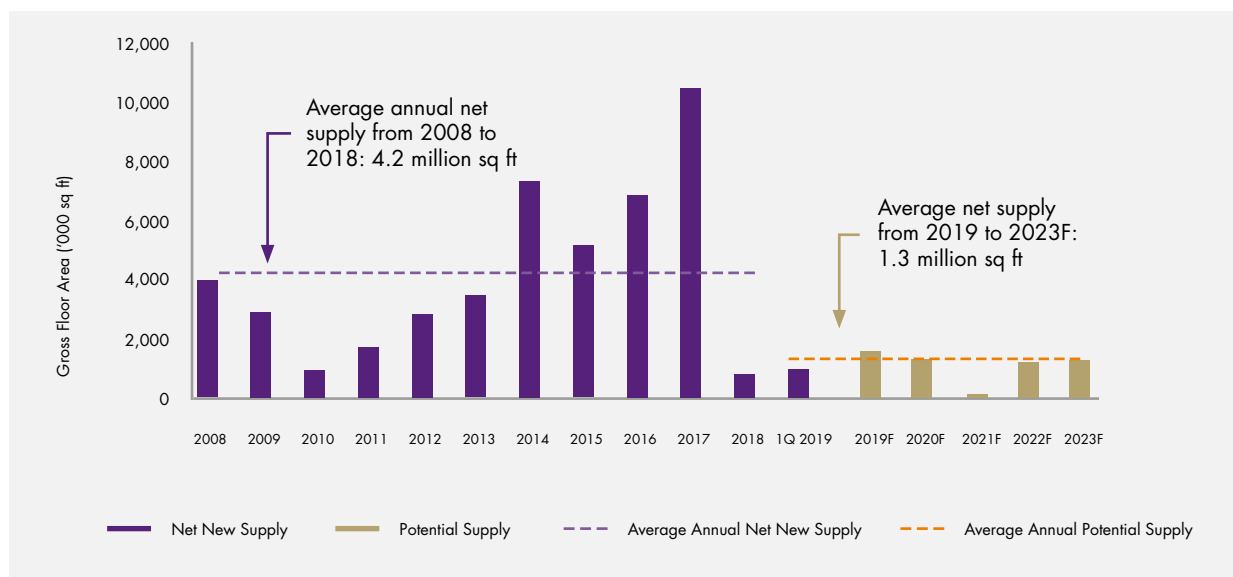
7.1 Existing and potential supply

The total stock of private warehouse rose by about 3.2% y-o-y to 113.5 million sq ft in 1Q 2019, and the pace of growth in stock has slowed significantly (Exhibit 7-1). In 4Q 2017, the y-o-y increase in stock of private warehouse was 10.2%.

Given the slowing global demand of goods and uncertain external environment, the government also took a more measured approach in introducing new supply. Net new supply in 2018 only amounted to 0.8 million sq ft, a far cry from the 10.4 million sq ft in 2017. Notable completions in 2018 and 1Q 2019 include CTM Building at 14 Tampines Industrial Drive, CWT Distripark at 47 Jalan Buroh and warehouse development at 10 Sunview Road. With the new completions, about 63.8%, or 72.6 million sq ft, of private warehouse stock was in the Western Region in 1Q 2019.

The average annual supply from 2019 to 2023 is about 1.3 million sq ft, less than the annual supply of 4.2 million sq ft from 2008 to 2018. Notable upcoming supply in 2019 and 2020 included the warehouse development at Tampines Industrial Drive and the Cogent Jurong Island Logistics Hub (Exhibit 7-2). The government introduced more supply than as they anticipated higher demand from growing e-commerce. With the market stabilising, the level of supply in the pipeline was closer to the annual new supply from 2009 to 2012.

Exhibit 7-1: Net new and potential supply of warehouse space, 2008 to 2023F



Source: JTC, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

Exhibit 7-2: Selected major upcoming warehouse space

Project	Street/location	Developer	Gross floor area (sq ft)	Year
Additions/alterations to existing industrial development	Mandai Link	C M M Marketing Management Pte Ltd	110,007	2019
Warehouse development	Tampines Industrial Drive	Blu World Pte Ltd	70,826	2019
Cogent Jurong Island Logistics Hub	Tembusu Crescent	S H Cogent Logistics Pte Ltd	941,841	2020
Single-user industrial development	Bulim Drive	Shimano Singapore Pte Ltd	112,267	2020
Single-user industrial development	Chin Bee Avenue	OJJ Foods Pte Ltd	30,785	2020

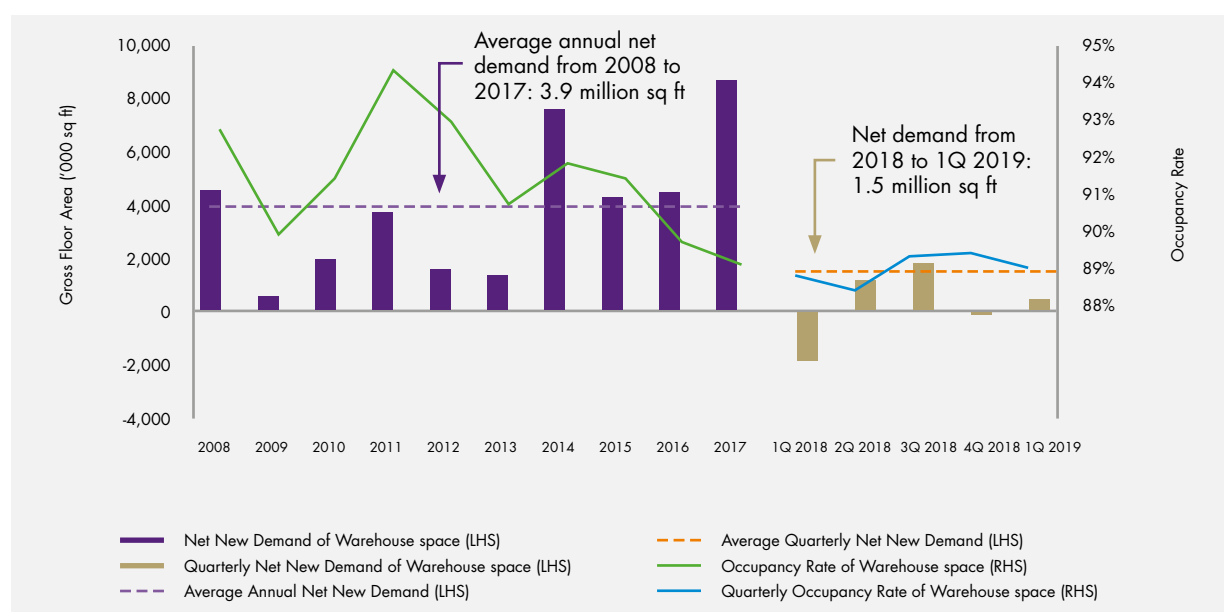
Source: JTC, Knight Frank Research.

7.2 Demand and occupancy

From 2008 to 2017, the average annual demand for private warehouse space was about 3.9 million sq ft. However, net new demand for warehouse space declined from 8.6 million sq ft in 2017 to 1.1 million in 2018 due to the corresponding contraction in net supply (Exhibit 7-3). Notwithstanding, net new demand of warehouse space reached 0.4 million sq ft in 1Q 2019 after registering -14,800 sq ft in 4Q 2018.

The warehouse market segment continued to show signs of improving. The occupancy rate for private warehouse increased to 89.0% in 1Q 2019 from 88.1% in 1Q 2018. The occupancy rates of private warehouse space were higher in the Central Region (90.5%) and East Region (90.2%) than the North-East Region (78.2%).

Exhibit 7-3: Net new demand and occupancy rate of warehouse space, 2008 to 2018



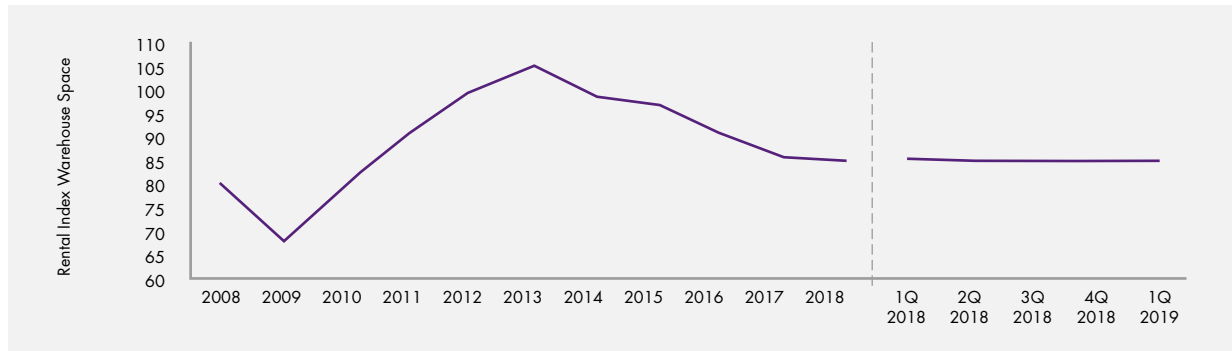
Source: JTC, Knight Frank Research.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

7.3 Rents of warehouse space

According to JTC rental index for warehouse, rents of private warehouses declined by 0.5% y-o-y in 1Q 2019. Compared to the decline of 5.7% y-o-y in 2017, the fall in rents in 2018 was much more moderated. The rental index was slowly inching close to the levels in 2010. (Exhibit 7-4).

Exhibit 7-4: Rental index of warehouse space, 2008 to 1Q 2019



Source: JTC, Knight Frank Research.

7.4 Outlook of the warehouse space segment

Outlook for the warehouse sector to improve on a longer-term basis

Occupancy rates for warehouse spaces have improved especially in the West of Singapore and newly completed spaces have been progressively taken up. Coupled with the growing e-commerce sector and upward trend in logistics, we expect rents for warehouse space to stay stable despite the trade frictions. While the trade tension will exert downward pressure on demand for warehouse space, the impact may be offset as more companies relocate their facilities from China to Southeast Asia. Additionally, Singapore has been actively engaging with various countries to sign trade agreements to counter the risks from the trade frictions. For instance, The European Union and Singapore signed the EU-Singapore Free Trade Agreement (EUSIPA) on 19 October 2018. In the longer term, the demand for warehousing will increase, especially for those of improved specifications such as higher electrical and floor load.

OVERVIEW OF THE SINGAPORE ECONOMY AND INDUSTRIAL REAL ESTATE MARKET

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OVERVIEW OF THE AUSTRALIA ECONOMY AND INDUSTRIAL REAL ESTATE MARKET OF MACQUARIE PARK, NEW SOUTH WALES

The following report was prepared by AA REIT Management Australia Pty Limited as at 15 May 2019 for its inclusion in this Annual Report.

OVERVIEW OF THE AUSTRALIAN ECONOMY

As at end of year 2018, Australia has experienced long-term economic growth, recording 27 successive years of positive economic activity, averaging just above 3% per annum. According to Deloitte Access Economics and the Reserve Bank of Australia ("RBA"), Australia's economic growth is expected to remain at trend over the next two years. Australia's macroeconomic outlook remains robust, particularly at a global context, making it a relatively attractive investment destination.

The strength of Australia's economy has been, and will continue to be, supported by these major factors:

Solid growth from Australia's major trading partners as well as global demand (coupled with a relatively low Australian dollar) is fuelling Australia's growth in exports

The International Monetary Fund ("IMF") forecast Australia's rate of growth in the volume of import and export of goods to 2023 will increase relative to historical trends, with the average annual rate of growth in imports forecasted at 5.5% and exports at 5.9% between 2018 and 2023. This projection is stronger than many of Australia's major trading partners. Increased trade flows affect industrial property demand, particularly around major industrial infrastructure, including ports, intermodal terminals, and motorway networks, and these in turn boost warehouse and logistics activity.

High levels of investment injected in public infrastructure, in turn, creating positive spillovers on private sector investment activity and spending

As announced in the Federal Budget 2018/19, the government will invest AUD75 billion under the 10-year National Infrastructure Plan. Land value uplift will therefore continue to be supported as several major infrastructure commitments will boost the efficiency of industrial operations, including freight throughput.

Strong rates of both population and jobs growth

Australia's projected population growth rate over the next five years ranks third amongst the world's advanced economies, growing over 7% from 2019 to 2023 according to IMF. The Australian labour market has continued to grow solidly. In spite of the strong population growth, the strong run of jobs growth has led the unemployment rate to trend down to 5.0% in December 2018.

Inflation continues to run below the RBA's target of 2-3%

The consumer price index increased by just 0.4% in September 2018 quarter and 1.9% on annual basis. Inflation excluding volatile items increased by just 0.1% over the September quarter and 1.2% on annual basis. This indicates that underlying inflationary pressure across the economy remain subdued and are therefore likely to further delay the interest rate tightening cycle by the RBA.

OVERVIEW OF MACQUARIE PARK

Macquarie Park is a suburb in northern Sydney, New South Wales ("NSW"), Australia. It is located 15 kilometres north-west of the Sydney central business district in the local government area of the City of Ryde.

Macquarie Park is one of the major centres for business in Australia and the state of NSW. The corporate prestige, close access to facilities and aesthetically pleasing environment are an attraction for many corporations. It has about 700,632 sq m office stock in the market as at year 2018. The Macquarie Centre is a major regional shopping Centre at Macquarie Park. Macquarie University takes up a large part of the suburb.

Potential new development plans for Macquarie Park

Updated on 9 April 2019, the NSW Department of Planning and Environment ("DPE") is working closely with City of Ryde Council and Transport for NSW to develop new plans for Macquarie Park. The investigations will identify opportunities to enhance the area's existing role as a major commercial centre and innovation district. This will also include investigating opportunities for securing the commercial future of Macquarie Park.

Macquarie Park is already an economic and employment powerhouse with the physical scale to generate even greater capacity. The key challenge will be encouraging the right types of uses that will make it an attractive place to work, live and play.

The investigations will also identify the infrastructure needed to support the sustainable development of Macquarie Park into the future, including improvements to roads, cycle and pedestrian links, schools, open spaces and community facilities.

As part of the investigations, the DPE has engaged internationally leading masterplanners, Arup (UK), to explore the value created by bringing cultural, educational and commercial industries together around great public realm and capture the value of connectivity.

Preliminary background studies including urban design, social

OVERVIEW OF THE AUSTRALIA ECONOMY AND INDUSTRIAL REAL ESTATE MARKET OF MACQUARIE PARK, NEW SOUTH WALES



A map of the investigation area and surrounding precincts.

infrastructure and open space, transport and economics, are currently being finalised.

Macquarie Park market overview

Macquarie Park office market continued to outperform in year 2018. According to JLL Research, net absorption totalled negative 13,998 sq m over the 12 months. The negative net absorption was driven by large tenant (>1,000 sq m) moves, e.g. Ricoh handed back 3,800 sq m at Honeywell, 2 Richardson Place, and Yokogawa relocated from Macquarie View Estate, 112 Talavera Road to Citrix, 66 Waterloo Road (1,700 sq m). Macquarie Park, being significantly cheaper than Sydney Olympic Park, Parramatta, Sydney South, St Leonards, Chatswood, and in-line with Norwest (on a prime net effective rent basis) is expected to result in persistent and ongoing tenant relocation activity moving forward. The Metro Northwest (delivering eight new railway stations and 4,000 commuter car parking spaces to Sydney's growing North West, which is anticipated to be completed in mid-2019) will aid in this regard as well.

From an office supply perspective, the John Holland Group development at 45-61 Waterloo Road, Macquarie Park, began construction in the fourth quarter ended 31 December 2018 ("4Q18"). This development will bring 34,500 sq m of office space to the Macquarie Park market. Government Property NSW has pre-committed to 25,000 sq m. Despite the aforementioned cost effectiveness of Macquarie Park and the positive demand thematic forecast, the finite number of tenants of the necessary size in the broader Sydney market which can

(at least partially) anchor a prospective development is limited. Competition amongst developers for quality pre-commitments will be high as a result.

Prime gross effective rental growth of 2.4% (to AUD367 psm p.a.) was recorded in 4Q18 on the back of a fall in vacancy rates. Prime grade vacancy of 6.4% as at 4Q18 still sits well against the 10-year historical average of 8.3% and offers support for ongoing rental growth within Macquarie Park. The same can be said for secondary gross effective rental from 2.9% (to AUD347 psm p.a.) for the quarter, with a sharp dip in secondary vacancy from 12.6% to 8.7% (an historical low) over 4Q18 suggesting that additional rental growth is forthcoming.

Limited investment activity has been recorded in the Macquarie Park office market over the year to date. According to JLL Research, the prime yield range (5.25% - 6.50%) compressed 25 bps at the upper end of the range, whereas the secondary yield range (6.00 - 6.75%) remained unchanged. Some relevant sales evidences are summarised below:

- 40 Mount Street, North Sydney (50% interest) for AUD226.5 million in December 2018,
- 72 Christie Street, St Leonards for AUD157.6 million in November 2018,
- 456 Victoria Avenue, Chatswood for AUD166.5 million in October 2018, and
- 67 Albert Avenue, Chatswood for AUD158 million in September 2018.

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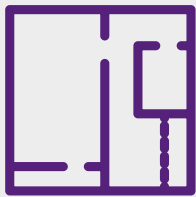
OPERATIONS REVIEW

AT A GLANCE AS AT 31 MARCH 2019



Australia
Property

1



Net Lettable Area
("NLA"): square metres

633,552



Singapore
Properties

25



Occupancy

(excludes 3 Tuas Avenue 2 which is
undergoing redevelopment)

94%



Tenants

Total Number

167



Portfolio
Value

S\$1.46 billion



**Weighted Average
Lease Expiry**
("WALE"): years

2.46

MANAGER'S REPORT

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DEVELOPMENT TRACK RECORD IN DELIVERING OUR ASSET ENHANCEMENT STRATEGY

The Manager has been focused on anticipating and adapting to market changes by building a diversified and resilient portfolio through unlocking organic growth and strategic acquisitions to develop a higher value portfolio.

Over the past decade, a total of six properties, of which five have been completed and one is undergoing development, have resulted in an aggregate increase of approximately 1.79 million sq ft in gross floor area ("GFA") to the portfolio (excluding 3 Tuas Avenue 2).



