

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES, THE UNITED KINGDOM, CANADA, JAPAN, THE EUROPEAN UNION OR THE EUROPEAN ECONOMIC AREA

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering circular following this page (the **Offering Circular**), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS ELECTRONIC TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and, to the extent you purchase the securities described in the attached document, you will be doing so pursuant to Regulation S under the Securities Act and that you consent to delivery of such Offering Circular and any amendments and supplements thereto by electronic transmission. By accepting the e-mail and accessing the Offering Circular, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA, a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, and (B) agree to be bound by the limitations and restrictions described therein.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of DBS Trustee Limited (in its capacity as trustee of Ascott Residence Trust) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer (as defined in the Offering Circular), the Manager (as defined in the Offering Circular), the Sole Lead Manager and Bookrunner (as defined in the Offering Circular) or any person who controls any of them or any director, officer, employee or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Sole Lead Manager and Bookrunner.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



A Member of CapitaLand

Ascott Residence Trust

(a unit trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Managed by

Ascott Residence Trust Management Limited

S\$[●]

Fixed Rate Perpetual Securities

Issue Price: [●]%

The fixed rate perpetual securities (the **Securities**) will be issued in an aggregate principal amount of S\$[●] by DBS Trustee Limited, in its capacity as trustee of Ascott Residence Trust (the **Issuer** or the **Ascott REIT Trustee**). The Securities confer a right to receive distribution payments (each a **Distribution**): (i) in respect of the period from (and including) [●] 2019 (the **Issue Date**) to (but excluding) [●] (the **First Call Date**), at the Initial Distribution Rate (as defined in "Terms and Conditions of the Securities" (the **Conditions**)); and (ii) in respect of the period from (and including) the First Call Date and each Reset Date (as defined in the Conditions) falling thereafter to (but excluding) the immediately following Reset Date, at the relevant Reset Distribution Rate (as defined in the Conditions) (each, the **Distribution Rate**). Subject to the provisions of the Securities relating to the ability of Ascott Residence Trust (**Ascott REIT**) to elect not to pay Distributions in whole or in part (see "Terms and Conditions of the Securities – Distribution – Distribution Discretion"), Distributions shall be payable semi-annually in arrear on [●] and [●] of each year (each a **Distribution Payment Date**). The first payment of Distribution shall be made on [●] 2020 in respect of the period from (and including) the Issue Date to (but excluding) the first Distribution Payment Date.

The Issuer may, at its sole discretion, elect not to pay a Distribution (or to pay only part of a Distribution) which is scheduled to be paid on a Distribution Payment Date, by giving notice to the Paying Agents (as defined in the Conditions), the Registrar (as defined in the Conditions) and holders of the Securities (the **Holders**) not more than 15 nor less than three Business Days (as defined in the Conditions) prior to a scheduled Distribution Payment Date. The Issuer is not subject to any limit as to the number of times or the extent of the amount with respect to which the Issuer can elect not to pay Distributions under the Securities. The Issuer is subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations (as defined in the Conditions) and (except on a *pro-rata* basis) its Parity Obligations (as defined in the Conditions) and the redemption and repurchase of its Junior Obligations and (except on a *pro-rata* basis) its Parity Obligations in the event that it does not pay a Distribution in whole or in part. The Issuer may, at its sole discretion, and at any time, elect to pay an optional amount equal to the amount of Distribution which is unpaid in whole or in part (an **Optional Distribution**) by giving notice of such election to the Paying Agents, the Registrar and the Holders not more than 20 nor less than 15 Business Days prior to the relevant payment date specified in such notice. Distributions are non-cumulative. Any non-payment of a Distribution or Optional Distribution in whole or in part in accordance with the Conditions shall not constitute a default for any purpose on the part of the Issuer.

The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Obligations of the Issuer. Subject to the insolvency laws of Singapore and other applicable laws, in the event of the final and effective Winding-Up (as defined in the Conditions) of Ascott REIT, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of Ascott REIT, and thereafter, such Holder were the holder of one notional preferred unit having such right to return of assets in the Winding-Up of Ascott REIT which ranks as follows: (a) junior to the claims of all other present and future creditors of the Issuer which are not Parity Obligations of the Issuer; (b) junior to the claims of all classes of preferred units (if any) of Ascott REIT which are not Parity Obligations of the Issuer; (c) *pari passu* with the claims of the Parity Obligations of the Issuer; and (d) senior to the Junior Obligations of the Issuer (a **Notional Preferred Unit**), on the further assumption that the amount that such Holder of a Security was entitled to receive under the Conditions in respect of each Notional Preferred Unit on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security together with Distributions accrued and unpaid since the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) and any unpaid Optional Distributions in respect of which the Issuer has given notice to the Holders of the Securities in accordance with the Conditions.

The Securities are perpetual securities and have no fixed final redemption date. The Issuer may, at its option, redeem the Securities in whole, but not in part, on the First Call Date or on any Distribution Payment Date thereafter at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable). The Issuer may also, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption if: (A) as of the date fixed for redemption, the Issuer has become obliged, or will in the Distribution Payment Period (as defined in the Conditions) immediately following the date fixed for redemption become obliged to pay Additional Amounts (as defined in the Conditions) as provided or referred to in Condition 7 (*Taxation*) as a result of (i) any amendment to, or change in, the laws (or any rules or regulations or practice related thereto or thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective on or after the Issue Date; or (ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations or practice related thereto by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which amendment or change is enacted, promulgated, issued or becomes effective on or after the Issue Date; or (iii) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations or practice related thereto that differs from the previous generally accepted position which is issued or announced on or after the Issue Date, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; (B) as of the date fixed for redemption, an amendment, clarification or change has occurred, or will in the Distribution Payment Period immediately following the date fixed for redemption occur, in the equity credit criteria, guidelines or methodology of Fitch Ratings Inc. (**Fitch Ratings**) (or any other rating agency of equivalent recognised standing requested from time to time by the Issuer to grant a rating to the Issuer or the Securities) and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results or will result in a lower equity credit for the Securities than the equity credit assigned or which would have been assigned on the Issue Date (in the case of Fitch Ratings) or assigned at the date when equity credit is assigned for the first time (in the case of any other rating agency); (C) as of the date fixed for redemption or in the Distribution Payment Period immediately following the date fixed for redemption, as a result of any changes or amendments to the Relevant Accounting Standard (as defined herein), the Securities must not or must no longer be recorded as "equity" of Ascott REIT pursuant to the Relevant Accounting Standard; (D) immediately before giving the notice of redemption to the Holders, the Registrar and the Paying Agents the aggregate principal amount of the Securities outstanding is less than 20% of the aggregate principal amount originally issued; and (E) as a result of any change in, or amendment to, the Property Funds Appendix (as defined herein), or any change in the application or official interpretation of the Property Funds Appendix, as of the date fixed for redemption, the Securities count, or will in the Distribution Payment Period immediately following the date fixed for redemption count, towards the Aggregate Leverage (as defined herein) under the Property Funds Appendix.

Application will be made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries or associated companies or the Securities. This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**). Please see the selling restrictions set out under the section "Subscription and Sale" on page 118 of this Offering Circular.

Investing in the Securities involves risks. Please see "Risk Factors" beginning on page 46.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and, subject to certain exceptions, may not be offered or sold within the US. For a description of these and certain further restrictions on offers and sales of the Securities and the distribution of this Offering Circular, see "Subscription and Sale". The Securities will be unrated.

The entire issue of the Securities will be held by The Central Depository (Pte) Limited (**CDP**) in the form of a global certificate in registered form (the **Global Certificate**) for persons holding the Securities in securities accounts with CDP. Clearance of the Securities will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (**Depository System**) maintained by CDP. Settlement of over the counter trades in the Securities through the Depository System may only be effected through certain corporate depositors (**Depository Agents**) approved by CDP under the Companies Act, Chapter 50 of Singapore (**Companies Act**), to maintain securities subaccounts and to hold the Securities in such securities sub accounts for themselves and their clients. See "Clearance and Settlement".