Jul
2011

20 GUL WAY (PHASES ONE & TWO)

- Redevelopment of a five-storey ramp-up warehouse (approximately 1.16 million sq ft)
- Project size: S\$150.1 million
- Temporary Occupation Permit ("TOP") of Phase One: 29 October 2012
- TOP of Phase Two : 7 May 2013



Jan
2013

103 DEFU LANE 10

- Redevelopment of a modern six-storey industrial facility (approximately 203,000 sq ft)
- Project size: S\$21.7 million
- TOP: 28 May 2014



Jun
2013

20 GUL WAY (PHASES TWO EXTENSION & THREE)

- Further development of additional 497,000 sq ft
- Project size: S\$73.0 million
- TOP of Phase Two Extension: 14 June 2014
- TOP of Phase Three: 9 September 2014



May
2015

30 TUAS WEST ROAD

- Redevelopment of a five-storey ramp-up warehouse (approximately 289,000 sq ft)
- Project size: S\$40.6 million
- TOP: 27 December 2016



Apr
2016

8 TUAS AVENUE 20

- Redevelopment of a three-storey industrial facility (approximately 159,000 sq ft)
- Project size: S\$26.5 million (including land cost)
- TOP: 29 August 2017



Aug
2016

51 MARSILING ROAD

- Greenfield build-to-suit development of an industrial facility (approximately 232,000 sq ft)
- Project size: S\$34.9 million (including land cost)
- TOP: 27 October 2017



May
2018

Artist's impression

3 TUAS AVENUE 2

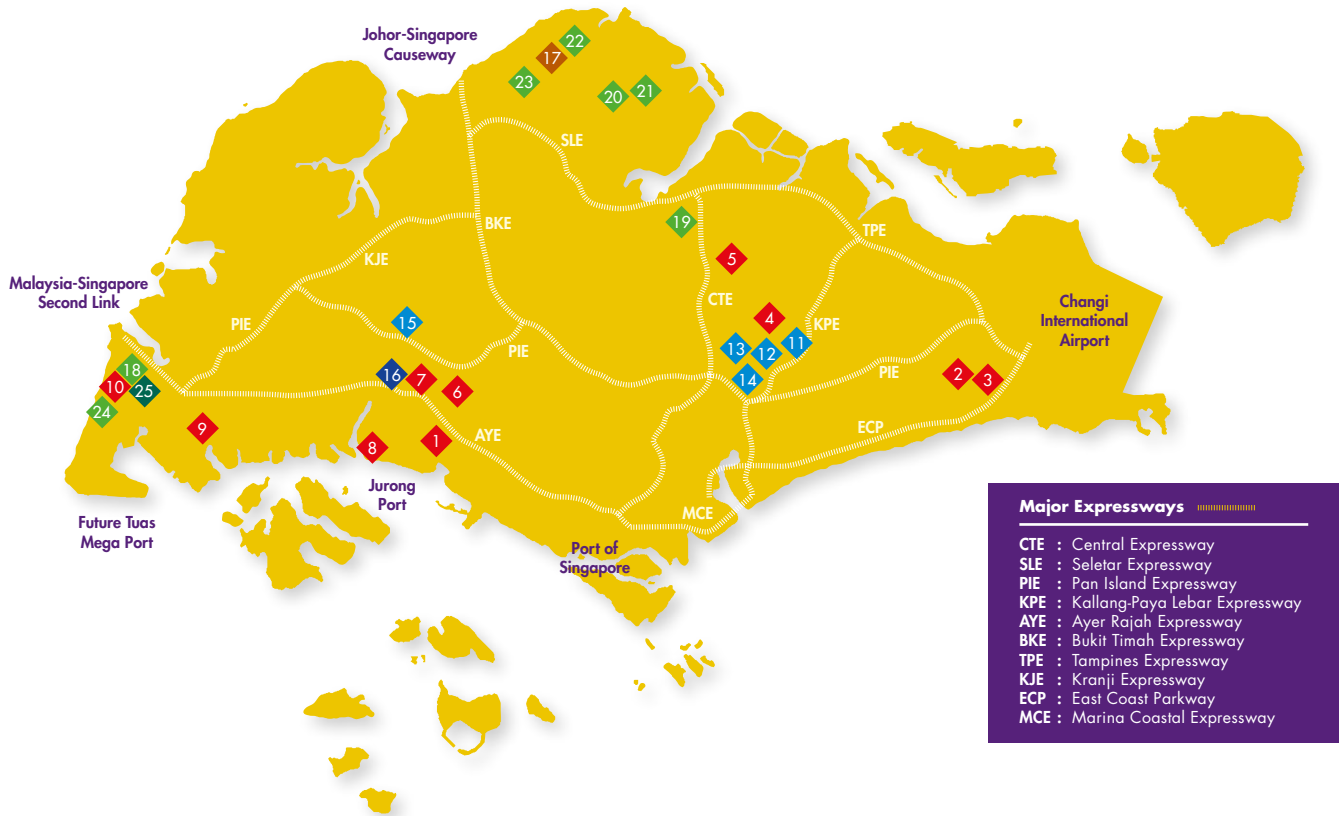
- Redevelopment of a four-storey ramp-up industrial facility (approximately 268,000 sq ft)
- Project size: S\$51.8 million (including land cost)
- Target completion: Second half of 2019

MANAGER'S REPORT

OPERATIONS REVIEW

RESILIENT PORTFOLIO DUE TO DIVERSIFICATION

Singapore property portfolio as at 31 March 2019



Logistics and Warehouse

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

Light Industrial

11. 15 Tai Seng Drive
12. 23 Tai Seng Drive
13. 135 Joo Seng Road
14. 1 Kallang Way 2A
15. 1 Bukit Batok Street 22

Business Park

16. 1A International Business Park

Hi-Tech

17. 29 Woodlands Industrial Park E1, NorthTech

General Industrial

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

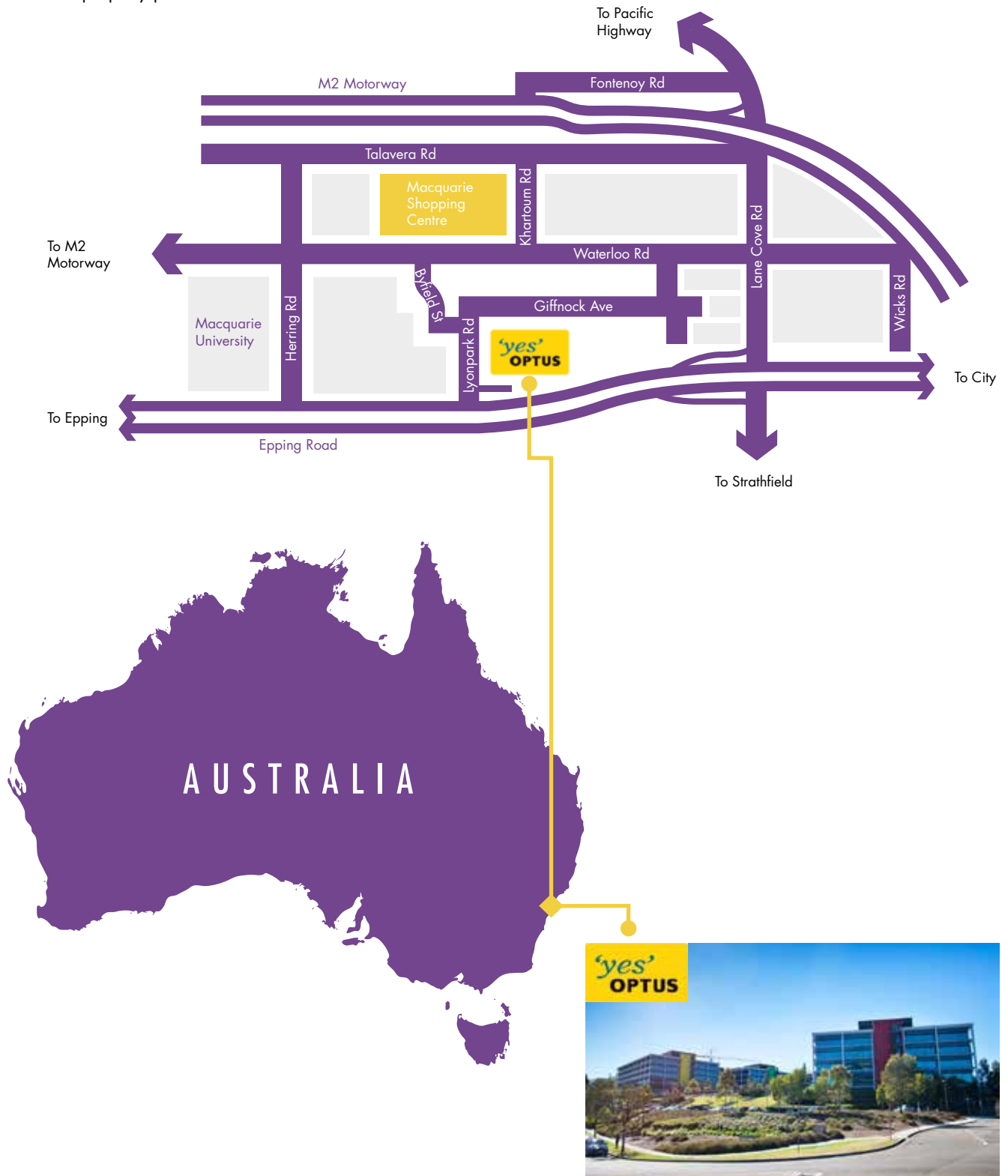
Property Under Development

25. 3 Tuas Avenue 2

MANAGER'S REPORT

OPERATIONS REVIEW

Australia property portfolio as at 31 March 2019



Business Park

Optus Centre, 1-5 Lyonpark Road, Macquarie Park, NSW, Australia

MANAGER'S REPORT OPERATIONS REVIEW

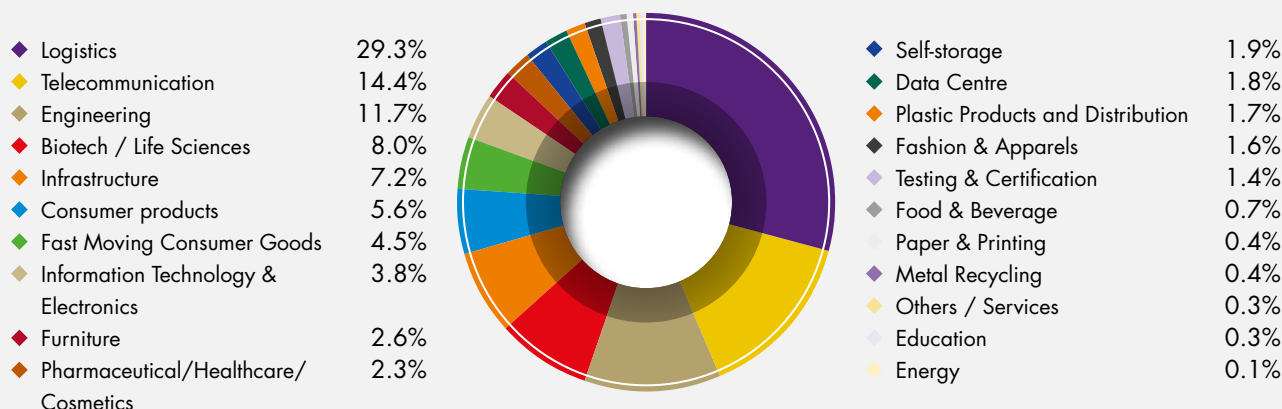
PORTFOLIO PERFORMANCE IN FY2019

The Manager continued its strategy of repositioning AA REIT's portfolio by focusing on transforming existing assets into high-quality assets through redevelopments and asset enhancements initiatives.

With a large proportion of more than 500,000 sq ft of under-utilised plot ratios in its existing portfolio, the Manager will continue to explore organic growth opportunities and rejuvenate older assets to further strengthen and optimise its portfolio.

Despite the challenging operating environment during FY2019, the Manager maintained its focus on proactive asset and lease management. AA REIT's portfolio remained resilient, with 26 strategically located industrial properties and a diversified tenant base consisting of 167 tenants across 21 industries.

Tenants' industry sector (by FY2019 Gross Rental Income ("GRI"))



AA REIT's portfolio consists of a spectrum of business space and industrial properties across different industrial sub-clusters, comprising logistics and warehouse, business park, light industrial, general industrial and hi-tech. AA REIT's properties are predominantly located in Singapore, with the largest cluster in logistics and warehouse (comprising cargo lift warehouses and ramp-up warehouses) supporting Singapore as a major trans-shipment hub.

Industrial sub-clusters (by FY2019 GRI)



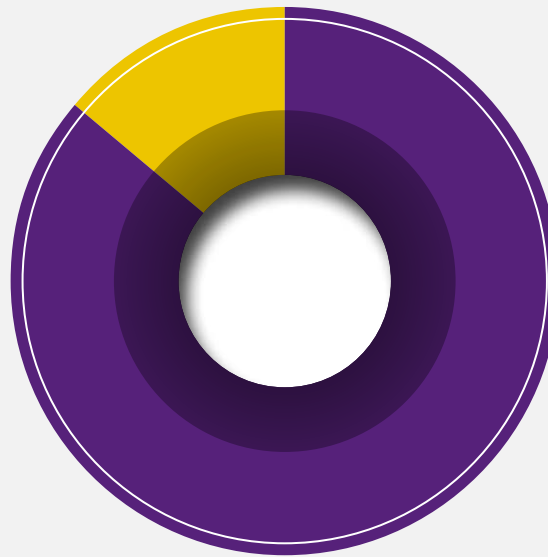
MANAGER'S REPORT

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AA REIT's overseas property, Optus Centre, is located in Macquarie Park, NSW, Australia, the second largest business zone in NSW. Optus Centre which is 100% leased to Optus Administration Pty Limited, a wholly-owned subsidiary of Singapore Telecommunications Limited, provides further income stability and geographical diversification to AA REIT's predominately Singapore-based portfolio. AA REIT seeks to expand its presence in the region through diversification and strategic acquisitions.

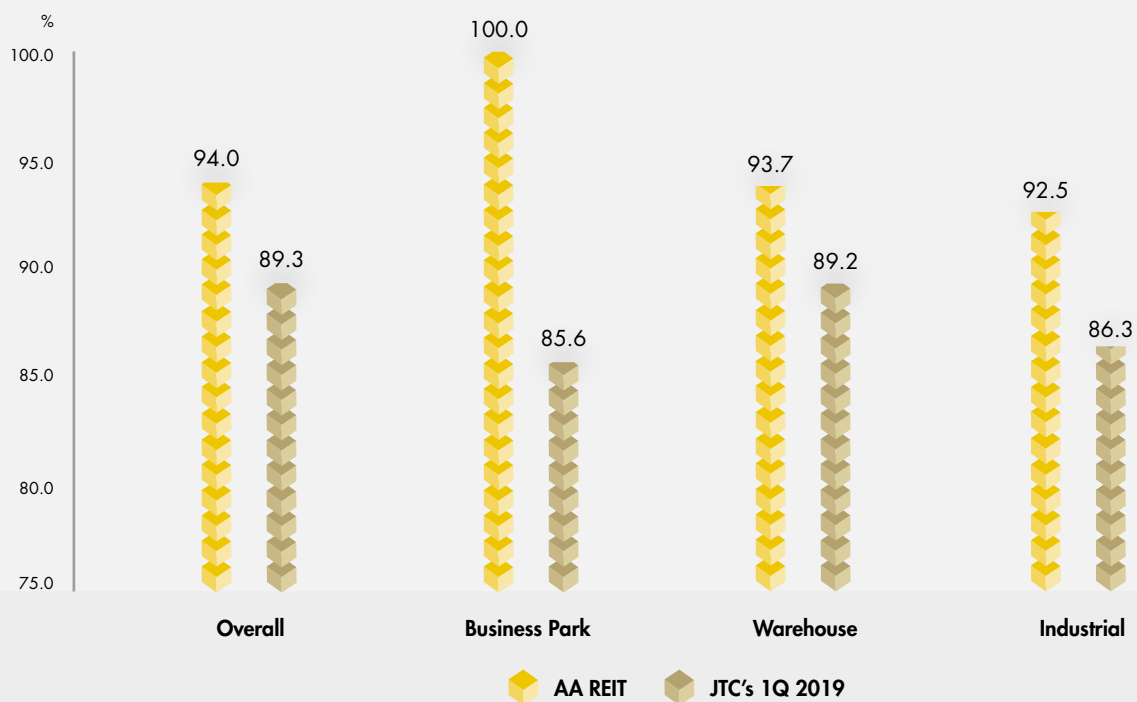
Geographical location (by FY2019 GRI)

◆ Singapore	86.2%
◆ Australia	13.8%



The overall occupancy rates of AA REIT's portfolio stood at 94.0% as at 31 March 2019. The various occupancy rates of its property sub-clusters also exceeded the respective Singapore's industrial averages.

Occupancy rate (by sub-clusters)



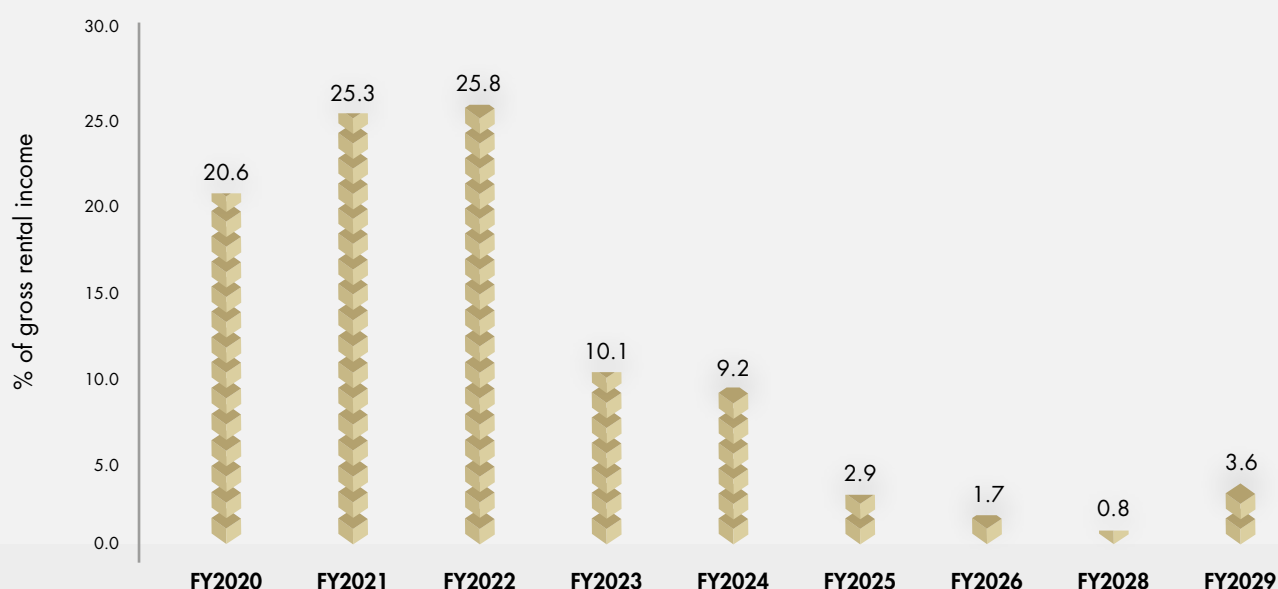
MANAGER'S REPORT

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Despite the keen market competition and oversupply situation in Singapore, AA REIT successfully secured 60 new and renewed leases (representing 119,382 sq m (approximately 18.8% of AA REIT's total NLA), at a weighted average rental rate decrease of 11.6% on the renewed leases in FY2019. Out of these leases, 39 new leases were secured and the WALE (by GRI) stood at 2.88 years and contributed to 7.6% of the portfolio's FY2019 GRI.

With a well-staggered lease expiry profile, AA REIT's portfolio enjoys stability of income as approximately 28.3% of the total portfolio leases (by GRI) are committed until FY2023 and beyond, which reduces AA REIT's exposure to near term expiries. As at 31 March 2019, AA REIT's WALE (by GRI) stood at 2.46 years.

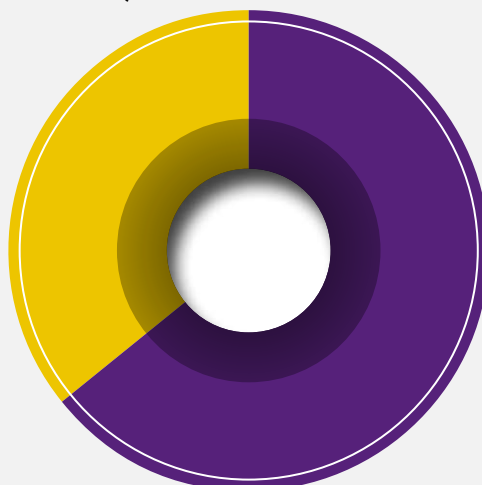
Lease expiry profile (by FY2019 GRI)



Underpinning the stable income, AA REIT has nine properties under master leases (including 20 Gul Way that is partially under master lease and partially multi-tenanted) that provide stability of income growth as a result of longer lease duration and built-in rental escalations. The remaining multi-tenancy properties, with typically shorter leases of around three years, provide potential for AA REIT to reposition the portfolio according to the ever changing market conditions.

Master and multi-tenanted leases (by FY2019 GRI)

- ◆ Multi-tenanted 64.3%
- ◆ Master Leases 35.7%

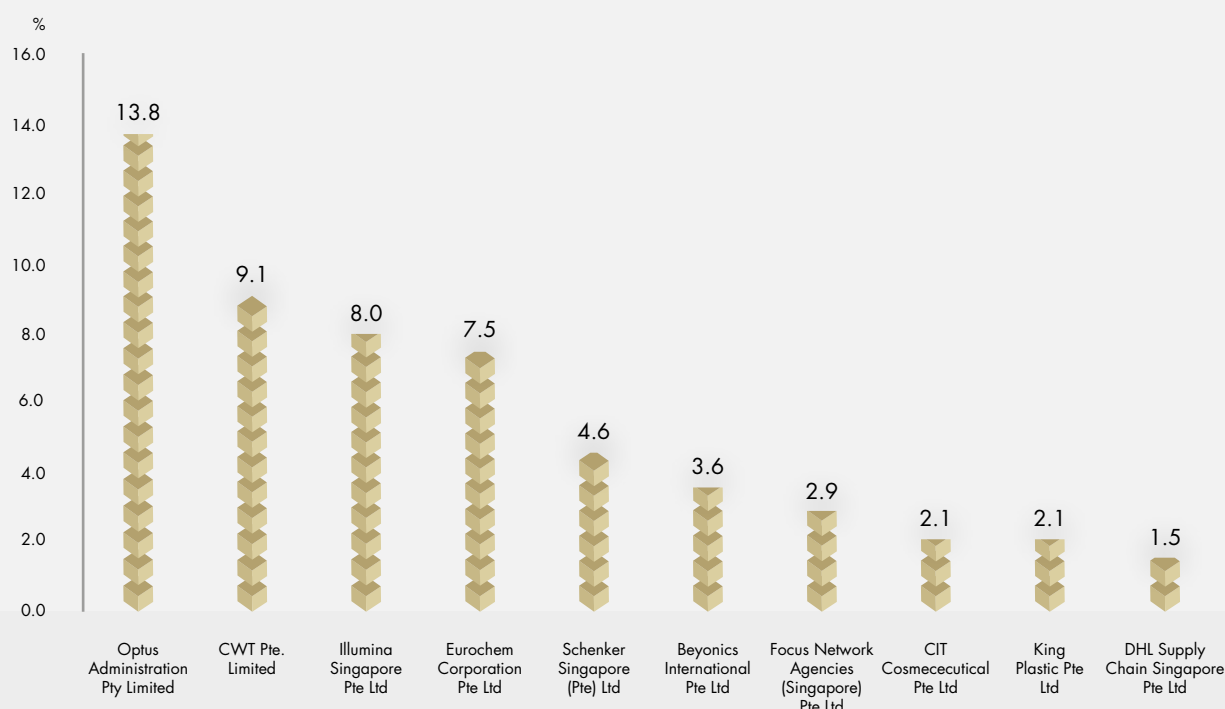


MANAGER'S REPORT

OPERATIONS REVIEW

AA REIT's portfolio consists of a high quality and diversified tenant base, which includes large multinational companies, publicly listed companies and small and medium sized enterprises. The top 10 tenants accounted for approximately 55.2% of GRI for FY2019. Although the top tenant accounted for approximately 13.8% of AA REIT's GRI, the rest of the nine tenants each does not exceed 10.0%. In particular, the lease agreements with CWT Pte. Limited includes underlying leases with other end-users. CWT Pte. Limited's leases at 20 Gul Way and 30 Tuas West Road will progressively expire over 2019 to 2021.

Top 10 tenants (by FY2019 GRI)



Properties located on freehold land accounted for 6.5% of the portfolio's NLA as at 31 March 2019. The portfolio enjoys a well-distributed long underlying land leases, with a weighted average land lease to expiry for the portfolio of 36.4* years, weighted by NLA. Excluding freehold land, the weighted average land lease to expiry for leasehold land in the portfolio would be 32.1 years.

Land lease expiry profile (by NLA)



* For the calculation of the weighted average land lease, AA REIT's interest in the freehold property, Optus Centre has been assumed as a 99-year leasehold interest.

MANAGER'S REPORT

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

STATEMENT OF NET INCOME AND DISTRIBUTIONS	FY2019 S\$'000	FY2018 S\$'000	CHANGE %
Gross revenue	118,078	116,916	1.0
Property operating expenses	(39,585)	(40,499)	(2.3)
Net property income	78,493	76,417	2.7
Foreign exchange loss	(144)	(149)	(3.4)
Interest and other income	193	189	2.1
Borrowing costs	(18,683)	(19,417)	(3.8)
Manager's management fees	(7,390)	(7,385)	0.1
Other trust expenses	(2,154)	(1,881)	14.5
Non-property expenses	(28,227)	(28,683)	(1.6)
Net income before joint venture's results	50,315	47,774	5.3
Share of results of joint venture (net of tax)	23,761	17,418	36.4
Net income	74,076	65,192	13.6
Distributions to Unitholders	70,496	67,370	4.6
Distribution per Unit ("DPU") (cents)	10.25	10.30	(0.5)

Gross revenue and net property income

The gross revenue achieved for FY2019 of S\$118.1 million was S\$1.2 million higher compared to the gross revenue for FY2018 of S\$116.9 million mainly due to maiden revenue contribution from the property at 51 Marsiling Road from 27 April 2018, higher revenue contribution and occupancy rates for the property at 8 Tuas Avenue 20. This increase was partially offset by lower rental and occupancies for the property at 20 Gul Way (as six phases of the master lease had reverted to multi tenancy leases), lower rental and recoveries for the property at 27 Penjuru Lane as well as the loss of revenue from 10 Soon Lee Road following the divestment of the property on 29 March 2018.

Property operating expenses for FY2019 of S\$39.6 million were S\$0.9 million lower than the property operating expenses for FY2018 mainly due to lower land rent expenses as well as lower repair and maintenance costs incurred for certain properties in Singapore.

Net property income for FY2019 stood at S\$78.5 million, or S\$2.1 million higher compared to FY2018.

Net income

Borrowing costs for FY2019 of S\$18.7 million was S\$0.7 million lower compared to the borrowing costs for FY2018 mainly due to the interest costs savings arising from the new secured loan facilities drawn down in July 2018 to refinance the secured loan facilities due in November 2018 and February 2019 respectively and lower interest costs on the Australian dollar denominated borrowings as a result of the strengthening of the Singapore dollar against the Australian dollar.

MANAGER'S REPORT

FINANCIAL REVIEW

Other trust expenses for FY2019 of S\$2.2 million was S\$0.3 million higher compared to the corresponding period in the previous financial year mainly due to costs associated with the administration of the AA REIT Distribution Reinvestment Plan.

The share of results of joint venture (net of tax) for FY2019 of S\$23.8 million which comprised the contribution from the AA REIT's 49.0% interest in Optus Centre which is located in Macquarie Park, New South Wales, Australia, was S\$6.3 million higher compared to FY2018 mainly due to the share of revaluation surplus recognised from the valuation of Optus Centre of S\$9.9 million (FY2018: S\$2.6 million). The increase was partially offset by lower contribution in FY2019 arising from the strengthening of the Singapore dollar against the Australian dollar. As at 31 March 2019, the valuation of the property stood at AUD470.0 million (equivalent to approximately S\$455.7 million) (31 March 2018: AUD450.0 million (equivalent to approximately S\$453.1 million)) based on the independent valuation carried out by Jones Lang LaSalle Advisory Services Pty Ltd as at 31 March 2019.

Distributions to Unitholders

AA REIT achieved Unitholders' distributions of S\$70.5 million for FY2019 which were S\$3.1 million or 4.6% higher compared to FY2018, in line with higher net property income. The DPU for FY2019 was marginally lower compared to FY2018 due to the increase in Units following the private placement of 42,145,000 Units in December 2017. AA REIT continued to pay out 100.0% of the Singapore taxable income available for distribution, demonstrating a firm commitment to deliver stable distributions to Unitholders.

Total assets and Net Asset Value ("NAV") per Unit

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	FY2019 S\$'000	FY2018 S\$'000
Total assets	1,484,801	1,477,619
Total liabilities	556,349	538,660
Net assets attributable to Unitholders	928,452	938,959
NAV per Unit (S\$)	1.34	1.37

As at 31 March 2019, total assets of AA REIT increased to S\$1,484.8 million, compared to S\$1,477.6 million as at 31 March 2018. The increase in total assets were due to the capitalisation of development costs relating to the redevelopment of 3 Tuas Avenue 2, capital expenditure incurred on investment properties of S\$8.7 million which included the asset enhancement initiative at 29 Woodlands Industrial Park E1 ("NorthTech") as well as increase in joint venture balances mainly due to the share of revaluation surplus recognised from the valuation of Optus Centre of S\$9.9 million, partially offset by the strengthening of the Singapore dollar against the Australian dollar. This was partially offset by a net revaluation deficit of S\$16.5 million recognised for the valuation of investment properties and investment property under development in Singapore. The revaluation deficit was largely attributed to AA REIT's investment property at 20 Gul Way mainly due to lower market rent assumptions adopted by the valuer based on market rents from comparable properties in the vicinity.

As at 31 March 2019, total liabilities of AA REIT increased to S\$556.3 million compared to S\$538.7 million as at 31 March 2018 was mainly due to the increase in borrowings, trade and other payables and derivative financial instruments. The total borrowings of the Group as at 31 March 2019 of S\$499.7 million was S\$4.8 million higher compared to balances as at 31 March 2018 mainly due to a net drawdown of S\$11.3 million to mainly fund the payments of retention sums and development costs of AA REIT's recent development projects and other asset enhancement initiatives which was largely offset by the decrease in the Australian dollar denominated borrowings as a result of the strengthening of the Singapore dollar against the Australian dollar. The increase in trade and other payables was mainly due to the development costs payable relating to the redevelopment of 3 Tuas Avenue 2 and asset enhancement initiative at NorthTech. The increase in derivative financial instruments were mainly due to the revaluation of the interest rate swap contracts in accordance with FRS 109.

As a result, the NAV per Unit decreased to S\$1.34 from S\$1.37 a year ago.

MANAGER'S REPORT

FINANCIAL REVIEW

Cash flows

AA REIT's cash and cash equivalents increased by S\$0.5 million from S\$17.6 million as at 31 March 2018 to S\$18.1 million as at 31 March 2019. The increase was mainly due to receipt of rental proceeds offset by payments for capital expenditure on investment properties and investment property under development.

The net cash inflows from investing activities of S\$0.2 million was attributable to distributions received from AA REIT's 49.0% interest in Optus Centre which was largely offset by payments for capital expenditure which was mainly incurred on the redevelopment of 3 Tuas Avenue 2 and asset enhancement initiative at NorthTech. The net cash outflows from financing activities were mainly due to distributions to Unitholders and borrowing costs paid to financial institutions, partially offset by a net drawdown of S\$11.3 million to mainly fund the payments of retention sums and development costs of the AA REIT's recent development projects and other asset enhancement initiatives.

CAPITAL MANAGEMENT

The Manager adopts a prudent approach towards capital management. AA REIT has access to diversified sources of funding, including the equity capital market, debt capital market and maintains strong and healthy banking relationships with its financial institutional partners.

Borrowings

Total borrowings as at 31 March 2019 of S\$499.7 million was S\$4.8 million higher than the total borrowings as at 31 March 2018. This was mainly due to a net drawdown of S\$11.3 million to mainly fund the payments of retention sums and development costs of AA REIT's recent development projects and other asset enhancement initiatives which was largely offset by the decrease in the Australian dollar denominated borrowings as a result of the strengthening of the Singapore dollar against the Australian dollar.

KEY BORROWING METRICS (IN S\$'000 UNLESS OTHERWISE INDICATED)	FY2019	FY2018
Total borrowings ¹	499,661	494,880
Undrawn available bank facilities	145,000	132,330
Aggregate leverage (%)	33.7	33.5
All-in-cost of financing (%)	3.6	3.6
Interest cover ratio (times)	5.0	4.7
Weighted average term to maturity (years)	2.4	1.8
Fixed rate borrowings as a percentage of total borrowings (%)	85.8	88.1

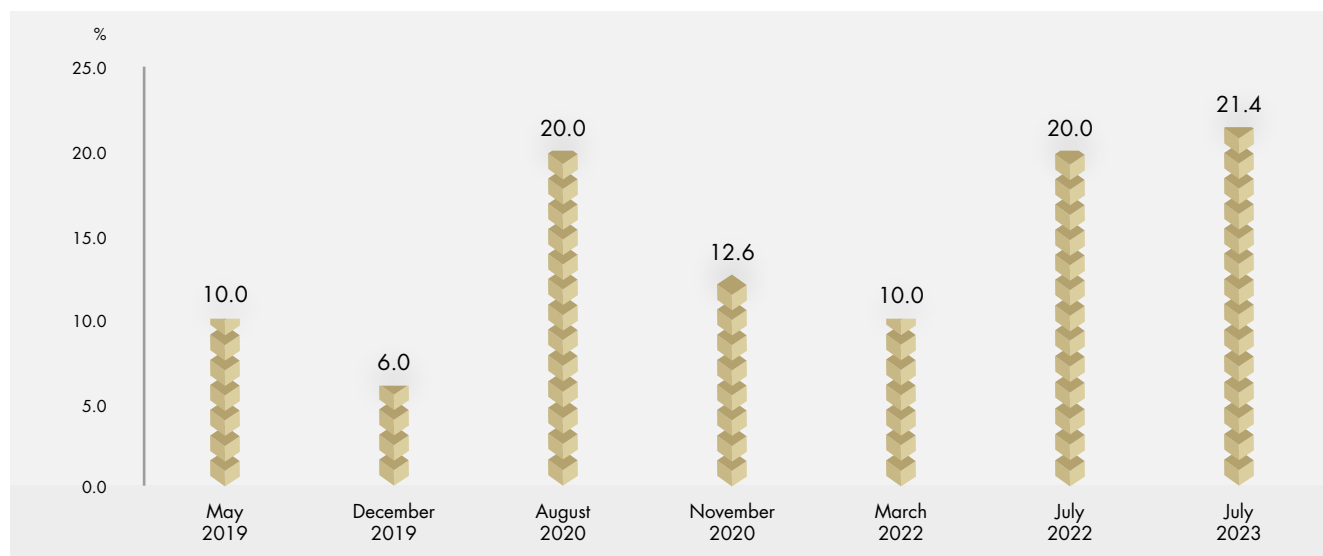
1. Total borrowings exclude unamortised loan transaction costs.