Solo Lead Manager and Bookrunner

OCBC Bank

Offering Circular dated [●] 2019

NOTICE

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Ascott REIT, the Issuer, Ascott Residence Trust Management Limited, in its capacity as manager of Ascott REIT (the **Manager**), Oversea-Chinese Banking Corporation Limited (the **Sole Lead Manager and Bookrunner**) or the Agents (as defined herein) to subscribe for or purchase any of the Securities and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Securities described in this Offering Circular. This Offering Circular does not constitute an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. The distribution of this Offering Circular and the offering of the Securities in certain jurisdictions may be restricted by law. Ascott REIT, the Manager, the Issuer, the Sole Lead Manager and Bookrunner and the Agents do not represent that this Offering Circular may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirement in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Ascott REIT, the Manager, the Issuer, the Sole Lead Manager and Bookrunner or the Agents which is intended to permit a public offering of the Securities or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Persons into whose possession this Offering Circular comes are required to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Securities or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and distribution of this Offering Circular, see “*Subscription and Sale*”.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated by reference in this Offering Circular. For a description of all documents which are deemed to be incorporated by reference in this Offering Circular, see “*Documents Incorporated by Reference*”. This Offering Circular shall be read and construed on the basis that such documents are incorporated in, and form part of, this Offering Circular.

The Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, this Offering Circular contains all information which is material in the context of Ascott REIT and the offering of the Securities with respect to Ascott REIT and its subsidiaries (the **Subsidiaries**, and together with Ascott REIT, the **Group**) and the Securities. Where information contained in this Offering Circular includes extracts from summaries of information and data from various private and public sources, the Issuer accepts responsibility for accurately reproducing such summaries and data in this Offering Circular in its proper form and context.

No person has been or is authorised to give any information or to make any representation concerning Ascott REIT, the Issuer, the Manager, the Group and the Securities other than as contained herein and/or incorporated by reference in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorised by Ascott REIT, the Issuer, the Manager, Sole Lead Manager and Bookrunner or the Agents. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of Ascott REIT, any of its Subsidiaries or the Group since the date hereof or create any implication that the information contained herein and/or incorporated by reference in this Offering Circular is correct as at any date subsequent to the date hereof.

No representation or warranty, express or implied, is made or given by the Sole Lead Manager and Bookrunner or the Agents as to the accuracy, completeness or sufficiency of the information contained and/or incorporated by reference in this Offering Circular, and nothing contained and/or incorporated by reference in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Lead Manager and Bookrunner or the Agents. The Sole Lead Manager and Bookrunner and the

Agents have not independently verified any of the information contained and/or incorporated by reference in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by Ascott REIT, any member of the Group, the Issuer, the Manager, the Sole Lead Manager and Bookrunner or the Agents that any recipient of this Offering Circular should purchase the Securities.

Each potential purchaser of the Securities should determine for itself the relevance of the information contained and/or incorporated by reference in this Offering Circular and its purchase of the Securities should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. Accordingly, notwithstanding anything herein, neither the Sole Lead Manager and Bookrunner nor any of its officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Offering Circular or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained and/or incorporated by reference in or referred to in this Offering Circular or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Securities by a recipient of this Offering Circular or such other document or information (or such part thereof).

This Offering Circular and any other documents or materials in relation to the issue, offering or sale of the Securities have been prepared solely for the purpose of the initial sale or offer of the Securities. This Offering Circular and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**) and may not be relied upon by any person other than persons to whom the Securities are sold or with whom they are placed by the Sole Lead Manager and Bookrunner as aforesaid or for any other purpose. Recipients of this Offering Circular shall not reissue, circulate or distribute this Offering Circular or any part thereof in any manner whatsoever.

In making an investment decision, investors must rely on their own examination of Ascott REIT, the Manager, the Group and the Conditions, including the merits and risks involved, as well as the Ascott REIT Trust Deed (as defined herein). See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities. Each person receiving this Offering Circular acknowledges that such person has not relied on the Sole Lead Manager and Bookrunner or any person affiliated with the Sole Lead Manager and Bookrunner in connection with its investigation of the accuracy of such information or its investment decision.

Each investor shall, by virtue of its acquisition or ownership of the Securities, be regarded as consenting to the collection, use and disclosure (whether directly or through a third party) of personal data (if any) as defined in the Personal Data Protection Act 2012 of Singapore of such investor by the Issuer, the Manager, or any affiliate or agent of the Issuer (including the Agents) which is reasonably necessary or desirable to effect or facilitate the processing or administration of the Securities (including the making of a determination of the amounts owed, or the making of any payment to, such investor under the Securities) and purposes incidental thereto.

Notification under Section 309B(1)(c) of the SFA: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined the classification of the Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Ascott REIT and the Group prepare financial statements in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (**RAP 7**) issued by the Council of the Institute of Singapore Chartered Accountants. Accordingly, Ascott REIT and the Group’s financial statements for the 12-month period ended 31 December 2018 contained in this Offering Circular were prepared and presented in accordance with RAP 7. For comparison purposes, Ascott REIT and the Group’s financial statements for the financial year ended 31 December 2017 and 31 December 2016 incorporated by reference in this Offering Circular were also prepared and presented in accordance with RAP 7. RAP 7 prescribes that the accounting policies adopted by Ascott REIT and the Group should generally comply with the principles of the Singapore Financial Reporting Standards (**SFRS**). SFRS reporting practices and accounting principles differ in certain respects from International Financial Reporting Standards. Unless the context otherwise requires, financial information in this Offering Circular is presented on a consolidated basis.

Market data, industry forecasts and industry statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although Ascott REIT believes this information to be reliable, it has not been independently verified by Ascott REIT, the Manager or the Sole Lead Manager and Bookrunner or their respective directors and advisers, and none of Ascott REIT, the Issuer, the Manager, the Sole Lead Manager and Bookrunner, the Agents nor their respective directors and advisers make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. Investors should not unduly rely on such market data, industry forecasts and industry statistics.

In this Offering Circular, all references to **S\$** or **Singapore dollars** are to Singapore dollars, the lawful currency of the Republic of Singapore and all references to **US\$** refer to United States dollars, the lawful currency of the United States of America. In addition, all references to **GBP** or **British Pound** refer to pounds sterling, all references to **Euro** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, all references to **RMB** or **Renminbi** refer to the lawful currency of the People’s Republic of China, all references to **AUD** or **Australian Dollars** refer to the lawful currency of Australia, all references to **JPY**, **Japanese Yen** or **¥** refer to the lawful currency of Japan, all references to **Philippine Peso** refer to the lawful currency of the Philippines, all references to **Vietnamese Dong** refer to the lawful currency of Vietnam and all references to **MYR** refer to the lawful currency of Malaysia.

The Group’s financial statements are published in Singapore dollars.