MANAGER'S REPORT

FINANCIAL REVIEW

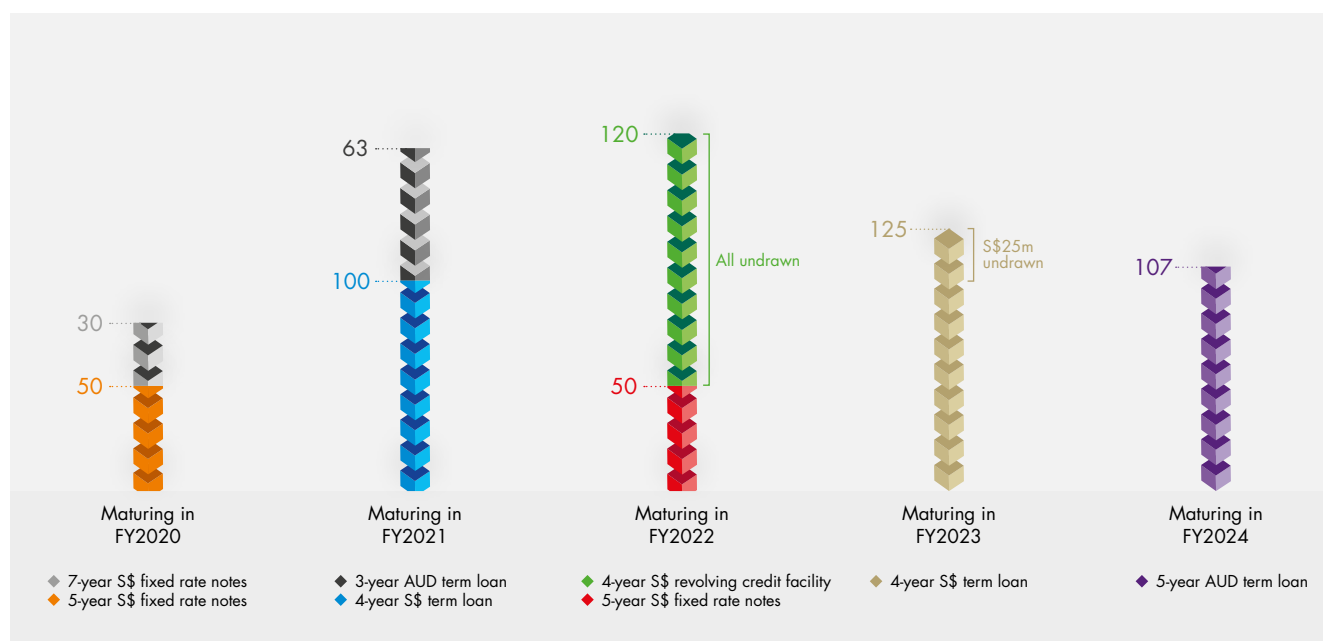
Staggered debt maturity profile

The Manager adopts a proactive approach of refinancing AA REIT's debt ahead of maturity. In July 2018, AA REIT drew on its new four-year/five-year term loan facilities to refinance its secured facilities which were due in November 2018 and February 2019, respectively. This has enabled AA REIT to maintain a well-spread debt maturity profile and minimise any refinancing risk in any one year.



Out of the total borrowings as at 31 March 2019, 10.0% falls due in May 2019, 6.0% falls due in December 2019, 20.0% falls due in August 2020, 12.6% falls due in November 2020, 10.0% falls due in March 2022, 20.0% falls due in July 2022 and the remaining falls due in July 2023.

The debt maturity profile of AA REIT as at 31 March 2019 (in S\$' million) is set out below:



MANAGER'S REPORT

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Sufficient undrawn committed facilities to repay borrowings due in FY2020

Borrowings which are due to mature in FY2020 consist of two Medium Term Notes ("MTN") of S\$50.0 million and S\$30.0 million due in May 2019 and December 2019 respectively. As at 31 March 2019, AA REIT has undrawn committed facilities of S\$145.0 million which will enable AA REIT to fully repay the MTN. Post-repayment, the weighted average debt maturity as at 31 March 2019 (on a proforma basis) will increase from 2.4 years to 2.8 years.

Prudent financial risk management

AA REIT continued to maintain appropriate hedging ratios to mitigate interest rate volatility. As at 31 March 2019, 85.8% of AA REIT's borrowings are on fixed interest rates with a combination of interest rate swaps to hedge its exposure from floating rate borrowings and fixed rate MTN. The fair value of derivative financial instruments represents 0.33% of the total assets as at 31 March 2019. To mitigate the foreign exchange risk arising from its Australian investment in Optus Centre, AA REIT had substantially funded the investment through the use of Australian dollar denominated borrowings which form a natural hedge for the capital invested. In addition, the Australian dollar denominated borrowings also effectively hedge more than half of the Australian dollar income from Optus Centre.

Strong financial flexibility

As at 31 March 2019, AA REIT had approximately S\$145.0 million of undrawn committed debt facilities and an untapped balance of S\$750.0 million from the establishment of a new multicurrency debt issuance programme in November 2018. AA REIT also has 10 unencumbered Singapore properties with a total value of S\$409.5 million or 28.1% of its portfolio of S\$1,458.3 million as at 31 March 2019. This will provide AA REIT with the financial ability to complete the redevelopment of the property at 3 Tuas Avenue 2 and asset enhancement initiative at NorthTech as well as the financial flexibility to fund future redevelopments, asset enhancement initiatives and acquisition opportunities.

Prudent capital structure

The aggregate leverage remains healthy at 33.7% as at 31 March 2019, well below the 45.0% gearing limit allowed by the Monetary Authority of Singapore for real estate investment trusts in Singapore. This provides AA REIT with a debt headroom of approximately S\$157.0 million before aggregate leverage reaches 40.0%. AA REIT has an investment grade credit rating of BBB- assigned by Standard & Poor's Ratings Services since 16 April 2012.

MANAGER'S REPORT

FINANCIAL REVIEW

Equity funding

Distribution Reinvestment Plan ("DRP")

DRP provides Unitholders with an option to receive distributions, either in the form of Units or cash or a combination of both. It also allows Unitholders to acquire additional Units without having to incur transaction or other related costs. In FY2019, the Manager completed two quarters of DRP exercises and raised S\$5.0 million during the year. The retention of cash and the issue of Units in lieu of cash under the DRP enlarged the AA REIT's capital base, strengthened its working capital reserves and improved the liquidity of Units.

Equity raising

On 1 December 2017, AA REIT issued 42,145,000 Units at an issue price of S\$1.305 per Unit by way of private placement ("2017 Placement"), raising gross proceeds of approximately S\$55.0 million.

Status report on the specific use of proceeds as of 31 March 2019 is as follows:

	2017 PLACEMENT S\$'MILLION
Gross proceeds	55.0
Use of proceeds	
Repayment of outstanding borrowings	47.9
Asset enhancement initiatives and balance payments on recent development projects	6.1
Issue expenses in relation to the 2017 Placement	1.0
	<hr/> 55.0 <hr/>

As at 31 March 2019, the remaining proceeds of the 2017 Placement have been fully utilised.

The use of proceeds from the 2017 Placement was in accordance with the stated use of proceeds and there is no material deviation from the percentage allocated as previously disclosed.

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REPORT OF THE TRUSTEE

YEAR ENDED 31 MARCH 2019

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of AIMS APAC REIT (formerly known as AIMS AMP Capital Industrial 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, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial 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 and the fourth supplemental deed dated 11 April 2019 (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 123 to 187, 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
 31 May 2019

STATEMENT BY THE MANAGER

YEAR ENDED 31 MARCH 2019

In the opinion of the Directors of AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial REIT Management Limited) (the “Manager”), the accompanying financial statements set out on pages 123 to 187, 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 2019, 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 Unit Trusts*” 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.

Change of name

The Trust changed its name from AIMS AMP Capital Industrial REIT to AIMS APAC REIT with effect from 11 April 2019.

For and on behalf of the Manager

AIMS APAC REIT Management Limited

(formerly known as AIMS AMP Capital Industrial REIT Management Limited)

KOH WEE LIH
DIRECTOR

Singapore
31 May 2019

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF AIMS APAC REIT
(FORMERLY KNOWN AS AIMS AMP CAPITAL INDUSTRIAL 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 (formerly known as AIMS AMP Capital Industrial 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 2019, 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 123 to 187.

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 2019 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 Unit Trusts* ("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 and investment property under development

(Refer to Notes 4 and 5 to the financial statements)

Risk:

The Group owns a portfolio of investment properties and investment property under development comprising 25 industrial properties which are located in Singapore, and a 49% interest in an investment property held through a joint venture which is located in Australia.

These investment properties and investment property under development are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating 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 valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the competency and objectivity of the external valuers and made enquiries with them to understand their valuation approach and basis of valuation.

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF AIMS APAC REIT
(FORMERLY KNOWN AS AIMS AMP CAPITAL INDUSTRIAL REIT)
(CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO A TRUST DEED)

We compared the valuation methodologies applied against those applied by other valuers for similar property types. For selected properties, we tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We also analysed industry data for comparability of capitalisation rates, discount rates and terminal yield rates.

We compared the estimated development expenditure to be incurred for the investment property under development against vendors' quotations.

We also considered the disclosures in the financial statements in describing the inherent degree of subjectivity and key assumptions adopted in the valuations.

Our findings:

The Group has a structured process in appointing and instructing valuers, and in reviewing and accepting their valuation results. The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out the work. The valuation methodologies used which included capitalisation, discounted cash flows and residual methods were consistent with generally accepted market practices. The key assumptions used in the valuations, including the projected cash flows, market rental growth rates, capitalisation rates, discount rates and terminal capitalisation rates, were substantiated by supporting leases or within the range of market data.

For the investment property under development, the estimated development costs to be incurred were found to be supported by vendors' quotations.

The disclosures in the financial statements are appropriate.

Other Information

AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial 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 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 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 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 Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF AIMS APAC REIT
(FORMERLY KNOWN AS AIMS AMP CAPITAL INDUSTRIAL REIT)
(CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO A TRUST DEED)

The responsibilities 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.

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 Manager.
- Conclude on the appropriateness of the Manager'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 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 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.

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF AIMS APAC REIT
(FORMERLY KNOWN AS AIMS AMP CAPITAL INDUSTRIAL REIT)
(CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO A TRUST DEED)

From the matters communicated with 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 Tan Kar Yee, Linda.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

31 May 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	Group		Trust	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Investment properties	4	1,202,300	1,210,100	1,202,300	1,210,100
Investment property under development	5	32,700	18,600	32,700	18,600
Subsidiaries	6	–	–	87,339	85,200
Joint venture	7	221,806	220,763	–	–
Trade and other receivables	8	3,646	3,569	3,646	3,569
Derivative financial instruments	9	371	512	371	512
		<u>1,460,823</u>	<u>1,453,544</u>	<u>1,326,356</u>	<u>1,317,981</u>
Current assets					
Derivative financial instruments	9	9	–	9	–
Trade and other receivables	8	5,878	6,525	5,310	6,037
Cash and cash equivalents	10	18,091	17,550	16,792	16,281
		<u>23,978</u>	<u>24,075</u>	<u>22,111</u>	<u>22,318</u>
Total assets		<u>1,484,801</u>	<u>1,477,619</u>	<u>1,348,467</u>	<u>1,340,299</u>
Non-current liabilities					
Trade and other payables	11	11,506	9,735	11,506	9,735
Interest-bearing borrowings	12	417,450	305,043	311,516	305,043
Derivative financial instruments	9	5,333	95	5,333	95
Deferred tax liabilities	13	8,018	6,411	–	–
		<u>442,307</u>	<u>321,284</u>	<u>328,355</u>	<u>314,873</u>
Current liabilities					
Trade and other payables	11	34,076	28,094	33,042	26,885
Interest-bearing borrowings	12	79,966	188,164	79,966	76,882
Derivative financial instruments	9	–	1,118	–	–
		<u>114,042</u>	<u>217,376</u>	<u>113,008</u>	<u>103,767</u>
Total liabilities		<u>556,349</u>	<u>538,660</u>	<u>441,363</u>	<u>418,640</u>
Net assets		<u>928,452</u>	<u>938,959</u>	<u>907,104</u>	<u>921,659</u>
Represented by:					
Unitholders' funds	14	<u>928,452</u>	<u>938,959</u>	<u>907,104</u>	<u>921,659</u>
Units in issue and to be issued ('000)	15	691,547	684,119	691,547	684,119
Net asset value per Unit attributable to Unitholders (\$)		<u>1.34</u>	<u>1.37</u>	<u>1.31</u>	<u>1.35</u>

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 MARCH 2019

		Group		Trust	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Gross revenue	16	118,078	116,916	118,078	116,916
Property operating expenses	17	(39,585)	(40,499)	(39,585)	(40,499)
Net property income		78,493	76,417	78,493	76,417
Foreign exchange (loss)/gain		(144)	(149)	2,292	3,750
Interest and other income		193	189	160	159
Distribution income from a subsidiary		–	–	10,278	9,364
Borrowing costs	18	(18,683)	(19,417)	(14,336)	(13,620)
Manager's management fees	19	(7,390)	(7,385)	(7,390)	(7,385)
Other trust expenses	20	(2,154)	(1,881)	(1,617)	(1,314)
Non-property expenses		(28,227)	(28,683)	(23,343)	(22,319)
Net income before joint venture's results		50,315	47,774	67,880	67,371
Share of results of joint venture (net of tax)	7	23,761	17,418	–	–
Net income		74,076	65,192	67,880	67,371
Net change in fair value of investment properties and investment property under development		(16,531)	(4,682)	(16,531)	(4,682)
Net change in fair value of derivative financial instruments		(4,778)	506	(4,778)	506
Gain on divestment of investment property		–	1,597	–	1,597
Total return before income tax		52,767	62,613	46,571	64,792
Income tax expense	21	(2,718)	(1,421)	(1,111)	(859)
Total return after income tax		50,049	61,192	45,460	63,933
Earnings per Unit (cents)					
Basic and diluted	22	7.30	9.36		

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

YEAR ENDED 31 MARCH 2019

	Note	Group 2019 \$'000	Group 2018 \$'000	Trust 2019 \$'000	Trust 2018 \$'000
Amount available for distribution to Unitholders at beginning of the year		17,975	17,755	17,975	17,755
Total return before income tax		52,767	62,613	46,571	64,792
Net effect of tax adjustments	A	30,545	10,133	17,830	(3,134)
Other adjustments	B	(18,911)	(11,088)	–	–
		64,401	61,658	64,401	61,658
Amount available for distribution to Unitholders from taxable income		82,376	79,413	82,376	79,413
Distribution from tax-exempt income		3,442	2,698	3,442	2,698
Capital distribution		2,653	3,014	2,653	3,014
Amount available for distribution to Unitholders		88,471	85,125	88,471	85,125
Distributions to Unitholders during the year:					
2.78 cents per Unit for the period from 1 January 2017 – 31 March 2017		–	(17,755)	–	(17,755)
2.50 cents per Unit for the period from 1 April 2017 – 30 June 2017		–	(15,999)	–	(15,999)
2.55 cents per Unit for the period from 1 July 2017 – 30 September 2017		–	(16,320)	–	(16,320)
1.91 cents per Unit for the period from 1 October 2017 – 30 November 2017		–	(12,224)	–	(12,224)
0.71 cents per Unit for the period from 1 December 2017 – 31 December 2017		–	(4,852)	–	(4,852)
2.63 cents per Unit for the period from 1 January 2018 – 31 March 2018		(17,975)	–	(17,975)	–
2.50 cents per Unit for the period from 1 April 2018 – 30 June 2018		(17,139)	–	(17,139)	–
2.50 cents per Unit for the period from 1 July 2018 – 30 September 2018		(17,139)	–	(17,139)	–
2.50 cents per Unit for the period from 1 October 2018 – 31 December 2018		(17,218)	–	(17,218)	–
		(69,471)	(67,150)	(69,471)	(67,150)
Amount available for distribution to Unitholders at end of the year		19,000	17,975	19,000	17,975
Number of Units entitled to distributions at end of the year ('000)		690,913	683,452	690,913	683,452
Distribution per Unit (cents)		10.25	10.30	10.25	10.30

Please refer to note 3.12 for the Trust's distribution policy.

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

YEAR ENDED 31 MARCH 2019

Note A - Net effect of tax adjustments

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amortisation and write-off of borrowing transaction costs	790	774	790	774
Foreign exchange loss/(gain)	209	143	(2,228)	(3,756)
Manager's management fees in Units	4,033	3,692	4,033	3,692
Net change in fair value of investment properties and investment property under development	16,531	4,682	16,531	4,682
Net change in fair value of derivative financial instruments	4,778	(506)	4,778	(506)
Gain on divestment of investment property	–	(1,597)	–	(1,597)
Net tax adjustment on foreign sourced income	2,665	2,377	(7,613)	(6,987)
Proceeds from insurance claims	–	(114)	–	(114)
Temporary differences and other tax adjustments	1,539	682	1,539	678
Net effect of tax adjustments	30,545	10,133	17,830	(3,134)

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 2019

	Note	Group 2019 \$'000	Group 2018 \$'000	Trust 2019 \$'000	Trust 2018 \$'000
Balance at beginning of the year		938,959	888,447	921,659	867,220
Operations					
Total return after income tax		50,049	61,192	45,460	63,933
Foreign currency translation reserve					
Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations	14	(1,936)	(2,488)	–	–
Hedging reserve					
Effective portion of changes in fair value of cash flow hedges	14	802	1,272	(593)	(30)
Unitholders' contributions					
Issuance of Units (including Units to be issued):					
- Private placement		–	54,999	–	54,999
- Distribution Reinvestment Plan		4,985	–	4,985	–
- Manager's management fees in Units		4,033	3,692	4,033	3,692
- Property Manager's fees in Units		1,087	–	1,087	–
Distributions to Unitholders		(69,471)	(67,150)	(69,471)	(67,150)
Issue expenses	14	(56)	(1,005)	(56)	(1,005)
Change in Unitholders' funds resulting from Unitholders' transactions		(59,422)	(9,464)	(59,422)	(9,464)
Total (decrease)/increase in Unitholders' funds		(10,507)	50,512	(14,555)	54,439
Balance at end of the year		928,452	938,959	907,104	921,659

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

AS AT 31 MARCH 2019

	Description of property	Location	Term of land lease ¹	Remaining term of land lease ¹ (years)
Group and the Trust				
Investment properties in Singapore				
1	20 Gul Way	20 Gul Way	35 years	21.8
2	27 Penjuru Lane	27 Penjuru Lane	45 years	30.5
3	8 & 10 Pandan Crescent	8 & 10 Pandan Crescent	92 years and 8 months	49.2
4	NorthTech	29 Woodlands Industrial Park E1	60 years	35.8
5	1A International Business Park	1A International Business Park	52 years	40.2
6	30 Tuas West Road	30 Tuas West Road	60 years	36.8
7	51 Marsiling Road	51 Marsiling Road	70 years and 5 months	25.3
8	103 Defu Lane 10	103 Defu Lane 10	60 years	24.2
9	Element 14	15 Tai Seng Drive	60 years	32.0
10	8 Tuas Avenue 20	8 Tuas Avenue 20	59 years and 1.5 months	32.6
11	1 Bukit Batok Street 22	1 Bukit Batok Street 22	60 years	36.2
12	3 Toh Tuck Link	3 Toh Tuck Link	60 years	37.6
13	10 Changi South Lane	10 Changi South Lane	60 years	37.2
14	23 Tai Seng Drive	23 Tai Seng Drive	60 years	31.3
15	11 Changi South Street 3	11 Changi South Street 3	60 years	36.0
16	135 Joo Seng Road	135 Joo Seng Road	60 years	35.2
17	61 Yishun Industrial Park A	61 Yishun Industrial Park A	60 years	33.4
18	56 Serangoon North Avenue 4	56 Serangoon North Avenue 4	60 years	36.1
19	King Plastic	541 Yishun Industrial Park A	60 years	35.2
20	2 Ang Mo Kio Street 65	2 Ang Mo Kio Street 65	60 years	28.0
21	8 Senoko South Road	8 Senoko South Road	60 years	35.6
22	7 Clementi Loop	7 Clementi Loop	60 years	34.2
23	1 Kallang Way 2A	1 Kallang Way 2A	60 years	36.2
24	Aalst Chocolate Building	26 Tuas Avenue 7	60 years	34.8
Investment properties, at valuation (note 4)				
Investment property under development in Singapore				
25	3 Tuas Avenue 2	3 Tuas Avenue 2	73 years	36.0
Investment property under development, at valuation (note 5)				
Portfolio of investment properties and investment property under development				
Joint venture (note 7)				
Investment property in Australia held by a joint venture				
26	Optus Centre ⁴	1-5 Lyonpark Road, Macquarie Park, New South Wales	Freehold	N.A.
Other assets and liabilities (net)				
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 and investment property under development are stated at valuation.

⁴ The Group has a 49.0% (2018: 49.0%) interest in Optus Centre. As at 31 March 2019, the property was valued at AUD470.0 million (equivalent to approximately \$455.7 million) (31 March 2018: AUD450.0 million (equivalent to approximately \$453.1 million)).

The accompanying notes form an integral part of these financial statements.

Existing use	Occupancy rate ²		Carrying value ³		Group percentage of total Unitholders' funds		Trust percentage of total Unitholders' funds	
	2019 %	2018 %	2019 \$'000	2018 \$'000	2019 %	2018 %	2019 %	2018 %
Logistics and Warehouse	91	87	232,200	250,400	25.0	26.7	25.6	27.2
Logistics and Warehouse	94	87	167,700	169,000	18.1	18.0	18.5	18.3
Logistics and Warehouse	91	90	149,000	146,000	16.1	15.5	16.4	15.9
Hi-Tech	100	100	110,000	102,000	11.9	10.9	12.1	11.1
Business Park	100	100	84,000	88,500	9.0	9.4	9.2	9.6
Logistics and Warehouse	100	100	59,100	59,100	6.4	6.3	6.5	6.4
General Industrial	100	100	45,000	43,000	4.8	4.6	5.0	4.7
Logistics and Warehouse	100	92	35,500	35,000	3.8	3.7	3.9	3.8
Light Industrial	95	100	35,300	35,300	3.8	3.7	3.9	3.8
General Industrial	100	83	28,000	28,000	3.0	3.0	3.1	3.0
Light Industrial	60	43	25,300	25,700	2.7	2.7	2.8	2.8
Logistics and Warehouse	100	100	23,300	22,500	2.5	2.4	2.6	2.5
Logistics and Warehouse	100	90	22,800	22,300	2.5	2.4	2.5	2.4
Light Industrial	95	95	22,800	22,200	2.5	2.4	2.5	2.4
Logistics and Warehouse	100	92	21,400	21,400	2.3	2.3	2.4	2.3
Light Industrial	88	90	20,700	20,300	2.2	2.2	2.3	2.2
General Industrial	62	67	20,000	20,000	2.2	2.1	2.2	2.2
Logistics and Warehouse	98	98	19,500	19,500	2.1	2.1	2.1	2.1
General Industrial	100	100	16,000	16,000	1.7	1.7	1.8	1.7
General Industrial	100	100	16,000	15,700	1.7	1.7	1.8	1.7
General Industrial	100	100	12,400	12,300	1.3	1.3	1.4	1.3
Logistics and Warehouse	94	77	12,200	12,200	1.3	1.3	1.3	1.3
Light Industrial	100	96	12,200	12,200	1.3	1.3	1.3	1.3
General Industrial	100	100	11,900	11,500	1.3	1.2	1.3	1.3
			1,202,300	1,210,100	129.5	128.9	132.5	131.3
–	N.A.	N.A.	32,700	18,600	3.5	2.0	3.6	2.0
			32,700	18,600	3.5	2.0	3.6	2.0
			1,235,000	1,228,700	133.0	130.9		
			221,806	220,763	23.9	23.5		
Business Park	100	100						
			(528,354)	(510,504)	(56.9)	(54.4)		
			928,452	938,959	100.0	100.0		

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

AS AT 31 MARCH 2019

Description of property	Carrying value		Trust percentage of total Unitholders' funds	
	2019 \$'000	2018 \$'000	2019 %	2018 %
Trust				
1-24 Investment properties, at valuation (pages 128 – 129)	1,202,300	1,210,100	132.5	131.3
25 Investment property under development, at valuation (pages 128 – 129)	32,700	18,600	3.6	2.0
	1,235,000	1,228,700	136.1	133.3
Other assets and liabilities (net)	(327,896)	(307,041)	(36.1)	(33.3)
Total Unitholders' funds of the Trust	907,104	921,659	100.0	100.0

Portfolio statement by industry segment is not presented as the Group's and the Trust's activities for the years ended 31 March 2019 and 31 March 2018 related wholly to investing in real estate in the industrial sector.

As at 31 March 2019, the investment properties and investment property under development were valued by Savills Valuation and Professional Services (S) Pte Ltd (2018: Colliers International Consultancy & Valuation (Singapore) Pte Ltd or Jones Lang LaSalle Property Consultants Pte Ltd). The independent valuation of the investment property held through a joint venture was carried out by Jones Lang LaSalle Advisory Services Pty Ltd as at 31 March 2019 and 31 March 2018.

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. The investment property under development was valued based on the residual method. Refer to notes 4 and 5 of the financial statements for details of the valuation techniques.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2019

	Group	
	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Total return after income tax	50,049	61,192
Adjustments for:		
Share of results of joint venture (net of tax)	(23,761)	(17,418)
Borrowing costs	18,683	19,417
Foreign exchange loss	144	149
Manager's management fees in Units	4,033	3,692
Net change in fair value of investment properties and investment property under development	16,531	4,682
Net change in fair value of derivative financial instruments	4,778	(506)
Gain on divestment of investment property	–	(1,597)
Income tax expense	2,718	1,421
Operating income before working capital changes	73,175	71,032
Changes in working capital		
Trade and other receivables	573	(1,554)
Trade and other payables	(249)	4,719
Cash generated from operations	73,499	74,197
Income tax paid	(1,111)	(859)
Net cash from operating activities	72,388	73,338
Cash flows from investing activities		
Capital expenditure on investment properties and investment property under development	(14,332)	(33,181)
Investment in a joint venture	(580)	–
Distributions from a joint venture	15,127	15,688
Proceeds from divestment of investment property	–	7,997
Net cash from/(used in) investing activities	215	(9,496)
Cash flows from financing activities		
Distributions to Unitholders	(63,755)	(67,965)
Proceeds from interest-bearing borrowings	224,063	147,350
Repayments of interest-bearing borrowings	(212,724)	(171,228)
Borrowing costs paid	(19,409)	(19,972)
Proceeds from placement	–	54,999
Issue expenses paid	(60)	(1,005)
Net cash used in financing activities	(71,885)	(57,821)
Net increase in cash and cash equivalents	718	6,021
Cash and cash equivalents at beginning of the year	17,550	11,727
Effect of exchange rate fluctuations on cash held	(177)	(198)
Cash and cash equivalents at end of the year	18,091	17,550

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2019

Note:

A Significant non-cash transactions

There were the following significant non-cash transactions:

- (i) During the financial year ended 31 March 2019, the Trust issued an aggregate of 2,947,863 (2018: 2,648,540) new Units amounting to \$4.1 million (2018: \$3.7 million) as partial payment for the base fee element of the Manager's management fees incurred.
- (ii) During the financial year ended 31 March 2019, the Trust issued an aggregate of 3,727,755 new Units amounting to \$5.0 million as part payment of the distributions pursuant to the Trust's Distribution Reinvestment Plan.
- (iii) During the financial year ended 31 March 2019, the Trust issued an aggregate of 785,445 new Units amounting to \$1.1 million to AIMS APAC Property Management Pte. Ltd. (formerly known as AIMS AMP Capital Property Management Pte. Ltd.) ("Property Manager") as payment for marketing services provided by the Property Manager in respect of securing tenants at various AA REIT's properties.

Refer to note 15 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 31 May 2019.

1 GENERAL

AIMS APAC REIT (formerly known as AIMS AMP Capital Industrial 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 and the fourth supplemental deed dated 11 April 2019 (collectively the "Trust Deed"), entered into between AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial 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, Chapter 337.

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 6 and note 7 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

1 GENERAL (Continued)

1.2 Manager's fees (continued)

Base fee (continued)

The base fee is payable in the form of cash and/or Units as the Manager may elect. 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 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.

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.

For a period of 60 months from the Listing Date (save for the period from Listing Date to 31 March 2008 whereby no performance fee is payable), 100% of the performance fee shall be paid to the Manager in Units and thereafter, at the Manager's discretion.

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.

1.3 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

1 GENERAL (Continued)

1.3 Property Manager's fees (continued)

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.

The Property Manager's fees are payable monthly, in arrears.

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 Unit Trusts* ("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").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment properties, investment property under development, derivative financial instruments and certain financial assets and liabilities, which are stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

2 BASIS OF PREPARATION (Continued)

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of the Trust. All financial information presented in Singapore dollars 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 in the period in which the estimates are revised and in any future periods affected.

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 the following notes:

- Note 4: Valuation of investment properties
- Note 5: Valuation of investment property under development

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.

2.5 Changes in accounting policies

The Group has applied the following FRSs for the first time for the annual period beginning on 1 April 2018:

- FRS 115 *Revenue from Contracts with Customers*
- FRS 109 *Financial Instruments*

The adoption of these FRSs did not have a significant effect on the Group's and the Trust's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

2 BASIS OF PREPARATION (Continued)

2.5 Changes in accounting policies (continued)

FRS 109 *Financial Instruments*

FRS 109 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss ("ECL") model and a new general hedge accounting model.

The Group has adopted consequential amendments to FRS 107 *Financial Instruments: Disclosures* that are applied to disclosures for the financial year beginning 1 April 2018 but have not been generally applied to comparative information.

Changes in accounting policies resulting from the adoption of FRS 109 have been applied by the Group retrospectively, except as described below:

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of FRS 109, if any, are recognised in the Unitholders' funds as at 1 April 2018. Accordingly, the information presented for the financial year ended 31 March 2018 does not generally reflect the requirements of FRS 109, but rather those of FRS 39 *Financial Instruments: Recognition and Measurement*.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss ("FVTPL").
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under FRS 39 as at 31 March 2018 met the criteria for hedge accounting under FRS 109 at 1 April 2018 and are therefore regarded as continuing hedge relationships.

The impact upon adoption of FRS 109 is described below:

(i) Classification and measurement of financial assets and financial liabilities

FRS 109 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and FVTPL. The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous categories under FRS 39 of held to maturity, loans and receivables and available for sale. Under FRS 109, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under FRS 109, see note 3.4.

FRS 109 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities.

The adoption of FRS 109 did not have a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

2 BASIS OF PREPARATION (Continued)

2.5 Changes in accounting policies (continued)

FRS 109 Financial Instruments (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

The following table and accompanying note below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Group's and the Trust's financial assets and financial liabilities as at 1 April 2018. There were no changes to the carrying amounts of each class of the Group's and the Trust's financial assets and financial liabilities as at 1 April 2018.

	Original classification under FRS 39	New classification under FRS 109	Group carrying amount \$'000	Trust carrying amount \$'000
Financial assets				
Interest rate swaps at fair value through statement of total return	FVTPL	FVTPL	512	512
Trade and other receivables*	Loans and receivables	Amortised cost	4,734	4,252
Cash and cash equivalents	Loans and receivables	Amortised cost	17,550	16,281
* Excluding prepayments.				
Financial liabilities				
Interest rate swaps at fair value through statement of total return	FVTPL	FVTPL	64	64
Interest rate swaps used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	1,149	31
Trade and other payables **	Other financial liabilities	Other financial liabilities	36,322	35,113
Interest-bearing borrowings	Other financial liabilities	Other financial liabilities	493,207	381,925

** Excluding rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

2 BASIS OF PREPARATION (Continued)

2.5 Changes in accounting policies (continued)

FRS 109 *Financial Instruments* (continued)

(ii) Impairment

FRS 109 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost.

The Group applied the simplified approach and record lifetime expected losses on all trade receivables. The amount of the allowance was negligible. Accordingly, the Group did not recognise any adjustments to its opening Unitholders' Funds on 1 April 2018.

(iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in FRS 109. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2018. The adoption of these standards did not result in substantial changes to the accounting policies and had no significant effect on the financial performance or position of the Group and the Trust except as described in note 2.5.

3.1 Basis of consolidation

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.

Investments in joint ventures (equity-accounted investees)

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (continued)

Investments in joint ventures (equity-accounted investees) (continued)

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.

3.2 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 retranslated 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 retranslation are recognised in statement of total return, except for the foreign currency differences which are recognised in Unitholders' funds arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation and a financial liability 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 dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Foreign currencies (continued)

Foreign operations (continued)

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 and investment property under development

Investment properties are properties held either to earn rental income or capital appreciation or both. Investment property under development is a property being constructed or developed for future use as investment properties. Investment properties and investment property under development 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 or investment property under development. 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.

Fair value is determined in accordance with the Trust Deed, which requires the investment properties and investment property under development 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 each parcel of real estate 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 and investment property under development.

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 or investment property under development 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Investment properties (continued)

Investment properties and investment property under development (continued)

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

3.4 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, for an item not at 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.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 April 2018

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 – Policy applicable from 1 April 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Business model assessment – Policy applicable from 1 April 2018 (continued)

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 – Policy applicable from 1 April 2018

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).

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 – Policy applicable from 1 April 2018

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 assets – Policy applicable before 1 April 2018

The Group classifies non-derivative financial assets into the loans and receivables category.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 April 2018

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables (excluding prepayments).

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, and trade and other payables (excluding rental received in advance).

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (continued)

(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 short-term deposits with maturities of three months or less that are subject to an insignificant risk of changes in their fair value.

(vi) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 April 2018

The Group holds derivative financial instruments to manage its interest rate risk exposure.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in 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.

Hedging relationships designated under FRS 39 that were still existing as at 31 March 2018 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of FRS 109.

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 statement of total return in the same period or periods as the hedged expected future cash flows affect statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (continued)

(vi) Derivative financial instruments and hedge accounting (continued)

Derivative financial instruments and hedge accounting – Policy applicable from 1 April 2018 (continued)

Cash flow hedges (continued)

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.

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 dollars), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation 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.

Derivative financial instruments and hedge accounting – Policy applicable before 1 April 2018

The policy applied in the comparative information presented for the year ended 31 March 2018 is similar to that applied for the year ended 31 March 2019. For all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to the statement of total return in the same period or periods during which the hedged expected future cash flows affected the statement of total return. Furthermore, for cash flow hedges that were terminated before 31 March 2018, swap points were recognised immediately in the statement of total return.

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.

3.5 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 April 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable from 1 April 2018 (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable from 1 April 2018 (continued)

Credit-impaired financial assets (continued)

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.

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.

Policy applicable before 1 April 2018

A financial asset not carried at FVTPL, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group or economic conditions that correlate with defaults.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for the Manager's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable before 1 April 2018 (continued)

Loans and receivables (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the statement of total return and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amount are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of total return.

(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 3.5(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 and investment property under development, 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.

3.6 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 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.

3.8 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.

3.9 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.

3.10 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Income tax expense (continued)

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) during the period from 18 February 2010 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).

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:

- 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; or
- An international organisation that is exempt from tax,

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Income tax expense (continued)

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 investment in Optus Centre, Macquarie Park, New South Wales, Australia and 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.

This tax exemption is granted by the IRAS but is subject to certain conditions, including the condition that the Trustee is a tax resident of Singapore.

3.12 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 dollars.

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.

On 20 April 2012, the Manager announced the implementation of the 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.

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 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, interest and other income, borrowing costs, trust expenses and income tax expense.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, investment properties and investment property under development.

3.15 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 April 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

Applicable to financial statements for the year ending 31 March 2020

- FRS 116 *Leases*
- INT FRS 123 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28)
- *Prepayment Features with a Negative Compensation* (Amendments to FRS 109)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23)

The Group does not expect these new standards, interpretations and amendments to the standards to have a significant effect on the financial statements of the Group and the Trust except for FRS 116 *Leases*. The Group's assessment of FRS 116, which is expected to have a more significant impact on the Group, is as described below.

FRS 116 *Leases*

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 115 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted.

The Group plans to apply FRS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of Unitholders' funds at 1 April 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply FRS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 New standards and interpretations not yet adopted (continued)

FRS 116 Leases (continued)

The Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to its portfolio of property leases. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 April 2019. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116.

As at 1 April 2019, the Group expects an increase in ROU assets and a corresponding increase in lease liabilities of approximately \$159.1 million.

The Group does not expect the adoption of FRS 116 to impact its ability to comply with the Aggregate Leverage limit described in note 25 or its distributions to Unitholders.

The Group as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases, and to account for these leases using the existing operating lease accounting model.

4 INVESTMENT PROPERTIES

	Note	Group and Trust	
		2019 \$'000	2018 \$'000
At 1 April		1,210,100	1,175,100
Capital expenditure capitalised		8,731	3,340
Divestment of investment property		–	(6,400)
Net change in fair value of investment properties recognised in the statement of total return		(16,531)	(10,440)
Transfer from investment property under development (net)	5	–	48,500
At 31 March		<u>1,202,300</u>	<u>1,210,100</u>

Included in capital expenditure capitalised are borrowing costs capitalised during the year of approximately \$51,000 (2018: nil) for the financial year ended 31 March 2019.