Certain monetary amounts in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included or incorporated by reference in this Offering Circular, including, without limitation, those regarding the respective financial positions of Ascott REIT and the Group, their business strategy, plans and objectives of management for future operations (including their respective development plans and objectives relating to their businesses) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Ascott REIT and the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Ascott REIT's and the Group's present and future business strategies and the environment in which Ascott REIT and the Group will operate in the future. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". These forward-looking statements speak only as of the date of this Offering Circular. Save for its obligations under the Listing Manual (as defined herein), each of Ascott REIT and the Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained or incorporated by reference herein to reflect any change in Ascott REIT's or the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

CONTENTS

	Page
DOCUMENTS INCORPORATED BY REFERENCE.....	1
DEFINITIONS.....	2
SUMMARY	12
SELECTED CONSOLIDATED FINANCIAL INFORMATION	13
SUMMARY OF THE OFFERING	19
TERMS AND CONDITIONS OF THE SECURITIES.....	25
RISK FACTORS	46
USE OF PROCEEDS.....	71
CAPITALISATION AND INDEBTEDNESS	72
DESCRIPTION OF ASCOTT REIT	73
MANAGEMENT	96
INFORMATION ON THE PROPERTIES	100
TAXATION	108
THE GLOBAL CERTIFICATE.....	116
SUBSCRIPTION AND SALE.....	118
CLEARANCE AND SETTLEMENT	121
GENERAL INFORMATION	122
INDEX TO FINANCIAL STATEMENTS	F-1

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or issued shall be incorporated in, and form part of, this Offering Circular:

- (a) the Group's audited consolidated financial statements for the year ended 31 December 2016; and
- (b) the Group's audited consolidated financial statements for the year ended 31 December 2017;

save that any statement contained therein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in a subsequent document or in this Offering Circular modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

DEFINITIONS

The following definitions have, where appropriate, been used in this Offering Circular:

%	:	Per cent.
2017 Acquisitions	:	The acquisition of Citadines City Centre Frankfurt, Citadines Michel Hamburg, DoubleTree by Hilton New York – Times Square South and Ascott Orchard Singapore during FY2017.
2025 Notes	:	The JPY5,000,000,000 (equivalent to S\$61,365,000 ¹) in aggregate principal amount of 0.971% Fixed Rate Notes due 2025 issued by Ascott REIT MTN Pte. Ltd.
2Q 2019	:	Second quarter ended 30 June 2019.
Additional Amounts	:	The additional amounts payable by the Issuer pursuant to Condition 7 (<i>Taxation</i>).
ADR	:	Average Daily Rate, determined by dividing Apartment Rental Income by the number of paid occupied nights during the applicable period.
AEI	:	Asset enhancement initiatives.
Agency Agreement	:	The fiscal agency agreement dated [●] 2019 between (1) the Issuer, as issuer, (2) the Registrar, as registrar, (3) the Fiscal Agent, as fiscal agent, (4) the Transfer Agent, as transfer agent, and (5) the Calculation Agent, as calculation agent, as amended, varied or supplemented from time to time.
Agents	:	Deutsche Bank AG, Singapore Branch and any additional or successor agent appointed under clause 14 of the Agency Agreement.
Aggregate Leverage	:	The total borrowings and deferred payments of a REIT, or such other definition as may from time to time be provided for under the Property Funds Appendix.
A-HTRUST	:	Ascendas Hospitality Trust.
A-HTRUST BT	:	Ascendas Hospitality Business Trust.
A-HTRUST REIT	:	Ascendas Hospitality Real Estate Investment Trust.
A-HTRUST REIT Properties	:	The properties of A-HTRUST REIT.
A-HTRUST Scheme	:	Trust scheme of arrangement in relation to A-HTRUST.
A-HTRUST Scheme Consideration	:	Consideration of S\$1.0868 for each A-HTRUST Stapled Unit.
A-HTRUST Stapled Units	:	Issued and paid-up stapled units in A-HTRUST.
A-HTRUST Stapled Unitholders	:	Holders of the A-HTRUST Stapled Units.

¹ Based on exchange rate of JPY100 = S\$1.2273.

AIM	:	Ascott International Management (2001) Pte Ltd, a wholly-owned subsidiary of the Sponsor.
AIMPL	:	Ascott International Management Pte Ltd.
AIMV	:	Ascott International Management (Vietnam) Co., Ltd.
AIM Japan	:	Ascott International Management Japan Company Limited.
Apartment Rental Income	:	Income from the rental or licensing of Apartment Units under Ascott REIT's portfolio excluding rental income under the Master Leases.
Apartment Units	:	The apartment units which are available for lease or licence in the portfolio.
APMB	:	Ascott Property Management (Beijing) Co., Ltd.
APMS	:	Ascott Property Management (Shanghai) Co., Ltd.
Approvals	:	The (i) approvals by the Unitholders, among others, to amend the Ascott REIT Trust Deed in connection with the Combination, to approve the Ascott REIT Scheme and to issue the Consideration Units; (ii) approvals by the A-HTRUST Stapled Unitholders to amend the trust deeds of A-HTRUST to reflect amendments in connection with the Combination and to approve the A-HTRUST Scheme; and (iii) approval by the Unitholders or the A-HTRUST Stapled Unitholders, as the case may be, as are necessary or required pursuant to applicable laws (including the Singapore Code on Take-overs and Mergers, the Listing Manual, the Property Funds Appendix and the Business Trusts Act, Chapter 31A of Singapore) or by a court, the Securities Industry Council, the MAS, the SGX or any other governmental authority, for or in respect of the implementation of the Combination, the Ascott REIT Scheme, the acquisition by the trustee of Ascott REIT of all the units in A-HTRUST REIT and by the Ascott BT Trustee-Manager of all the units in A-HTRUST BT in consideration for the A-HTRUST Scheme Consideration, the A-HTRUST Scheme and the transactions contemplated under the Implementation Agreement.
Ascott	:	The Ascott Limited.
Ascott BT	:	Ascott Business Trust.
Ascott BT Trustee-Manager	:	The trustee-manager of Ascott BT.
Ascott Management Agreements	:	The serviced residence management agreements between the Ascott Management Companies and Ascott REIT in relation to the Properties.
Ascott Management Companies	:	The management companies which are subsidiaries of the Sponsor.
Ascott REIT	:	Ascott Residence Trust, a unit trust constituted on 19 January 2006 under the laws of the Republic of Singapore.
Ascott REIT Scheme	:	The trust scheme of arrangement by Ascott REIT in relation to Ascott BT.

Ascott REIT Trust Deed	:	The trust deed dated 19 January 2006 made between (a) Ascott Residence Trust Management Limited, as manager of Ascott REIT, and (b) DBS Trustee Limited, as trustee of Ascott REIT, as supplemented by a first supplemental deed dated 22 March 2007, a second supplemental deed dated 9 September 2009, a third supplemental deed dated 16 September 2010, a fourth supplemental deed dated 16 October 2014, a fifth supplemental deed dated 14 April 2016, a sixth supplemental deed dated 4 May 2018, a seventh supplemental deed dated 16 January 2019 and an eighth supplemental deed dated 18 June 2019, and as may be further amended or supplemented from time to time.
Ascott REIT Trustee	:	DBS Trustee Limited, acting in its capacity as trustee of Ascott REIT, or any other person that replaces DBS Trustee Limited as trustee of Ascott REIT under the Ascott REIT Trust Deed.
Ascott Residences	:	Ascott Residences Pte Ltd.
Base Fees	:	The base component of the management fee.
Board	:	Board of Directors of the Manager.
Burton Engineering	:	Burton Engineering Pte Ltd.
Business Day	:	A day, excluding a Saturday and a Sunday and public holidays, on which banks are open for general business (including dealings in foreign currencies) in Singapore.
Calculation Agent	:	Deutsche Bank AG, Singapore Branch and any additional or successor calculation agent appointed from time to time in connection with the Securities.
CapitaLand	:	CapitaLand Limited.
CapitaLand Completion	:	The completion of the acquisition by CapitaLand of all the shares in each of Ascendas Pte Ltd and Singbridge Pte. Ltd.
CapitaLand Group	:	CapitaLand and its subsidiaries.
Cash Consideration	:	S\$0.0543 in cash.
CDP	:	The Central Depository (Pte) Limited.
CIS Code	:	The Code on Collective Investment Schemes issued by the MAS pursuant to Section 321 of the SFA, as amended or modified from time to time.
CMP Regulations 2018	:	Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore.
Combination	:	Proposed combination of Ascott REIT and A-HTRUST as announced on 3 July 2019.
Combined Entity	:	Combined entity formed pursuant to the Combination, being a stapled group comprising Ascott REIT and Ascott BT.