As at 31 March 2019, 15 (2018: 14) investment properties of the Group and the Trust with carrying amounts totalling \$825.5 million (2018: \$803.4 million) had been pledged as security for interest-bearing borrowings (see note 12).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

4 INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

Investment properties with level 3 fair value of \$1,202.3 million (2018: \$1,210.1 million) as at 31 March 2019, were measured by independent professional valuers who have the appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The fair value measurement for investment properties has been categorised as Level 3 fair values based on inputs to the valuation techniques used (see note 2.4).

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 are stated at fair value based on valuations performed by an independent professional valuer, Savills Valuation and Professional Services (S) Pte Ltd (2018: Colliers International Consultancy & Valuation (Singapore) Pte Ltd or Jones Lang LaSalle Property Consultants Pte Ltd on 31 March 2018). 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 risks inherent in each of the properties are taken into consideration in arriving at the property valuation.

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-collaborated 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 valuers have considered valuation techniques including the income capitalisation method, discounted cash flow analysis and/or direct comparison method in arriving at the open market value as at the reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

4 INVESTMENT PROPERTIES (Continued)

Level 3 fair value measurements (continued)

(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 8.00% (2018: 7.50% to 8.00%)	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 6.25% to 7.00% (2018: 6.25% to 7.00%)	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
Capitalisation method	• Capitalisation rate of 6.00% to 6.50% (2018: 6.00% to 6.75%)	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).

5 INVESTMENT PROPERTY UNDER DEVELOPMENT

	Note	Group and Trust	
		2019 \$'000	2018 \$'000
At 1 April		18,600	37,600
Development expenditure capitalised		14,100	23,742
Net change in fair value of investment property under development recognised in statement of total return		–*	5,758
Transfer to investment properties (net)	4	–	(48,500)
At 31 March		32,700	18,600

* less than \$1,000.

Included in development expenditure capitalised are borrowing costs capitalised during the year of approximately \$192,000 (2018: \$478,000) for the financial year ended 31 March 2019.

As at 31 March 2018, the investment property under development of the Group and the Trust with carrying amount of \$18.6 million had been pledged as security for interest-bearing borrowings (see note 12).

Fair value hierarchy

Investment property under development with fair value of \$32.7 million (2018: \$18.6 million) as at 31 March 2019 was measured by an independent professional valuer, Savills Valuation and Professional Services (S) Pte Ltd (2018: Jones Lang LaSalle Property Consultants Pte Ltd), who has the appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value measurement for investment property under development has been categorised as a Level 3 fair values based on the inputs to the valuation techniques used (see note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

5 INVESTMENT PROPERTY UNDER DEVELOPMENT (Continued)

Level 3 fair value measurement

(i) Reconciliation of movements in Level 3 fair value measurement

The reconciliation of Level 3 fair value measurements for investment property under development is presented in the table above.

(ii) Valuation techniques

In determining the fair value of investment property under development, the valuers have adopted the residual method whereby the estimated development costs to be incurred and developer's profit are deducted from the gross development value to arrive at the residual value. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation and is determined using the income capitalisation method, discounted cash flow analysis and/or direct comparison method (see note 4).

The key assumptions include the estimation of net income based on rental assumptions which are considered in line with prevailing market conditions and general market practice within Singapore, a market-corroborated discount rate, terminal capitalisation rate, capitalisation rate and estimated development costs to be incurred.

(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
Residual method	Discounted cash flows analysis	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Discount rate of 8.00% (2018: 7.75%)	
	• Terminal capitalisation rate of 6.50% (2018: 6.75%)	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
	Capitalisation methods	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
	• Capitalisation rate of 6.25% (2018: 6.50%)	
	Estimated development costs to be incurred (including land costs): \$48.2 million (2018: \$48.2 million)	The estimated fair value would increase (decrease) if estimated development costs to be incurred were lower (higher).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

6 SUBSIDIARIES

	Trust	
	2019 \$'000	2018 \$'000
Unquoted equity, at cost	87,339	85,200

Details of the subsidiaries are as follows:

Subsidiaries of the Trust	Country of incorporation or constitution/ Principal place of business	Effective equity interest held by the Group	
		2019 %	2018 %
AACI REIT MTN Pte. Ltd. ¹	Singapore	100.0	100.0
AACI REIT Opera Pte. Ltd. ²	Singapore	100.0	100.0
AIMS APAC REIT (Australia) Trust ³	Australia	100.0	100.0
AA REIT Macquarie Park Investment Trust ⁴	Australia	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.

AACI REIT MTN Pte. Ltd.

AACI REIT MTN Pte. Ltd. ("AACI MTN"), a wholly-owned subsidiary, was incorporated on 28 May 2012. Its principal activity is to issue notes under an unsecured multi-currency medium term note programme for and on behalf of the Trust, provide financial and treasury services in connection with such issuance and lend the proceeds from the issuance of such notes to the Trust.

AACI REIT Opera Pte. Ltd.

AACI REIT Opera Pte. Ltd., a wholly-owned subsidiary, was incorporated on 23 October 2013. Its principal activity is that of an investment holding company.

AIMS APAC REIT (Australia) Trust

AIMS APAC REIT (Australia) Trust (formerly known as AIMS AMP Capital Industrial REIT (Australia) Trust), a wholly-owned trust, was constituted on 15 November 2013. Its principal activity is to acquire and hold Australian property-related investments.

AA REIT Macquarie Park Investment Trust

AA REIT Macquarie Park Investment Trust, a wholly-owned trust, was constituted on 15 November 2013. Its principal activity is to acquire and hold Australian property-related investments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

7 JOINT VENTURE

	Group	
	2019 \$'000	2018 \$'000
Joint venture	221,806	220,763

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	
			2019 %	2018 %
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, 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 prepared in accordance to FRS for the respective financial years ended 31 March.

	2019 \$'000	2018 \$'000
Assets and liabilities		
Non-current assets ^a	455,660	453,139
Current assets ^b	1,449	4,927
Total assets	457,109	458,066
Current liabilities ^c	4,443	7,530
Total liabilities	4,443	7,530

Results

Revenue	32,692	34,927
Expenses	(4,424)	(4,695)
Net change in fair value of investment property	20,223	5,314
Total return for the year	48,491	35,546

^a Represents the valuation of Optus Centre, Macquarie Park, New South Wales, Australia. The independent valuation of the property was carried out by Jones Lang LaSalle Advisory Services Pty Ltd as at 31 March 2019 and 31 March 2018 and the property was valued at AUD470.0 million (equivalent to approximately \$455.7 million) (31 March 2018: AUD450.0 million (equivalent to approximately \$453.1 million)).

^b Includes cash at banks and in hand of \$0.4 million (2018: \$4.5 million).

^c Comprises trade and other payables, current tax payable and provisions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

7 JOINT VENTURE (Continued)

	2019 \$'000	2018 \$'000
Group's interest in net assets and carrying amount of joint venture		
At 1 April	220,763	232,113
Investment during the year	580	–
Share of results of joint venture (net of tax) (including share of net change in fair value of investment property)	23,761	17,418
Distributions received/receivable	(15,130)	(15,700)
Foreign currency translation movements	(8,168)	(13,068)
At 31 March	221,806	220,763

8 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables	1,757	3,263	1,757	3,263
Deposits	28	34	28	34
Distribution receivable from a subsidiary	–	–	890	761
Distribution receivable from a joint venture	1,446	1,243	–	–
Other receivables	135	194	135	194
	3,366	4,734	2,810	4,252
Prepayments	6,158	5,360	6,146	5,354
	9,524	10,094	8,956	9,606
Non-current	3,646	3,569	3,646	3,569
Current	5,878	6,525	5,310	6,037
	9,524	10,094	8,956	9,606

The Group's and the Trust's exposure to credit risk related to trade and other receivables is disclosed in note 25.

9 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets				
Interest rate swaps at FVTPL	371	512	371	512

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

9 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current assets				
Interest rate swaps at FVTPL	9	–	9	–
Non-current liabilities				
Interest rate swaps:				
- used for hedging	(624)	(31)	(624)	(31)
- at FVTPL	(4,709)	(64)	(4,709)	(64)
	(5,333)	(95)	(5,333)	(95)
Current liabilities				
Interest rate swaps used for hedging	–	(1,118)	–	–

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 2019, the Group had interest rate swap contracts with tenors between three and seven years with total notional amounts of \$129.1 million and AUD175.0 million, equivalent to approximately \$169.7 million (2018: \$129.1 million and AUD175.7 million, equivalent to approximately \$176.9 million). Under the contracts, the Group pays fixed interest rates of 1.570% to 2.825% (2018: 1.570% to 3.825% and receives interest at the three-month Singapore Dollar swap offer rate ("SOR") or Australia Bank Bill Swap Bid Rate ("BBSY").

The Group has designated the interest rate swap contracts with notional amounts of AUD65.0 million (equivalent to approximately \$63.0 million) (2018: AUD175.7 million (equivalent to approximately \$176.9 million)) as hedging instruments in a cash flow hedge to hedge against variable interest payment arising from the AUD65.0 million (equivalent to approximately \$63.0 million) (2018: AUD175.7 million (equivalent to approximately \$176.9 million)) floating rate loans.

The Trust has designated the interest rate swap contracts with notional amounts of AUD65.0 million (equivalent to approximately \$63.0 million) (2018: AUD65.0 million (equivalent to approximately \$65.5 million)) as hedging instruments in a cash flow hedge to hedge against variable interest payment arising from the AUD65.0 million (equivalent to approximately \$63.0 million) (2018: AUD65.0 million (equivalent to approximately \$65.5 million)) floating rate loan.

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.

	2019 Hedging reserve \$'000
Cash flow hedges	
Balance as at 1 April 2018	(1,426)
Effective portion of changes in fair value of cash flow hedges	802
Balance as at 31 March 2019	(624)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

9 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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.

The following are the expected contractual undiscounted cash inflows/(outflows) of derivative financial instruments:

	Carrying amount \$'000	Expected cash flows		
		Total \$'000	Less than 1 year \$'000	1 to 5 years \$'000
Group				
2019				
Non-current assets				
Interest rate swaps at FVTPL	371	390	284	106
Current assets				
Interest rate swaps at FVTPL	9	17	17	–
Non-current liabilities				
Interest rate swaps				
- used for hedging	(624)	(683)	(313)	(370)
- at FVTPL	(4,709)	(5,209)	(890)	(4,319)
	<u>(4,953)</u>	<u>(5,485)</u>	<u>(902)</u>	<u>(4,583)</u>
2018				
Non-current assets				
Interest rate swaps at FVTPL	512	584	(52)	636
Non-current liabilities				
Interest rate swaps				
- used for hedging	(31)	(75)	(161)	86
- at FVTPL	(64)	(51)	(83)	32
Current liabilities				
Interest rate swaps used for hedging	(1,118)	(1,330)	(1,330)	–
	<u>(701)</u>	<u>(872)</u>	<u>(1,626)</u>	<u>754</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

9 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Offsetting financial assets and financial liabilities (continued)

	Carrying amount \$'000	Expected cash flows		
		Total \$'000	Less than 1 year \$'000	1 to 5 years \$'000
Trust				
2019				
Non-current assets				
Interest rate swaps at FVTPL	371	390	284	106
Current assets				
Interest rate swaps at FVTPL	9	17	17	–
Non-current liabilities				
Interest rate swaps				
- used for hedging	(624)	(683)	(313)	(370)
- at FVTPL	(4,709)	(5,209)	(890)	(4,319)
	(4,953)	(5,485)	(902)	(4,583)
2018				
Non-current assets				
Interest rate swaps at FVTPL	512	584	(52)	636
Non-current liabilities				
Interest rate swaps				
- used for hedging	(31)	(75)	(161)	86
- at FVTPL	(64)	(51)	(83)	32
	417	458	(296)	754

10 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash at banks and in hand	13,420	14,319	12,121	13,050
Fixed deposits with financial institutions	4,671	3,231	4,671	3,231
	<u>18,091</u>	<u>17,550</u>	<u>16,792</u>	<u>16,281</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

11 TRADE AND OTHER PAYABLES

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables and accrued expenses	13,389	12,363	13,143	12,108
Trade amounts due to:				
- the Manager	321	955	321	955
- the Property Manager	659	516	659	516
- the Trustee	44	44	44	44
- subsidiary	–	–	8	8
- entities controlled by corporate shareholders of the Manager	115	227	–	–
Goods and services tax payable	881	1,772	889	1,773
Rental received in advance	1,991	1,507	1,991	1,507
Rental and security deposits	15,482	14,051	15,482	14,051
Retention sums for development costs	1,827	2,935	1,827	2,935
Accrued development costs	8,256	911	8,256	911
Interest payable	2,617	2,548	1,928	1,812
	<u>45,582</u>	<u>37,829</u>	<u>44,548</u>	<u>36,620</u>
Non-current	11,506	9,735	11,506	9,735
Current	<u>34,076</u>	<u>28,094</u>	<u>33,042</u>	<u>26,885</u>
	<u>45,582</u>	<u>37,829</u>	<u>44,548</u>	<u>36,620</u>

12 INTEREST-BEARING BORROWINGS

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current				
Secured				
Term loans	369,661	165,453	263,017	165,453
Revolving credit facility	–	11,000	–	11,000
	<u>369,661</u>	<u>176,453</u>	<u>263,017</u>	<u>176,453</u>
Unsecured				
Medium term notes	50,000	130,000	50,000	130,000
	<u>419,661</u>	<u>306,453</u>	<u>313,017</u>	<u>306,453</u>
Less: Unamortised borrowing transaction costs	(2,211)	(1,410)	(1,501)	(1,410)
	<u>417,450</u>	<u>305,043</u>	<u>311,516</u>	<u>305,043</u>
Current				
Secured				
Term loans	–	188,427	–	77,000
Unsecured				
Medium term notes	80,000	–	80,000	–
	<u>80,000</u>	<u>188,427</u>	<u>80,000</u>	<u>77,000</u>
Less: Unamortised borrowing transaction costs	(34)	(263)	(34)	(118)
	<u>79,966</u>	<u>188,164</u>	<u>79,966</u>	<u>76,882</u>
Total	<u>497,416</u>	<u>493,207</u>	<u>391,482</u>	<u>381,925</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

12 INTEREST-BEARING BORROWINGS (Continued)

As at 31 March 2019, the Group had the following borrowings:

(a) Secured debt facilities and revolving credit facility of the Trust and its subsidiary

Secured debt facilities and revolving credit facility granted to the Trust and its subsidiary by financial institutions and secured on the following:

- (i) first legal mortgage over 15 investment properties (2018: legal mortgage over 14 investment properties and 1 investment property under development) with carrying amounts totalling \$825.5 million (2018: \$822.0 million) of the Trust (with two as mortgage-in-escrow);
- (ii) assignment of rights, benefits, title and interest in, *inter alia*, the building agreement and leases of two investment properties of the Trust;
- (iii) assignment of rights, benefits, title and interest in the property management agreements, insurances and tenancy agreements, sale agreements and performance guarantees (including sale proceeds and rental proceeds) of the mortgaged 15 investment properties of the Trust; and
- (iv) first ranking specific security agreement over the bank account and units in Macquarie Park Trust held by AA REIT Investments (Australia) Pty Limited (formerly known as AMP Capital AA REIT Investments (Australia) Pty Limited) in its capacity as trustee of AA REIT Macquarie Park Investment Trust (an indirect wholly-owned subsidiary of the Trust).

(b) Unsecured medium term notes

On 25 July 2012, the Trust, through AACI MTN (the "Issuer"), established a \$500 million multi-currency medium term note programme (the "MTN Programme"). Under the MTN Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes denominated in Singapore dollars and/or any other currencies. The payment of all amounts payable in respect of the notes will be unconditionally and irrevocably guaranteed by HSBC Institutional Trust Services (Singapore) Limited in its capacity as Trustee of the Trust.

At the reporting date, an aggregate of \$130 million medium term notes have been issued and remained outstanding as follows:

- (i) \$50 million five-year medium term notes with a fixed rate of 3.80% per annum, payable semi-annually in arrears, fully repayable on 21 May 2019;
- (ii) \$30 million seven-year medium term notes with fixed rate of 4.35% per annum, payable semi-annually in arrears, fully repayable on 5 December 2019; and
- (iii) \$50 million five-year medium term notes with a fixed rate of 3.60% per annum, payable semi-annually in arrears, fully repayable on 22 March 2022.

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 Issuer.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

12 INTEREST-BEARING BORROWINGS (Continued)

Terms and debt repayment schedule

Terms and conditions of the interest-bearing borrowings are as follows:

	Nominal interest rate %	Date of maturity	Group		Trust	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
2019						
SGD fixed rate medium term notes	3.80	May 2019	50,000	49,991	50,000	49,991
SGD fixed rate medium term notes	4.35	December 2019	30,000	29,975	30,000	29,975
SGD fixed rate medium term notes	3.60	March 2022	50,000	49,864	50,000	49,864
SGD floating rate term loan	SOR ¹ + margin	August 2020	100,000	99,809	100,000	99,809
SGD floating rate revolving credit facility	SOR ¹ + margin	November 2021	–	(384)	–	(384)
SGD floating rate term loan	SOR ¹ + margin	July 2022	100,000	99,485	100,000	99,485
SGD floating rate term loan	SOR ¹ + margin	July 2022	–	(129)	–	(129)
AUD floating rate term loan	BBSY ² + margin	November 2020	63,017	62,871	63,017	62,871
AUD floating rate term loan	BBSY ² + margin	July 2023	106,644	105,934	–	–
			499,661	497,416	393,017	391,482
2018						
SGD fixed rate medium term notes	3.80	May 2019	50,000	49,923	50,000	49,923
SGD fixed rate medium term notes	4.35	December 2019	30,000	29,939	30,000	29,939
SGD fixed rate medium term notes	3.60	March 2022	50,000	49,818	50,000	49,818
SGD floating rate term loan	SOR ¹ + margin	November 2018	77,000	76,882	77,000	76,882
SGD floating rate term loan	SOR ¹ + margin	August 2020	100,000	99,670	100,000	99,670
SGD floating rate revolving credit facility	SOR ¹ + margin	November 2021	11,000	10,472	11,000	10,472
AUD floating rate term loan	BBSY ² + margin	November 2020	65,453	65,221	65,453	65,221
AUD floating rate term loan	BBSY ² + margin	February 2019	111,427	111,282	–	–
			494,880	493,207	383,453	381,925

¹ Swap Offer Rate.

² Bank Bill Swap Bid Rate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

12 INTEREST-BEARING BORROWINGS (Continued)

The following are the expected contractual undiscounted cash outflows of non-derivative financial liabilities, including interest payments:

	Carrying amount \$'000	Total \$'000	Contractual cash flows		
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
Group					
2019					
Medium term notes	129,830	(136,503)	(82,903)	(53,600)	–
Term loans	367,970	(400,632)	(10,724)	(389,908)	–
Revolving credit facility	(384)	–	–	–	–
Trade and other payables*	43,591	(43,591)	(32,085)	(9,479)	(2,027)
	<u>541,007</u>	<u>(580,726)</u>	<u>(125,712)</u>	<u>(452,987)</u>	<u>(2,027)</u>
2018					
Medium term notes	129,680	(141,507)	(3,855)	(137,652)	–
Term loans	353,055	(373,326)	(198,283)	(175,043)	–
Revolving credit facility	10,472	(11,016)	(11,016)	–	–
Trade and other payables*	36,322	(36,322)	(26,588)	(8,021)	(1,713)
	<u>529,529</u>	<u>(562,171)</u>	<u>(239,742)</u>	<u>(320,716)</u>	<u>(1,713)</u>
Trust					
2019					
Medium term notes	129,830	(136,503)	(82,903)	(53,600)	–
Term loans	262,036	(280,362)	(6,972)	(273,390)	–
Revolving credit facility	(384)	–	–	–	–
Trade and other payables*	42,557	(42,557)	(31,051)	(9,479)	(2,027)
	<u>434,039</u>	<u>(459,422)</u>	<u>(120,926)</u>	<u>(336,469)</u>	<u>(2,027)</u>
2018					
Medium term notes	129,680	(141,507)	(3,855)	(137,652)	–
Term loans	241,773	(257,853)	(82,810)	(175,043)	–
Revolving credit facility	10,472	(11,016)	(11,016)	–	–
Trade and other payables*	35,113	(35,113)	(25,379)	(8,021)	(1,713)
	<u>417,038</u>	<u>(445,489)</u>	<u>(123,060)</u>	<u>(320,716)</u>	<u>(1,713)</u>

* Excluding rental received in advance.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

12 INTEREST-BEARING BORROWINGS (Continued)

Reconciliation of changes in liabilities arising from financing activities

	At 1 April 2018 \$'000	Financing cash flows			Borrowing costs expensed/ capitalised \$'000	Foreign exchange and other movement \$'000	At 31 March 2019 \$'000
		Proceeds from borrowings \$'000	Repayment of borrowings \$'000	Borrowing costs paid \$'000			
Medium term notes	129,680	–	–	–	150	–	129,830
Term loans	353,055	211,063	(188,724)	(1,621)	755	(6,558)	367,970
Revolving credit facility	10,472	13,000	(24,000)	(6)	150	–	(384)
Interest payable	2,548	–	–	(17,782)	17,871	(20)	2,617
	495,755	224,063	(212,724)	(19,409)	18,926	(6,578)	500,033

	At 1 April 2017 \$'000	Financing cash flows			Borrowing costs expensed/ capitalised \$'000	Foreign exchange and other movement \$'000	At 31 March 2018 \$'000
		Proceeds from borrowings \$'000	Repayment of borrowings \$'000	Borrowing costs paid \$'000			
Medium term notes	129,533	–	–	(2)	149	–	129,680
Term loans	384,801	69,850	(91,428)	(309)	669	(10,528)	353,055
Revolving credit facility	13,172	77,500	(79,800)	(580)	180	–	10,472
Interest payable	2,787	–	–	(19,081)	18,897	(55)	2,548
	530,293	147,350	(171,228)	(19,972)	19,895	(10,583)	495,755

13 DEFERRED TAX LIABILITIES

Movements in deferred tax liabilities of the Group during the year are as follows:

	Recognised		Recognised		At 31 March 2019 \$'000
	At 1 April 2017 \$'000	in statement of total return (note 21) \$'000	At 31 March 2018 \$'000	in statement of total return (note 21) \$'000	
Group					
Deferred tax liabilities					
Tax on unrealised profits of subsidiaries	5,849	562	6,411	1,607	8,018

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

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 UNITS IN ISSUE AND TO BE ISSUED

	Note	Group and Trust	
		2019 '000	2018 '000
Units in issue at beginning of the year		683,452	638,658
<u>Issue of new Units:</u>			
Units issued pursuant to placements	(a)	–	42,145
Units issued as payment of Manager's base fees	(b)	2,948	2,649
Units issued as payment of Property Manager's fees	(c)	785	–
Units issued pursuant to Distribution Reinvestment Plan	(d)	3,728	–
Units in issue at end of the year		690,913	683,452
<u>Units to be issued:</u>			
Manager's base fees		634	667
Total Units in issue and to be issued at end of the year		691,547	684,119

- (a) On 1 December 2017, the Trust issued 42,145,000 new Units at an issue price of \$1.305 per Unit by way of private placement, raising gross proceeds of approximately \$55.0 million.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

15 UNITS IN ISSUE AND TO BE ISSUED (Continued)

(b) During the financial year ended 31 March 2019, there were the following issuances of Units to the Manager:

- (i) 1,328,323 new Units on 11 July 2018 at an average issue price of \$1.3779 per Unit as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2018 to 30 June 2018; and
- (ii) 1,619,540 new Units on 17 January 2019 at an average issue price of \$1.3757 per Unit as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 July 2018 to 31 December 2018.

During the financial year ended 31 March 2018, there were the following issuances of Units to the Manager:

- (i) 1,321,199 new Units on 28 July 2017 at an average issue price of \$1.3869 per Unit as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 January 2017 to 30 June 2017; and
- (ii) 1,327,341 new Units on 16 January 2018 at an average issue price of \$1.4089 per Unit as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 July 2017 to 31 December 2017.

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 accrued.

- (c) On 11 July 2018, the Trust issued 785,445 new Units at an issue price of \$1.3841 per Unit to the Property Manager as payment for marketing services provided by the Property Manager in respect of securing tenants at various AA REIT's properties.

The issue price for marketing services fee 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 accrued.

- (d) During the financial year ended 31 March 2019, there were the following issuances of Units to eligible Unitholders who elected to participate in the AA REIT DRP:

- (i) 1,534,829 new Units on 21 December 2018 at an issue price of \$1.3065 per Unit in respect of the distribution for the quarter ended 30 September 2018; and
- (ii) 2,192,926 new Units on 29 March 2019 at an issue price of \$1.3565 per Unit in respect of the distribution for the quarter ended 31 December 2018.

16 GROSS REVENUE

	Group and Trust	
	2019	2018
	\$'000	\$'000
Property rental income	83,099	85,895
Service charge, land rent and property tax	20,010	18,400
Other property expenses recoverable from tenants and other property income	14,969	12,621
	<u>118,078</u>	<u>116,916</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

17 PROPERTY OPERATING EXPENSES

	Group and Trust	
	2019	2018
	\$'000	\$'000
Land rent	8,260	8,734
Property and lease management fees	2,497	2,606
Property tax	10,508	10,065
Other operating expenses	18,320	19,094
	<u>39,585</u>	<u>40,499</u>

18 BORROWING COSTS

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Interest expense	17,172	18,001	13,090	12,428
Amortisation of borrowing transaction costs	1,055	998	790	774
Others	456	418	456	418
	<u>18,683</u>	<u>19,417</u>	<u>14,336</u>	<u>13,620</u>

19 MANAGER'S MANAGEMENT FEES

	Group and Trust	
	2019	2018
	\$'000	\$'000
Base fees		
- Paid/payable in cash	3,357	3,693
- Paid/payable in Units	4,033	3,692
	<u>7,390</u>	<u>7,385</u>

20 OTHER TRUST EXPENSES

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Audit fees paid/payable to:				
- auditors of the Trust	183	183	175	175
- other auditors	20	21	-	-
Non-audit fees paid/payable to auditors of the Trust	99	82	96	79
Trustees' fees	409	409	268	268
Valuation fees	113	67	113	67
Professional fees	63	101	34	50
Non-deal road show expenses	48	57	48	57
Other expenses	1,219	961	883	618
	<u>2,154</u>	<u>1,881</u>	<u>1,617</u>	<u>1,314</u>

NOTES TO THE FINANCIAL STATEMENTS

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21 INCOME TAX EXPENSE

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore current tax	—*	—*	—	—
Overseas deferred tax	1,607	562	—	—
Overseas withholding tax	1,111	859	1,111	859
Total tax expense	2,718	1,421	1,111	859

* less than \$1,000.

Reconciliation of effective tax rate:

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Total return before income tax	52,767	62,613	46,571	64,792
Tax calculated using Singapore tax rate of 17% (2018: 17%)	8,970	10,644	7,917	11,015
Non-tax chargeable items	(6)	(475)	(6)	(475)
Non-tax deductible items	3,932	1,818	3,932	1,818
Tax transparency	(10,948)	(10,483)	(10,948)	(10,483)
Foreign-sourced income	(1,948)	(1,504)	(895)	(1,875)
Deferred tax on unrealised profits of subsidiaries	1,607	562	—	—
Overseas withholding tax	1,111	859	1,111	859
	2,718	1,421	1,111	859

22 EARNINGS PER UNIT

	Group	
	2019	2018
Earnings per Unit (cents)		
Basic and diluted	7.30	9.36

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

22 EARNINGS PER UNIT (Continued)

The earnings per Unit is computed using total return after tax over the weighted average number of Units outstanding as follows:

	Group	
	2019 \$'000	2018 \$'000
Total return after income tax	50,049	61,192
	Trust	
	Number of Units	
	2019 '000	2018 '000
<u>Basic EPU</u>		
Units in issue at beginning of the year	683,452	638,658
Effect of Units issued/issuable relating to:		
- Placement	–	13,971
- Distribution Reinvestment Plan	449	–
- Manager's base fees	1,289	1,167
- Property Manager's fees	568	–
Weighted average number of Units at end of the year	685,758	653,796
<u>Diluted EPU</u>		
Units in issue at beginning of the year	683,452	638,658
Effect of Units issued/issuable relating to:		
- Placement	–	13,971
- Distribution Reinvestment Plan	449	–
- Manager's base fees	1,325	1,224
- Property Manager's fees	568	–
Weighted average number of Units at end of the year	685,794	653,853

23 COMMITMENTS

(a) Lease commitments

The Group leases out its investment properties. The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date are as follows:

	Group and Trust	
	2019 \$'000	2018 \$'000
Within 1 year	77,555	78,632
After 1 year but within 5 years	117,316	146,398
After 5 years	28,165	39,823
	223,036	264,853

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

23 COMMITMENTS (Continued)

(b) Operating lease commitments

The Group is required to pay JTC Corporation ("JTC") and Ascendas Land (Singapore) Pte Ltd ("Ascendas") annual land rent (including payable for investment property under development) in respect of certain properties. The annual land rent payable is based on the market land rent in the relevant year of the lease term. However, the lease agreement limits any increase in the annual land rent from year to year to 5.5% and 7.6% for leases with JTC and Ascendas respectively, of the annual land rent for the immediate preceding year. The land rent paid amounted to \$8,525,000 (2018: \$8,806,000) in relation to 22 (2018: 23) properties for the financial year ended 31 March 2019 (including amounts that have been directly recharged to tenants).

(c) Capital commitments

	Group and Trust	
	2019	2018
	\$'000	\$'000
Capital expenditure contracted but not provided for	16,449	770

24 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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
The Manager				
Manager's management fees				
Base fees	7,390	7,385	7,390	7,385
Divestment fees	–	41	–	41
Entities controlled by corporate shareholders of the Manager				
Debt advisory fees	222	–	–	–
Trustees' fees	132	132	–	–
Investment management fees	324	339	–	–
The Property Manager				
Property management fees	1,662	1,731	1,662	1,731
Lease management fees	831	866	831	866
Marketing services commissions	2,862	3,196	2,862	3,196
Project management fees	393	446	393	446
Property tax services fees	3	–	3	–

NOTES TO THE FINANCIAL STATEMENTS

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24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
The Trustee				
Trustee's fees	268	268	268	268
Subsidiaries				
Distribution income	–	–	10,278	9,364
Interest expense	–	–	5,005	5,005
Service fee expense	–	–	51	52

25 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 subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Funds Appendix"). The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property. As at 31 March 2019, the Aggregate Leverage of the Group was 33.7% (2018: 33.5%) and the Group had complied with the Aggregate Leverage limit during the financial year.

The Group's corporate rating with Standard and Poor's as at the date of this report is investment grade BBB-.

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 lessee 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 lessees. 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 lessees on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

Risk management framework (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Based on historical default rates, the Manager believes that no impairment allowance is necessary in respect of 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.

At 31 March 2019, \$934,000 of net trade receivables related to two tenants (2018: \$2,068,000 of net trade receivables related to two tenants). Except for this, concentration of credit risk relating to trade receivables is limited due to the Group's varied tenants' profile and credit policy of obtaining security deposits, banker's guarantees or other forms of collateral from tenants.

Cash and cash equivalents

Cash is 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.

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 2019.

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:

	Group Gross		Trust Gross	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Not past due	2,118	2,509	1,562	2,027
Past due 1 – 30 days	728	674	728	674
Past due 31 – 90 days	465	964	465	964
Past due more than 90 days	55	587	55	587
	<u>3,366</u>	<u>4,734</u>	<u>2,810</u>	<u>4,252</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

Risk management framework (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its 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 2019, the Group has unutilised committed credit facilities amounting to \$145.0 million (2018: \$132.3 million).

The Group also monitors and observes the Property Funds Appendix issued by the MAS concerning limits on total borrowings.

(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.

As at 31 March 2019, the Group had interest rate swap contracts with total notional amounts of \$129.1 million and AUD175.0 million (2018: \$129.1 million and AUD175.7 million) whereby the Group had agreed with counterparties to exchange at specified intervals, the difference between the floating rates pegged to the SOR or BBSY and fixed rate interest amounts calculated by reference to the agreed notional amounts. The swaps are used to manage the exposure to fluctuation in the variable interest rates of its floating rate interest-bearing borrowings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

Risk management framework (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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		Trust	
	Nominal amount		Nominal amount	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial liabilities	(130,000)	(130,000)	(130,000)	(130,000)
Interest rate swaps	(298,806)	(306,025)	(298,806)	(194,598)
	<u>(428,806)</u>	<u>(436,025)</u>	<u>(428,806)</u>	<u>(324,598)</u>
Variable rate instruments				
Financial liabilities	(369,661)	(364,880)	(263,017)	(253,453)
Interest rate swaps	298,806	306,025	298,806	194,598
	<u>(70,855)</u>	<u>(58,855)</u>	<u>35,789</u>	<u>(58,855)</u>

Sensitivity analysis

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statements of total return of the Group and the Trust.

For the variable rate financial liabilities and the derivative financial instruments, a decrease/increase of 100 basis points ("bps") in interest rate at the reporting date would increase/(decrease) the statement of total return of the Group by \$709,000 and would (decrease)/increase the statement of total return of the Trust by \$358,000 (2018: increase/(decrease) in the Group's and Trust's statements of total return by \$589,000). This analysis assumes that all other variables remain constant.

(ii) Foreign currency risk

Risk management policy

The Group has exposure to foreign currency risks arising from its interest in a joint venture in Australia. Transactions in relation to this investment 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 its interest in the joint venture to mitigate the currency risk. As at 31 March 2019, the Group's investment in its Australian joint venture is hedged as approximately 76% (2018: 80%) of the interest in joint venture was funded with Australian dollar denominated borrowings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

Risk management framework (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

Exposure to currency risk

The Group's and Trust's exposure to foreign currencies in relation to financial assets and liabilities as at 31 March 2019 and 31 March 2018 was as follows:

	Group		Trust	
	Australian Dollar 2019 \$'000	Australian Dollar 2018 \$'000	Australian Dollar 2019 \$'000	Australian Dollar 2018 \$'000
Joint venture	221,806	220,763	–	–
Cash and cash equivalents	6,449	4,483	5,170	3,231
Trade and other receivables	–	–	890	761
Trade and other payables	(307)	(209)	(307)	(209)
Derivative financial instruments	(5,333)	(31)	(5,333)	(31)
Interest-bearing borrowings	(169,661)	(176,880)	(63,017)	(65,453)
Net exposure	52,954	48,126	(62,597)	(61,701)

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 for the Group's and Trust's financial assets and financial liabilities. 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 2019		
Australian dollar (5% strengthening)	40	2,607
Australian dollar (5% weakening)	(40)	(2,607)
Group 2018		
Australian dollar (5% strengthening)	212	2,194
Australian dollar (5% weakening)	(212)	(2,194)
Trust 2019		
Australian dollar (5% strengthening)	(3,130)	–
Australian dollar (5% weakening)	3,130	–
Trust 2018		
Australian dollar (5% strengthening)	(3,085)	–
Australian dollar (5% weakening)	3,085	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

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.

	Note	Carrying amount				Fair value				
		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
Group 2019										
Financial assets not measured at fair value										
Trade and other receivables*	8	3,366	–	–	–	3,366				
Cash and cash equivalents	10	18,091	–	–	–	18,091				
		21,457	–	–	–	21,457				
Financial assets measured at fair value										
Derivative financial assets	9	–	380	–	–	380	–	380	–	380
Financial liabilities measured at fair value										
Derivative financial liabilities	9	–	(4,709)	(624)	–	(5,333)	–	(5,333)	–	(5,333)
Financial liabilities not measured at fair value										
Trade and other payables**	11	–	–	–	–	(43,591)				
Interest-bearing borrowings	12	–	–	–	–	(497,416)	–	(494,811)	–	(494,811)
		–	–	–	–	(541,007)				

* Excluding prepayments.

** Excluding rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

Classification and fair value of financial instruments (continued)

		Carrying amount				Fair value				
		Loans and Note receivables \$'000	Designated at fair value \$'000	Fair value – Hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group 2018										
Financial assets not measured at fair value										
Trade and other receivables*	8	4,734	-	-	-	4,734				
Cash and cash equivalents	10	17,550	-	-	-	17,550				
		22,284	-	-	-	22,284				
Financial assets measured at fair value										
Derivative financial assets	9	-	512	-	-	512	-	512	-	512
Financial liabilities measured at fair value										
Derivative financial liabilities	9	-	(64)	(1,149)	-	(1,213)	-	(1,213)	-	(1,213)
Financial liabilities not measured at fair value										
Trade and other payables**	11	-	-	-	(36,322)	(36,322)				
Interest-bearing borrowings	12	-	-	-	(493,207)	(493,207)	-	(493,107)	-	(493,107)
		-	-	-	(529,529)	(529,529)				

* Excluding prepayments.