Combined REIT Properties	:	The Properties and the A-HTRUST REIT Properties.
Companies Act	:	Companies Act, Chapter 50 of Singapore, as amended or modified from time to time.
Conditions	:	The terms and conditions of the Securities as scheduled to the Agency Agreement, and any reference to a numbered “Condition” is to the correspondingly numbered provision thereof.
Consideration Units	:	0.7942 units in a stapled Ascott REIT and Ascott BT, issued at a price of S\$1.30 each.
Consultation Paper	:	Consultation paper on “Proposed Amendments to the Requirements for REITs” published by the MAS on 2 July 2019.
Controlling Unitholder	:	A person who (i) holds directly or indirectly, 15.0% or more of the nominal amount of Units; or (ii) in fact exercises control over Ascott REIT, as defined in the Listing Manual.
C(WUMP)O	:	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong.
Deposited Property	:	All the gross assets of Ascott REIT, including all its authorised investments held or deemed to be held upon the trusts under the Ascott REIT Trust Deed.
Depositors	:	Persons holding the Securities in securities accounts with CDP.
Depository Agents	:	Corporate depositors approved by CDP under the Companies Act to maintain securities sub-accounts and to hold the Securities in such securities sub-accounts for themselves and their clients.
Depository System	:	The electronic book-entry clearance and settlement system for the trading of debt securities maintained by CDP.
Distribution	:	The right to receive distribution payments under the Securities.
Distribution Payment Date	:	[●] and [●] of each year.
Distribution Payment Period	:	The period from (and including) the previous Distribution Payment Date or the Issue Date (as the case may be) to (and excluding) the next Distribution Payment Date.
Distribution Rate	:	The rate of Distribution, being either the Initial Distribution Rate or the relevant Reset Distribution Rate.
Divestments	:	The divestment of 18 rental housing properties in Tokyo, Japan in April 2017 and the divestment of Citadines Gaoxin Xi’an and Citadines Biyun Shanghai (which was completed on 5 January 2018).
DPU	:	Distribution per Unit.
DTAs	:	Double Taxation Agreements.

EATC(S)	:	East Australia Trading Company (S) Pte Ltd.
EVD	:	Ebola virus disease.
FATCA	:	Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended or modified from time to time.
First Call Date	:	[●].
Fiscal Agent	:	Deutsche Bank AG, Singapore Branch and any additional or successor fiscal agent appointed from time to time in connection with the Securities.
Fitch Ratings	:	Fitch Ratings Inc. or its successors.
Fixed Spread	:	[●]%.
France Properties	:	Citadines City Centre Lille, Citadines City Centre Grenoble, La Clef Louvre Paris, Citadines Trocadéro Paris, Citadines Presqu'île Lyon, Citadines Place d'Italie Paris, Citadines Montmartre Paris, Citadines Tour Eiffel Paris, Citadines Antigone Montpellier, Citadines Castellane Marseille, Citadines Austerlitz Paris, Citadines République Paris, Citadines Maine Montparnasse Paris, Citadines Prado Chanot Marseille, Citadines Les Halles Paris, Citadines Didot Montparnasse Paris and Citadines Croisette Cannes.
FRS 39	:	Singapore Financial Reporting Standard 39.
FRS 109	:	Financial Reporting Standard 109 <i>Financial Instruments</i> .
FRS 116	:	Financial Reporting Standard 116 <i>Leases</i> .
FY	:	Financial year ended 31 December.
Germany Properties	:	Citadines Kurfürstendamm Berlin, Citadines Arnulfpark Munich, The Madison Hamburg, Citadines City Centre Frankfurt and Citadines Michel Hamburg.
Global Certificate	:	A global certificate in registered form constituting and representing the entire issue of the Securities.
Greater Sydney Quest Properties	:	Quest Sydney Olympic Park, Quest Mascot and Quest Campbelltown.
Group	:	Ascott REIT and its Subsidiaries.
Holdings	:	Holdings of the Securities.
Hybrid Instruments e-Tax Guide	:	An e-Tax Guide: Income Tax Treatment of Hybrid Instruments published by the IRAS on 19 May 2014.
Implementation Agreement	:	The implementation agreement between Ascott REIT and A-HTRUST dated 3 July 2019, pursuant to which the parties agreed to implement the Combination of Ascott REIT and A-HTRUST on the terms and subject to the conditions set out in the implementation agreement.
Influenza A H1N1	:	Swine flu.

Initial Distribution Rate	:	[●]% per annum.
IRAS	:	Inland Revenue Authority of Singapore.
Issue Date	:	[●] 2019.
Issuer	:	DBS Trustee Limited, in its capacity as trustee of Ascott Residence Trust.
ITA	:	Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time.
Japan Rental Housing Properties	:	The 11 rental housing properties across five cities of Fukuoka, Sapporo, Hiroshima, Tokyo and Osaka in Japan.
Junior Obligation	:	The ordinary units of Ascott REIT and any class of equity capital in Ascott REIT, other than any instrument or security (including without limitation any preferred units) ranking in priority in payment and in all other respects to the ordinary units.
Latest Practicable Date	:	23 August 2019.
Listing Manual	:	The listing manual of the SGX-ST, as amended, varied or supplemented from time to time.
Magna	:	Magna Hospitality Group.
Management Companies	:	The Ascott Management Companies and the US Management Companies.
Management Fees	:	The base fee and base performance fee payable to the Manager.
Manager	:	Ascott Residence Trust Management Limited, in its capacity as manager of Ascott REIT.
MAS	:	Monetary Authority of Singapore.
Master Leases	:	The 17 master lease agreements between the relevant Property Holding Companies and Citadines SA in relation to the France Properties, the two master lease agreements between the relevant Property Holding Companies and Citadines Betriebsgesellschaft mbH in relation to two of the Germany Properties, the master lease agreement between the relevant Property Holding Company and Citadines Betriebs (Frankfurt) GmbH in relation to one of the Germany Properties, the master lease agreement between the relevant Property Holding Company and Citadines Betriebs GmbH in relation to one of the Germany properties, the master lease agreement between the relevant Property Holding Company and a local German operator in relation to one of the Germany Properties, one master lease agreement between Ascott REIT and Ascott Orchard Management (S) Pte. Ltd. in relation to one of the Singapore Properties, and the three master leases in relation to the Greater Sydney Quest Properties.

Master Lessees	:	Citadines SA in relation to the France Properties, Citadines Betriebsgesellschaft mbH in relation to two of the Germany Properties, Citadines Betriebs (Frankfurt) GmbH in relation to one of Germany Properties, Citadines Betriebs GmbH in relation to one of the Germany properties, the local German operator in relation to one of the German Properties, Ascott Orchard Management (S) Pte. Ltd. in relation to one of the Singapore Properties, and the master lessees in relation to the Greater Sydney Quest Properties.
Master Lessors	:	The Property Holding Companies that lease the relevant Properties to the Master Lessees.
Mekong-Hacota	:	Mekong-Hacota Joint Venture Company Limited.
MERS	:	Middle East Respiratory Syndrome.
MOF	:	Singapore Ministry of Finance.
Notional Preferred Unit	:	<p>One notional preferred unit in Ascott REIT having such right to return of assets in the Winding-Up of Ascott REIT which ranks as follows:</p> <ul style="list-style-type: none"> (a) junior to the claims of all other present and future creditors of the Issuer which are not Parity Obligations of the Issuer; (b) junior to the claims of all classes of preferred units (if any) of Ascott REIT which are not Parity Obligations of the Issuer; (c) <i>pari passu</i> with the claims of the Parity Obligations of the Issuer; and (d) senior to the Junior Obligations of the Issuer.
November 2018 Notes	:	The S\$100,000,000 in aggregate principal amount of 4.30% Fixed Rate Notes due 2018 issued by Ascott REIT MTN Pte. Ltd.
NTUC	:	National Trades Union Congress.
Optional Distribution	:	An optional amount equal to the amount of Distribution which is unpaid in whole or in part.
Optional Payment Notice	:	The notice given by the Issuer electing not to pay a Distribution (or to pay only part of a Distribution) which is scheduled to be paid on a Distribution Payment Date.
Pan-Asian Region	:	Countries in the Asia and Asia Pacific region.
Parity Obligation	:	Any instrument or security (including without limitation any preferred units) issued, entered into or guaranteed by the Issuer (i) which ranks or is expressed to rank, by its terms or by operation of law, <i>pari passu</i> with a Notional Preferred Unit and/ or other Parity Obligations and (ii) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof.

Paying Agent	:	The Agent, the Registrar and any additional or successor paying agent appointed under clause 14 of the Agency Agreement.
Properties	:	The properties set out as “Properties” on pages 100 to 107 of this Offering Circular.
Property Companies	:	Entities which have direct ownership of the Properties.
Property Funds Appendix	:	The guidelines for schemes which invest or propose to invest primarily in real estate and real estate-related assets, issued by the MAS as Appendix 6 to of the CIS Code, as amended or modified from time to time.
Property Holding Companies	:	Entities which own the Properties through the Property Companies.
PT Ascott International	:	PT Ascott International Management Indonesia.
Qualifying Income	:	Interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost.
RAP 7	:	The Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Council of the Institute of Singapore Chartered Accountants.
Registered Business Trust	:	Business trust registered with the MAS.
Registrar	:	Deutsche Bank AG, Singapore Branch and any additional or successor registrar appointed from time to time in connection with the Securities.
REIT	:	Real estate investment trust.
Relevant Accounting Standard	:	SFRS or any other accounting standards that may replace SFRS for the purposes of the consolidated financial statements of Ascott REIT.
Reset Date	:	The First Call Date and each successive date falling every five calendar years after the First Call Date.
Reset Distribution Rate	:	The Swap-Offer Rate (as defined in the Conditions) with respect to the First Call Date or the relevant Reset Date (as the case may be) plus the Fixed Spread per annum.
REVPAU	:	Revenue per available unit in Ascott REIT’s portfolio, determined by dividing Apartment Rental Income by the number of available nights in the applicable period.
ROU	:	Right-of-use.
S\$ or \$ and cents	:	Singapore dollars and cents respectively.
SARS	:	Severe Acute Respiratory Syndrome.
Scotts Philippines	:	Scotts Philippines, Inc.

Securities	:	The fixed rate perpetual securities to be issued by the Issuer.
Securities Act	:	United States Securities Act of 1933, as amended or modified from time to time.
September 2018 Notes	:	The JPY5,000,000,000 (equivalent to S\$61,365,000 ²) in aggregate principal amount of 2.010% Fixed Rate Notes due 2018 issued by Ascott REIT MTN Pte. Ltd.
SFA	:	Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time.
SFO	:	Securities and Futures Ordinance (Cap. 571) of Hong Kong, as amended or modified from time to time.
SFRS	:	Singapore Financial Reporting Standards.
SFRS(I) 9	:	Singapore Financial Reporting Standard (International) 9 <i>Financial Instruments</i> .
SGX-ST	:	Singapore Exchange Securities Trading Limited.
Singapore Properties	:	Ascott Orchard Singapore, Citadines Mount Sophia Property Singapore and Somerset Liang Court Property Singapore.
Soderetour UK	:	Soderetour UK Limited.
Sole Lead Manager and Bookrunner	:	Oversea-Chinese Banking Corporation Limited.
Sponsor	:	The Ascott Limited or The Ascott Limited and its subsidiaries, as the case may be.
Subscription Agreement	:	The subscription agreement dated [●] August 2019 between (1) the Issuer, as issuer and (2) Oversea-Chinese Banking Corporation Limited, as the sole lead manager and bookrunner, as amended, varied or supplemented from time to time.
Subsidiaries	:	The subsidiaries of Ascott REIT.
Transfer Agent	:	Deutsche Bank AG, Singapore Branch and any additional or successor transfer agent appointed from time to time in connection with the Securities.
UK	:	The United Kingdom.
UK Properties	:	Citadines Barbican London, Citadines South Kensington London, Citadines Trafalgar Square London and Citadines Holborn - Covent Garden London.
Unit	:	An undivided interest in Ascott REIT as provided for in the Ascott REIT Trust Deed.
United States or U.S.	:	United States of America.
Unitholders	:	The holders from time to time of the Units.

² Based on exchange rate of JPY100 = S\$1.2273.

US\$ LIBOR	:	US\$ London interbank offered rate.
US Management Companies	:	Third-party hotel managers which manage the Properties located in the United States.
sq m	:	Square metres.
Vietnam Properties JVA	:	A joint venture arrangement between Ascott REIT (through its shareholding interests in each of the Vietnam Property Companies) and the unrelated third-party shareholders in each of the Vietnam Property Companies.
Vietnam Property Companies	:	Saigon Office and Serviced Apartment Company Limited, Mekong-Hacota and Hanoi Tower Center Company Limited.
Vietnam Property Holding Companies	:	EATC(S), Ascott Residences and Burton Engineering.
Winding-Up	:	Bankruptcy, termination, winding up, liquidation or similar proceedings.
YTD June 2018	:	The six months ended 30 June 2018.
YTD June 2019	:	The six months ended 30 June 2019.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Offering Circular shall be a reference to Singapore time unless otherwise stated. Any reference in this Offering Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Offering Circular shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the financial information contained, incorporated by reference or referred to elsewhere in this Offering Circular. The meanings of terms not defined in this summary can be found elsewhere in this Offering Circular.

Ascott REIT is a serviced residence REIT established with the objective of investing primarily in real estate and real estate-related assets which are income-producing and which are used, or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world. Comprising an initial asset portfolio of 12 strategically located properties with 2,068 apartment units in five countries in the Pan-Asian Region, Ascott REIT was listed on the Main Board of the SGX-ST on 31 March 2006 with an initial asset size of approximately S\$856.0 million. As at the Latest Practicable Date, Ascott REIT's portfolio comprises 74³ Properties with over 11,700⁴ units in 37 cities across 14 countries in Asia Pacific, Europe and the United States of America. As at the Latest Practicable Date, the market capitalisation of Ascott REIT is approximately S\$2.8 billion.

Competitive Strengths of Ascott REIT

- Geographically diversified portfolio of high quality serviced residence properties in strategic locations across key international gateway cities in both Asia Pacific and Europe.
- Strong brand recognition and operational synergies with the Sponsor, one of the leading international lodging owner-operators, with more than a 80-year industry track record.
- Stability of income from the extended-stay business model, as well as properties under Master Leases and SR Management Agreements which provide minimum guaranteed income.
- Strong acquisition track record, with asset size having increased sixfold to S\$5.5 billion since its initial listing.
- Managed by an experienced and professional management team.

Strategies

- Active asset management, including but not limited to:
 - developing yield management and marketing strategies to maximise REVPAU;
 - improving operating efficiencies and economies of scale;
 - capitalising on AEI to create real estate value and maintain the quality of portfolio; and
 - reconstituting portfolio through divesting properties which have reached the optimal stage of their life cycle and/or where the property cycle is optimal;
- Growth by acquisition, both from the Sponsor and third parties; and
- Disciplined and prudent capital and risk management to maintain a strong balance sheet and financial flexibility to support growth.

³ This figure includes 1yf one-north Singapore, which is under development.

⁴ This figure includes the number of units for 1yf one-north Singapore, which is subject to change.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the selected consolidated financial information of the Group as at and for the periods indicated.

The selected consolidated financial information as at and for the year ended 31 December 2018 has been derived from the Group's audited financial statement for the year ended 31 December 2018 included in this Offering Circular and should be read together with such financial statement and the accompanying notes thereto. The selected consolidated financial information as at and for the years ended 31 December 2016 and 31 December 2017 has been derived from the Group's audited financial statements for the years ended 31 December 2016 and 31 December 2017, respectively, which are incorporated by reference in this Offering Circular and should be read together with those financial statements and the accompanying notes thereto. The selected consolidated financial information for the six-month periods ended 30 June 2018 and 30 June 2019 has been derived from the Group's 2019 Second Quarter Unaudited Financial Statements Announcement included in this Offering Circular.