** Excluding rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

Classification and fair value of financial instruments (continued)

		Carrying amount				Fair value				
	Note	Amortised cost \$'000	FVTPL instruments \$'000	Fair value – Hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Trust										
2019										
Financial assets not measured at fair value										
Trade and other receivables*	8	2,810	-	-	-	2,810				
Cash and cash equivalents	10	16,792	-	-	-	16,792				
		19,602	-	-	-	19,602				
Financial assets measured at fair value										
Derivative financial assets	9	-	380	-	-	380	-	380	-	380
Financial liabilities measured at fair value										
Derivative financial liabilities	9	-	(4,709)	(624)	-	(5,333)	-	(5,333)	-	(5,333)
Financial liabilities not measured at fair value										
Trade and other payables**	11	-	-	-	(42,557)	(42,557)				
Interest-bearing borrowings	12	-	-	-	(391,482)	(391,482)	-	(388,877)	-	(388,877)
		-	-	-	(434,039)	(434,039)				

* Excluding prepayments.

** Excluding rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

Classification and fair value of financial instruments (continued)

		Carrying amount				Fair value				
		Loans and Note receivables \$'000	Designated at fair value \$'000	Fair value – Hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Trust 2018										
Financial assets not measured at fair value										
Trade and other receivables*	8	4,252	-	-	-	4,252				
Cash and cash equivalents	10	16,281	-	-	-	16,281				
		20,533	-	-	-	20,533				
Financial assets measured at fair value										
Derivative financial assets	9	-	512	-	-	512	-	512	-	512
Financial liabilities measured at fair value										
Derivative financial liabilities	9	-	(64)	(31)	-	(95)	-	(95)	-	(95)
Financial liabilities not measured at fair value										
Trade and other payables**	11	-	-	-	(35,113)	(35,113)				
Interest-bearing borrowings	12	-	-	-	(381,925)	(381,925)	-	(381,825)	-	(381,825)
		-	-	-	(417,038)	(417,038)				

* Excluding prepayments.

** Excluding rental received in advance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

25 FINANCIAL RISK MANAGEMENT (Continued)

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 (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 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.

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, is computed from the market rates as follows:

	Group and Trust	
	2019	2018
	%	%
Other financial liabilities	3.52	3.15

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.

26 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of different economic and regulatory environments in which they operate in. For the purpose of making resource allocation and the assessment of segment performance, the Group's CODMs have focused on its investment properties. 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*.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

26 SEGMENT REPORTING (Continued)

Information about reportable segments

	Singapore \$'000	Australia \$'000	Total \$'000
2019			
Revenue and expenses			
Gross revenue	118,078	–	118,078
Property operating expenses	(39,585)	–	(39,585)
Net property income	78,493	–	78,493
Share of results of joint venture (net of tax)	–	23,761 ¹	23,761
Net change in fair value of investment properties and investment property under development	(16,531)	–	(16,531)
Net change in fair value of financial derivatives	(69)	(4,709)	(4,778)
			80,945
Unallocated items:			
Foreign exchange loss			(144)
Interest and other income			193
Borrowing costs			(18,683)
Trust expenses			(9,544)
Total return before income tax			52,767
Income tax expense			(2,718)
Total return after income tax			50,049
Non-current assets ²	1,238,646	221,806	1,460,452
Other segment items:			
Joint venture	–	221,806	221,806
Capital expenditure ³	(22,831)	–	(22,831)
2018			
Revenue and expenses			
Gross revenue	116,916	–	116,916
Property operating expenses	(40,499)	–	(40,499)
Net property income	76,417	–	76,417
Share of results of joint venture (net of tax)	–	17,418 ¹	17,418
Net change in fair value of investment properties and investment property under development	(4,682)	–	(4,682)
Net change in fair value of financial derivatives	287	219	506
Gain on divestment of investment property	1,597	–	1,597
			91,256
Unallocated items:			
Foreign exchange loss			(149)
Interest and other income			189
Borrowing costs			(19,417)
Trust expenses			(9,266)
Total return before income tax			62,613
Income tax expense			(1,421)
Total return after income tax			61,192
Non-current assets ²	1,232,269	220,763	1,453,032
Other segment items:			
Joint venture	–	220,763	220,763
Capital expenditure ³	(27,082)	–	(27,082)

¹ Included in the share of results of joint venture (net of tax) is the share of revaluation surplus recognised on the valuation of Optus Centre of \$9.9 million (FY2018: \$2.6 million).

² Excluding derivative financial instruments.

³ Capital expenditure consists of additions of investment properties and investment property under development.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

26 SEGMENT REPORTING (Continued)

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 \$9.5 million (2018: \$15.2 million rental income from one major tenant) of the Group's rental income.

27 FINANCIAL RATIOS

	Group	
	2019	2018
	%	%
Expenses to weighted average net assets ¹		
- Expense ratio excluding performance-related fee	1.01	1.02
- Expense ratio including performance-related fee	1.01	1.02
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, investment property under development 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.

28 SUBSEQUENT EVENTS

On 24 April 2019, the Manager announced a distribution of 2.75 cents per Unit, amounting to approximately \$19.0 million in respect of the period from 1 January 2019 to 31 March 2019.

On 14 May 2019, the Trust, through its newly constituted indirect wholly-owned trust entered into a contract of sale with GSM Rocket Australia Pty Ltd to acquire a property located at 209-217 Burleigh Connection Road, Burleigh Heads, Queensland, Australia for an aggregate purchase consideration of AUD38.5 million.

On 21 May 2019, AACI MTN redeemed in full the principal together with the accrued interest of the \$50.0 million medium term notes with a fixed rate of 3.80% per annum on 21 May 2019, being the maturity of the notes.

STATISTICS OF UNITHOLDINGS

STATISTICS OF UNITHOLDINGS AS AT 22 MAY 2019

Issued and fully paid Units

690,912,928 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	407	4.69	14,196	0.00
100 - 1,000	1,224	14.10	681,665	0.10
1,001 - 10,000	4,394	50.61	21,957,718	3.18
10,001 - 1,000,000	2,632	30.32	105,184,123	15.22
1,000,001 and above	24	0.28	563,075,226	81.50
Total	8,681	100.00	690,912,928	100.00

Top 20 Unitholders

As listed in the Register of Unitholders

No.	Name	Number of Units	%
1	DBS Nominees (Private) Limited	102,431,475	14.83
2	HSBC (Singapore) Nominees Pte Ltd	100,468,283	14.54
3	BPSS Nominees Singapore (Pte.) Ltd.	71,035,217	10.28
4	Citibank Nominees Singapore Pte Ltd	54,810,786	7.93
5	Raffles Nominees (Pte.) Limited	54,399,682	7.87
6	DBSN Services Pte. Ltd.	50,698,500	7.34
7	AIMS Financial Holding Limited	48,081,428	6.96
8	RHB Securities Singapore Pte. Ltd.	27,916,712	4.04
9	Maybank Kim Eng Securities Pte. Ltd	10,791,242	1.56
10	OCBC Securities Private Limited	6,958,745	1.01
11	DB Nominees (Singapore) Pte Ltd	5,903,489	0.85
12	DBS Vickers Securities (Singapore) Pte Ltd	4,672,981	0.68
13	United Overseas Bank Nominees (Private) Limited	3,654,484	0.53
14	OCBC Nominees Singapore Private Limited	3,316,395	0.48
15	ABN AMRO Clearing Bank N.V.	2,649,128	0.38
16	CGS-CIMB Securities (Singapore) Pte. Ltd.	2,157,999	0.31
17	BNP Paribas Nominees Singapore Pte. Ltd.	1,975,213	0.29
18	UOB Kay Hian Private Limited	1,957,197	0.28
19	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,722,907	0.25
20	Phillip Securities Pte Ltd	1,684,548	0.24
	Total	557,286,411	80.65

STATISTICS OF UNITHOLDINGS

SUBSTANTIAL UNITHOLDERS AS AT 22 MAY 2019

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
Dragon Pacific Assets Limited	76,384,701	-	76,384,701	11.06
AMP Capital Finance Limited ¹	70,316,037	21,428,571	91,744,608	13.28
AMP Capital Holdings Limited ²	-	91,744,608	91,744,608	13.28
AMP Holdings Limited ²	-	91,744,608	91,744,608	13.28
AMP Group Holdings Limited ²	-	91,744,608	91,744,608	13.28
AMP Limited ²	-	91,744,608	91,744,608	13.28
APG Algemene Pensioen Groep N.V.	55,613,842	-	55,613,842	8.05
Great World Capital Holdings Limited ³	-	71,935,577	71,935,577	10.41
AIMS Financial Holding Limited ⁴	48,081,428	71,935,577	120,017,005	17.37
Great World Financial Group Pty Ltd (formerly known as AIMS Group Holding Pty Ltd) ⁵	-	124,165,069	124,165,069	17.97
Great World Financial Group Holdings Pty Ltd (formerly known as AIMS Capital Holdings Pty Ltd) ⁵	-	124,165,069	124,165,069	17.97
Mr George Wang ⁵	-	124,165,069	124,165,069	17.97
Mr Chan Wai Kheong ⁶	9,425,695	26,172,842	35,598,537	5.15
ESR Cayman Limited ⁷	8,953,400	26,016,700	34,970,100	5.06
WP OCIM One LLC ⁸	-	34,970,100	34,970,100	5.06
WP X Investment VI Ltd. ⁹	-	34,970,100	34,970,100	5.06
Warburg Pincus Private Equity X, L.P. ¹⁰	-	34,970,100	34,970,100	5.06
Warburg Pincus X, L.P. ¹¹	-	34,970,100	34,970,100	5.06
Warburg Pincus LLC ¹²	-	34,970,100	34,970,100	5.06
Warburg Pincus X GP L.P. ¹³	-	34,970,100	34,970,100	5.06
WPP GP LLC ¹⁴	-	34,970,100	34,970,100	5.06
Warburg Pincus Partners, L.P. ¹⁵	-	34,970,100	34,970,100	5.06
Warburg Pincus Partners GP LLC ¹⁶	-	34,970,100	34,970,100	5.06
Warburg Pincus & Co. ¹⁷	-	34,970,100	34,970,100	5.06
Mr Charles R. Kaye ¹⁸	-	34,970,100	34,970,100	5.06
Mr Joseph P. Landy ¹⁸	-	34,970,100	34,970,100	5.06

1 Deemed to have an interest in 21,428,571 Units held by AIMS Financial Holding Limited ("AFHL") pursuant to a charge over units deed entered into between AFHL, AMP Capital Finance Limited ("AMPCF") and Great World Capital Holdings Limited ("GWCHL") on 15 March 2019.

2 Deemed to have an interest in Units held by AMPCF and the Units which AMPCF has interests in.

3 Deemed to have an interest in (i) 70,316,037 Units held by AMPCF ("Option Units") pursuant to the put and call option agreement entered into between AMPCF and GWCHL on 28 November 2018, and (ii) 1,619,540 Units held by AIMS APAC REIT Management Limited (the "Manager") as GWCHL is a 50% shareholder of the Manager.

4 Deemed to have an interest in (i) the Option Units as AFHL is the sole shareholder of GWCHL; and (ii) 1,619,540 Units held by the Manager as AFHL is a 50% shareholder of the Manager.

5 Deemed to have an interest in (i) Units held by AFHL and Units which AFHL has interests in; and (ii) 4,148,064 Units held by a fund managed by AIMS Fund Management Limited ("AFML").

6 Deemed to have an interest in Units held by Splendid Asia Macro Fund.

7 Deemed to have an interest in 26,016,700 Units held by e-Shang Infinity Cayman Limited, a wholly-owned subsidiary of e-Shang Jupiter Cayman Limited ("ES Jupiter"). ES Jupiter is a wholly-owned subsidiary of ESR Cayman Limited ("ESR").

8 Deemed to have an interest in the Units which ESR has interests in as WP OCIM One LLC ("WP OCIM") holds a primary stake of approximately 38.35% of the issued share capital of ESR.

9 Deemed to have an interest in the Units which WP OCIM has interests in as WP X Investment VI Ltd. ("WP X IVI") is the sole member of WP OCIM.

10 Deemed to have an interest in Units which WP X IVI has interests in as Warburg Pincus Private Equity X, L.P. has a controlling interest of 96.9% in WP X IVI.

11 Deemed to have an interest in Units which Warburg Pincus Private Equity X, L.P. has interests in as Warburg Pincus X, L.P. ("WPXGP") is the general partner having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership.

12 Deemed to have an interest in Units which Warburg Pincus Private Equity X, L.P. has interests in as Warburg Pincus LLC ("WP LLC") is the manager having control of Warburg Pincus Private Equity X, L.P., together with its affiliated partnership.

13 Deemed to have an interest in Units which WPXGP has interests in as Warburg Pincus X GP L.P. ("WP X GP LP") is the general partner having control of WPXGP.

STATISTICS OF UNITHOLDINGS

- 14 Deemed to have an interest in Units which WP X GP LP has interests in as WPP GP LLC ("WPP GP") is the general partner having control of WP X GP LP.
- 15 Deemed to have an interest in Units which WPP GP has interests in as Warburg Pincus Partners, L.P. ("WP Partners") is the managing member having control of WPP GP.
- 16 Deemed to have an interest in Units which WP Partners has interests in as Warburg Pincus Partners GP LLC ("WP Partners GP") is the general partner having control of WP Partners.
- 17 Deemed to have an interest in Units which WP Partners GP has interests in as Warburg Pincus & Co. ("WP") is the managing member having control of WP Partners GP.
- 18 Deemed to have an interest in Units which WP and WP LLC have interests in as Mr Charles R. Kaye and Mr Joseph P. Landy are each Managing General Partners of WP and Managing Members and Co-Chief Executive Officers of WP LLC and may be deemed to control the Warburg Pincus entities. Mr Charles R. Kaye and Mr Joseph P. Landy disclaim beneficial ownership of all Units held by the Warburg Pincus entities.

UNITHOLDINGS OF DIRECTORS OF THE MANAGER AS AT 21 APRIL 2019

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 ¹⁹	-	124,165,069	124,165,069	17.97

- 19 Deemed to have an interest in (i) Units held by AFHL and Units which AFHL has interests in; and (ii) 4,148,064 Units held by a fund managed by AFML.

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 22 May 2019, approximately 82.0% 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.

ADDITIONAL INFORMATION

INTERESTED PERSON/ INTERESTED PARTY TRANSACTIONS

The transactions entered into with interested persons/interested parties 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 entity	Aggregate value of all interested person/ interested party transactions during the financial year under review (excluding transactions less than S\$100,000) S\$'000	Aggregate value of all interested person/ interested party transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
AIMS APAC REIT Management Limited (formerly known as AIMS AMP Capital Industrial REIT Management Limited)		
- Manager's base management fees	7,390	-
AIMS APAC Property Management Pte. Ltd. (formerly known as AIMS AMP Capital Property Management Pte. Ltd.)		
- Property management fees	1,662	-
- Lease management fees	831	-
- Marketing services commissions	2,862	-
- Project management fees	393	-
AA REIT Management Australia Pty Limited (formerly known as AIMS AMP Capital Industrial REIT Management Australia Pty Limited)		
- Investment management fees	324	-
AMP Capital Investors Limited		
- Debt advisory fees	111	-
- Trustee's fees	66	-
AMP Capital AA REIT Investments (Australia) Pty Limited		
- Trustee's fees	66	-
AIMS Financial Holding Limited		
- Debt advisory fees	111	-
HSBC Institutional Trust Services (Singapore) Limited		
- Trustee's fees	268	-

On 28 March 2019, AMP Capital Investors Limited and its affiliates ("AMP Capital") completed the sale of the interests in AIMS APAC REIT Management Limited, AIMS APAC Property Management Pte. Ltd. and AA REIT Management Australia Pty Limited to AIMS Financial Service Group Pty Ltd and its affiliates. Following the completion of the sale, AMP Capital will no longer be regarded as an interested party/interest person of AIMS APAC REIT ("AA REIT").

The Trust has not obtained a Unitholders' mandate pursuant to Rule 920 of the Listing Manual for Interested Person Transactions.

ADDITIONAL INFORMATION

INTERESTED PERSON/ INTERESTED PARTY TRANSACTIONS (Continued)

Please also refer to note 24 “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/interested party transactions (excluding transactions of less than S\$100,000 each) entered into up to and including 31 March 2019.

OPERATING EXPENSES AND TAXATION

In accordance with the disclosure requirements under paragraph 11.1 item (i) of 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\$49.1 million, which is approximately 5.3% of its net asset value as at 31 March 2019. Taxation including provision for deferred tax liabilities for AA REIT’s investment in Australia was S\$2.7 million.

CORPORATE DIRECTORY

AIMS APAC REIT

Website : www.aimsapacreit.com
Email : investorrelations@aimsapac.com

Stock code : 05RU
Counter name : AIMS APAC Reit

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TRUSTEE

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AUDITOR

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Partner in charge: Ms Tan Kar Yee Linda
(With effect from financial year ended 31 March 2015)

UNIT REGISTRAR

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Singapore 048623
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THE MANAGER

AIMS APAC REIT Management Limited
Company Registration No. 200615904N

Registered Address

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Telephone : (65) 6309 1050
Fax : (65) 6534 3942

DIRECTORS OF THE MANAGER

Mr George Wang (Chairman)
Mr Ko Kheng Hwa (Lead Independent Director)
Mr Peter Michael Heng
Mr Chong Teck Sin
Mr Koh Wee Lih

AUDIT, RISK AND COMPLIANCE COMMITTEE

Mr Chong Teck Sin (Chairman)
Mr Ko Kheng Hwa
Mr Peter Michael Heng

NOMINATING AND REMUNERATION COMMITTEE

Mr Ko Kheng Hwa (Chairman)
Mr Peter Michael Heng
Mr Chong Teck Sin
Mr George Wang

COMPANY SECRETARY

Ms Stella Yeak Shuk Phin



AIMS APAC REIT

AIMS APAC REIT Management Limited

(As Manager of AIMS APAC REIT)

Company Registration No. 200615904N

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#23-03

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For online version of AA REIT FY2019 Annual Report,
please refer to investor.aimsapacreit.com/ar.html



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The Manager is committed to responsible corporate citizenship and we endeavour to do our part to protect the environment. This Annual Report is printed on environmentally-friendly paper containing 100% post-consumer fibers using elemental chlorine-free and carbon neutral manufactured.