*The Group has adopted a number of new standards, amendments to standards and interpretations that are effective for the annual periods beginning on or after 1 January 2019. Of these new standards, Financial Reporting Standard 116 Leases (**FRS 116**) has a more significant impact on the Group. For further details of FRS 116 and the effects of such adoption, please see (a) paragraph 5 of the Group's 2019 Second Quarter Unaudited Financial Statements Announcement set out on page F-16 in this Offering Circular and (b) note 3.18 to the Group's audited financial statement for the year ended 31 December 2018 set out on pages F-81 to F-82 in this Offering Circular.*

The Group has adopted FRS 116 using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information. Accordingly, the selected consolidated statement of financial position as at 30 June 2019 will not be directly comparable to the selected consolidated statement of financial position as at 31 December 2016, 31 December 2017 and 31 December 2018, and the selected consolidated statement of total return for the six-month period ended 30 June 2019 will not be directly comparable to the selected consolidated statement of total return for the six-month period ended 30 June 2018. Please see "Risk Factors – With the adoption of FRS 116, the financial information of Ascott REIT as at and for the six months ended 30 June 2019 is not directly comparable with the corresponding financial information for the previous financial period or financial years".

Save as disclosed above, the Group has prepared the unaudited financial statements on the same basis as its audited financial statements.

The Group's historical results for any prior or interim periods are not necessarily indicative of results to be expected for a full financial year or for any future period.

The Group's financial statements are reported in Singapore dollars.

The Group's audited financial statements for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and unaudited financial statements for the six-month period ended 30 June 2019 contained and/or incorporated by reference in this Offering Circular were prepared and presented in accordance with RAP 7.

Consolidated Statement of Total Return

	Audited			Unaudited	
	FY2016 S\$'000	FY2017 S\$'000	FY2018 S\$'000	YTD June 2018 S\$'000	YTD June 2019 ⁽¹⁾ S\$'000
Gross revenue	475,590	496,288	514,273	243,283	248,409
Direct expenses	(253,217)	(269,370)	(274,913)	(131,478)	(126,139)
Gross profit⁽²⁾	222,373	226,918	239,360	111,805	122,270
Finance income	1,799	1,581	1,194	601	739
Other income	865	558	1,479	395	303
Finance costs ⁽³⁾	(50,045)	(46,668)	(47,116)	(23,248)	(26,379)
Manager's management fees	(22,178)	(22,358)	(23,900)	(11,459)	(11,440)
Professional fees	(2,739)	(2,651)	(2,920)	(1,316)	(1,122)
Trustee's fees	(476)	(495)	(546)	(252)	(292)
Audit fees	(2,486)	(2,380)	(2,398)	(1,369)	(1,082)
Foreign exchange gain / (loss)	4,068	16,225	(6,097)	(3,290)	3,342
Other operating expenses	(1,426)	(3,232)	(1,999)	(1,464)	(1,108)
Net income before share of results of associate	149,755	167,498	157,057	70,403	85,231
Share of results of associate (net of tax)	(6)	(38)	(21)	(41)	(24)
Net income	149,749	167,460	157,036	70,362	85,207
Net change in fair value of investment properties and assets held for sale ⁽⁴⁾	29,987	85,640	35,499	26,696	144,030
Net change in fair value of financial derivatives	322	1,121	–	282	604
Profit from / (loss upon) divestment	–	20,844	3,211	(488)	–
Assets written off	(543)	(621)	(364)	(13)	–
Total return for the year before income tax	179,515	274,444	195,382	96,839	229,841
Income tax expense	(31,751)	(51,944)	(43,541)	(17,231)	(16,916)
Total return for the year	147,764	222,500	151,841	79,608	212,925
Total return attributable to:					
Unitholders and perpetual securities holders	143,312	214,247	147,593	74,657	212,545
Non-controlling interests	4,452	8,253	4,248	4,951	380
	147,764	222,500	151,841	79,608	212,925
Unitholders' Distribution	134,991	152,188	154,783	68,943	74,623
Earnings per Unit (cents)					
– basic	7.40	9.46	5.95	3.02	9.35
– diluted	7.35	9.40	5.91	3.01	9.32
Distribution per Unit (cents)	8.27	7.09 ⁽⁵⁾	7.16	3.19	3.43

Notes:

- (1) FRS 116 is effective from 1 January 2019. The adoption of this standard changes the nature of expense for the Group's portfolio of operating leases and replaced the straight-line operating lease expense to change in fair value for right-of-use (ROU) assets and interest expense on lease liabilities. Please see (a) paragraph 5 of the Group's 2019 Second Quarter Unaudited Financial Statements Announcement set out on page F-16 in this Offering Circular and (b) note 3.18 to the Group's audited financial statement for the year ended 31 December 2018 set out on pages F-81 to F-82 in this Offering Circular for further details. Due to the adoption of FRS 116 from 1 January 2019 (without any restatement of comparative information), the selected consolidated statement of total return for the six-month period ended 30 June 2019 will not be directly comparable to the selected consolidated statement of total return for the six-month period ended 30 June 2018. Please see "Risk Factors – With the adoption of FRS 116, the financial information of Ascott REIT as at and for the six months ended 30 June 2019 is not directly comparable with the corresponding financial information for the previous financial period or financial years".

- (2) Gross profit for YTD June 2019, adjusted for the straight-line operating lease expense, would be S\$112.0 million.
- (3) Finance costs for YTD June 2019 reflects the interest expense of S\$5.6 million recognised on the lease liability arising from the adoption of FRS 116.
- (4) Net change in fair value of investment properties and assets held for sale for YTD June 2019 included change in fair value for ROU assets of S\$3.4 million.
- (5) DPU was lower in FY2017 due to the rights issue, through which 481,688,010 units were issued on 11 April 2017.

Consolidated Statement of Financial Position

	Audited			Unaudited
	As at 31 December 2016 S\$'000	As at 31 December 2017 S\$'000	As at 31 December 2018 S\$'000	As at 30 June 2019 S\$'000 ⁽¹⁾
Non-current assets				
Investment properties ⁽²⁾	4,504,416	4,908,400	4,679,295	5,055,882
Other non-current assets	–	–	65,535	–
Investment property under development	–	–	–	67,135
Plant and equipment	51,808	49,768	48,564	48,441
Associate	3,505	2,992	3,040	3,010
Financial derivative assets	7,125	7,169	8,294	2,446
Deferred tax assets	5,891	5,770	4,309	4,088
	4,572,745	4,974,099	4,809,037	5,181,002
Current assets				
Inventories	201	214	328	333
Assets held for sale	6,549	194,820	215,000	–
Trade and other receivables	68,712	66,573	56,919	61,355
Financial derivative asset	–	–	–	665
Cash and cash equivalents	143,074	257,345	227,847	251,095
	218,536	518,952	500,094	313,448
Total assets	4,791,281	5,493,051	5,309,131	5,494,450
Non-current liabilities				
Financial liabilities	1,715,659	1,681,106	1,835,316	1,588,994
Financial derivative liabilities	17,745	15,960	6,850	11,686
Trade and other payables	–	–	–	839
Deferred tax liabilities	94,078	119,211	117,865	119,046
Lease liabilities ⁽⁴⁾	–	–	–	279,578
	1,827,482	1,816,277	1,960,031	2,000,143
Current liabilities				
Financial liabilities	146,973	264,267	70,137	80,994
Financial derivative liabilities	104	165	280	63
Liabilities held for sale	–	1,065	–	–
Trade and other payables ⁽³⁾	132,991	237,069	141,252	143,120
Lease liabilities ⁽⁴⁾	–	–	–	17,867
Current tax liabilities	1,468	2,525	6,522	9,245
	281,536	505,091	218,191	251,289
Total liabilities	2,109,018	2,321,368	2,178,222	2,251,432
Net assets	2,682,263	3,171,683	3,130,909	3,243,018
Represented by:				
Unitholders' funds	2,200,625	2,685,129	2,644,051	2,756,633
Perpetual securities holders	397,127	397,127	397,127	397,074
Non-controlling interests	84,511	89,427	89,731	89,311
Net assets	2,682,263	3,171,683	3,130,909	3,243,018
Units in issue ('000)	1,653,471	2,149,688	2,164,592	2,174,777
Net asset value per Unit (S\$)	1.33	1.25	1.22	1.27

Notes:

- (1) FRS 116 is effective from 1 January 2019. FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises an ROU asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group has applied the practical expedient to grandfather the definition of a lease on transition and recognised the existing operating lease arrangements as at 31 December 2018 as ROU assets with corresponding lease liabilities. Please see (a) paragraph 5 of the Group's 2019 Second Quarter Unaudited Financial Statements Announcement set out on page F-16 in this Offering Circular and (b) note 3.18 to the Group's audited financial statement for the year ended 31 December 2018 set out on pages F-81 to F-82 in this Offering Circular for further details. Due to the adoption of FRS 116 from 1 January 2019 (without any restatement of comparative information), the selected consolidated statement of financial position as at 30 June 2019 will not be directly comparable to the selected consolidated statement of financial position as at 31 December 2016, 31 December 2017 and 31 December 2018. Please see "*Risk Factors – With the adoption of FRS 116, the financial information of Ascott REIT as at and for the six months ended 30 June 2019 is not directly comparable with the corresponding financial information for the previous financial period or financial years*".
- (2) There has been an increase in investment properties of S\$297.4 million as at 30 June 2019 due to the recognition of existing operating lease arrangements as ROU assets upon the adoption of FRS 116.
- (3) There has been a reversal of the operating lease expense of S\$9.8 million previously accrued on a straight-line basis upon the initial recognition of FRS 116 with effect from 1 January 2019.
- (4) The lease liabilities as at 30 June 2019 refer to the liabilities arising from the adoption of FRS 116 with effect from 1 January 2019.

YTD June 2019 versus YTD June 2018**Gross Revenue**

For YTD June 2019, revenue increased by S\$5.1 million or 2% as compared to YTD June 2018. This was mainly due to higher revenue of S\$5.2 million from the existing properties and additional contribution of S\$0.8 million from the acquisition of Citadines Connect Sydney Airport on 1 May 2019, partially offset by the decrease in revenue of S\$0.9 million from the divestment of Ascott Raffles Place Singapore on 9 May 2019.

REVPAU

REVPAU increased from S\$142 in YTD June 2018 to S\$146 in YTD June 2019 mainly due to stronger performance from the properties in the UK and the Philippines.

Gross Profit

Gross profit for YTD June 2019 increased by S\$10.5 million or 9% as compared to YTD June 2018 due to higher revenue and the adjustments for FRS 116. FRS 116 is effective from 1 January 2019 and replaced the straight-line operating lease expense (previously recognised in "direct expenses") with change in fair value for right-of-use assets and interest expense on lease liabilities.

On a same store basis and excluding FRS 116 adjustments, gross profit increased by S\$0.8 million.

Unitholders' Distribution

Ascott REIT achieved Unitholders' distribution of S\$74.6 million for YTD June 2019, 8% higher as compared to YTD June 2018. DPU for YTD June 2019 was 3.43 cents, 8% higher than the DPU of 3.19 cents for YTD June 2018.

FY2018 versus FY2017**Gross Revenue**

Revenue for FY2018 increased by S\$18.0 million or 4% as compared to FY2017. The increase in revenue was mainly due to the additional revenue of S\$25.8 million from the acquisition of Citadines City Centre Frankfurt, Citadines Michel Hamburg, DoubleTree by Hilton New York – Times Square South and Ascott Orchard Singapore during FY2017 (collectively, the **2017 Acquisitions**).

The increase was partially offset by the decrease in revenue of S\$10.2 million from the divestment of 18 rental housing properties in Tokyo, Japan in April 2017 and the divestment of Citadines Gaoxin Xi'an and Citadines Biyun Shanghai (which was completed on 5 January 2018) (collectively, the **Divestments**). Operations at Citadines Gaoxin Xi'an and Citadines Biyun Shanghai had ceased in September 2017 and December 2017, respectively.

On a same store basis, revenue increased by S\$2.4 million mainly due to stronger underlying performance from the properties in the UK and Belgium, partially offset by lower revenue from the properties in Vietnam.

REVPAU

REVPAU increased by S\$7 or 5% in FY2018, mainly due to stronger performance from properties in the UK.

Gross Profit

In line with the increase in revenue, gross profit for FY2018 increased by S\$12.5 million or 5% as compared to FY2017.

Unitholders' Distribution

Ascott REIT achieved Unitholders' distributions of S\$154.8 million for FY2018, S\$2.6 million or 2% higher as compared to FY2017. DPU for FY2018 was 7.16 cents, 1% higher than FY2017.

FY2017 versus FY2016

Gross Revenue

For FY2017, revenue increased by S\$20.7 million or 4% as compared to FY2016. The increase in revenue was mainly due to an additional contribution of S\$26.1 million from the acquisition of Sheraton Tribeca New York Hotel in April 2016 and the 2017 Acquisitions. The increase in revenue was partially offset by the decrease in revenue of S\$7.5 million from the Divestments.

On a same store basis, FY2017 revenue increased by S\$2.1 million mainly due to higher revenue from the properties in Belgium, Philippines and Vietnam.

REVPAU

REVPAU increased by S\$4 or 3% in FY2017, mainly due to stronger performance from the properties in Belgium, Philippines and Vietnam.

Gross Profit

In line with the increase in revenue, gross profit for FY2017 increased by S\$4.5 million or 2% as compared to FY2016.

Unitholders' Distribution

Ascott REIT achieved Unitholders' distributions of S\$152.2 million for FY2017, S\$17.2 million or 13% higher as compared to FY2016 due to the 2017 Acquisitions and a one-off partial distribution of the gains from the divestment of Citadines Gaoxin Xi'an and Citadines Biyun Shanghai.

DPU for FY2017 was 7.09 cents, 14% lower than FY2016, mainly due to the rights issue.

Change in fair value of Ascott REIT's portfolio of properties

As at 30 June 2019, independent desktop valuations were carried out by HVS. In determining the fair value of the Group's portfolio, the discounted cash flow approach was used. The valuation method used is consistent with that used for the 31 December 2018 valuation and prior years.

The Group's portfolio (including investment property under development) was revalued at S\$4,825.6 million, resulting in a surplus of S\$9.0 million which was recognised in the Consolidated Statement of Total Return in 2Q 2019. The surplus resulted mainly from higher valuation of the Group's properties in Australia, Belgium, Germany and Japan, partially offset by lower valuation from the properties in China, Philippines, Spain and Vietnam. The net impact on the Consolidated Statement of Total Return was S\$5.6 million (net of tax and non-controlling interests).

As at 31 December 2018, independent full valuations for the Group's portfolio were carried out by Colliers International. In determining the fair value of the Group's portfolio, the discounted cash flow approach was used. The Group's portfolio of properties (including assets held for sale) was revalued at S\$4,894.3 million, resulting in a surplus of S\$35.5 million which was recognised in the Consolidated Statement of Total Return in FY2018. The surplus was mainly due to higher valuation of the Group's properties in the UK, France, Belgium and Vietnam. The net impact on the Consolidated Statement of Total Return was S\$15.5 million (net of tax and non-controlling interests).

As at 31 December 2017, independent full valuations for the Group's portfolio were carried out by Colliers International (except for Citadines Gaoxin Xi'an and Citadines Biyun Shanghai which were valued at their respective sale consideration). The Group's portfolio (including assets held for sale) was revalued at S\$5,103.2 million, resulting in a surplus of S\$85.6 million which was recognised in the Consolidated Statement of Total Return in FY2017. The surplus was mainly due to the fair value gain of Citadines Gaoxin Xi'an and Citadines Biyun Shanghai based on their sale consideration (net of property costs and transaction costs) and higher valuation of the Group's properties in Germany, the UK and Vietnam. The net impact on the Consolidated Statement of Total Return was S\$58.0 million (net of tax and non-controlling interests).

As at 31 December 2016, independent full valuations for the Group's portfolio (except for Somerset Kuala Lumpur (previously known as Somerset Ampang Kuala Lumpur)) were carried out by CBRE. The independent full valuation for Somerset Kuala Lumpur was carried out by Raine & Horne International Zaki + Partners Sdn. Bhd. (as consultant to CBRE) on 31 December 2016 in accordance with Malaysian Valuation Standards. The valuation for the remaining units held in Fortune Garden Apartments was based on the selling prices stated in the executed sale and purchase agreements.

The Group's portfolio of properties (including assets held for sale) was revalued at S\$4,511.0 million, resulting in a surplus of S\$30.0 million which was recognised in the Consolidated Statement of Total Return in FY2016. The surplus was mainly due to higher valuation of the Group's properties in Japan and Spain, partially offset by lower valuation from the properties in the UK and the United States. The net impact on the Statement of Total Return was S\$24.1 million (net of tax and non-controlling interests).

SUMMARY OF THE OFFERING

The following is a summary of the Conditions. For a more complete description of the Securities, see the Conditions. Terms used in this summary and not otherwise defined shall have the meanings given to them in the Conditions.

Issuer	DBS Trustee Limited, in its capacity as trustee of Ascott REIT.
Issue	S\$[●] fixed rate perpetual securities.
Status of the Securities	<p>The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank <i>pari passu</i> and without any preference among themselves and with any Parity Obligations of the Issuer.</p> <p>Subject to the insolvency laws of Singapore and other applicable laws, in the event of the final and effective Winding-Up of Ascott REIT, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of Ascott REIT, and thereafter, such Holder were the holder of one Notional Preferred Unit, on the further assumption that the amount that such Holder of a Security was entitled to receive under the Conditions in respect of each Notional Preferred Unit on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security together with Distributions accrued and unpaid since the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) and any unpaid Optional Distributions in respect of which the Issuer has given notice to the Holders of the Securities in accordance with the Conditions.</p>
Set-off	<p>Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with, the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of Ascott REIT's Winding-Up or administration, the liquidator or, as appropriate, administrator of Ascott REIT) and, until such time as payment is made, shall hold such amount on trust for the Issuer (or the liquidator or, as appropriate, administrator of Ascott REIT) and accordingly any such discharge shall be deemed not to have taken place.</p>
Issue Price	[●]%.
Form and Denomination	<p>The Securities will be issued in registered form in the denomination of S\$250,000. Upon issue, the Securities will be constituted and represented by the Global Certificate which will be deposited with CDP as authorised depository. The Global Certificate will be exchangeable for definitive certificates only in the limited circumstances described in the Global Certificate.</p>

Securities which are constituted and represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of CDP.

Distributions

Subject to Condition 4(e) (*Distribution - Distribution Discretion*), the Securities confer a right to receive Distributions from the Issue Date at the applicable Distribution Rate in accordance with Condition 4 (*Distribution*). Subject to Condition 4(e) (*Distribution - Distribution Discretion*), Distributions shall be payable on the Securities semi-annually in arrear on each Distribution Payment Date, being [●] and [●] of each year. The first payment of a Distribution shall be [●] 2020 in respect of the period from (and including) the Issue Date to (but excluding) the first Distribution Payment Date.

Distribution Rate

The Distribution Rate applicable to the Securities shall be:

- (i) in respect of the period from (and including) the Issue Date to (but excluding) the First Call Date, the Initial Distribution Rate; and
- (ii) in respect of the period from (and including) the First Call Date and each Reset Date falling thereafter to (but excluding) the immediately following Reset Date, the relevant Reset Distribution Rate.

Distribution Discretion

The Issuer may, at its sole discretion, elect not to pay a Distribution (or to pay only part of a Distribution) which is scheduled to be paid on a Distribution Payment Date by giving an Optional Payment Notice to the Paying Agents, the Registrar and the Holders (in accordance with Condition 14 (*Notices*)) not more than 15 nor less than three Business Days prior to a scheduled Distribution Payment Date.

Optional Distribution

If the Issuer elects not to pay a Distribution in whole or in part, the Issuer is not under any obligation to pay that or any other Distributions that have not been paid in whole or in part. Such unpaid Distributions or part thereof are non-cumulative and do not accrue interest.

The Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution by complying with the notice requirements in Condition 4(e)(v) (*Distribution - Distribution Discretion - Optional Distribution*). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay Distributions pursuant to Condition 4(e) (*Distribution - Distribution Discretion*).

The Issuer may, at its sole discretion, pay an Optional Distribution (in whole or in part) at any time by giving notice of such election to the Paying Agents, the Registrar and the Holders (in accordance with Condition 14 (*Notices*)) not more than 20 nor less than 15 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Optional Distribution on the payment date specified in such notice).

Any partial payment of an Optional Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis. An Optional Distribution in respect of a prior Distribution may be paid on the same day as a scheduled Distribution and/or any distributions or any other payment with respect to the Issuer's Junior Obligations.

Restrictions in the Case of a Non-Payment

If, on any Distribution Payment Date, payments of all Distribution scheduled to be made on such date are not made in full by reason of Condition 4(e) (*Distribution - Distribution Discretion*), the Issuer shall not:

- (i) declare or pay any distributions or make any other payment on, and will procure that no distribution or other payment is made on, any of its Junior Obligations or (except on a *pro-rata* basis) its Parity Obligations; or
- (ii) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or (except on a *pro-rata* basis) its Parity Obligations,

unless and until either a redemption of all the outstanding Securities in accordance with Condition 5 (*Redemption and Purchase*) has occurred, the next scheduled Distribution has been paid in full, or an Optional Distribution equal to the amount of a Distribution payable with respect to the most recent Distribution Payment Period that was unpaid in full or in part, has been paid in full, or an Extraordinary Resolution (as defined in the Agency Agreement) by Holders has permitted such payment.

Expected Issue Date

[●] 2019.

Maturity Date

There is no fixed redemption date.

Redemption at the Option of the Issuer

The Issuer may, at its option, redeem the Securities in whole, but not in part, on the First Call Date or on any Distribution Payment Date thereafter at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable).

Upon the expiry of such notice referred to above, the Issuer shall be bound to redeem the Securities in accordance with Condition 5(b) (*Redemption and Purchase - Redemption at the option of the Issuer*).

Redemption for Tax Reasons

The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, as of the date fixed for redemption, the Issuer has become obliged, or will in the Distribution Payment Period immediately following the date fixed for redemption become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of:

- (a) any amendment to, or change in, the laws (or any rules or regulations or practice related thereto or thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective on or after the Issue Date; or

- (b) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations or practice related thereto by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which amendment or change is enacted, promulgated, issued or becomes effective on or after the Issue Date; or
- (c) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations or practice related thereto that differs from the previous generally accepted position which is issued or announced on or after the Issue Date,

and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Redemption upon a Ratings Event

The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, as of the date fixed for redemption, an amendment, clarification or change has occurred, or will in the Distribution Payment Period immediately following the date fixed for redemption occur, in the equity credit criteria, guidelines or methodology of Fitch Ratings (or any other rating agency of equivalent recognised standing requested from time to time by the Issuer to grant a rating to the Issuer or the Securities) and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results or will result in a lower equity credit for the Securities than the equity credit assigned or which would have been assigned on the Issue Date (in the case of Fitch Ratings) or assigned at the date when equity credit is assigned for the first time (in the case of any other rating agency).

Redemption for Accounting Reasons

The Issuer may at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, as of the date fixed for redemption or in the Distribution Payment Period immediately following the date fixed for redemption, as a result of any changes or amendments to the Relevant Accounting Standard, the Securities must not or must no longer be recorded as "equity" of Ascott REIT pursuant to the Relevant Accounting Standard.

Redemption in the case of Minimal Outstanding Amount

The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, immediately before giving such notice, the aggregate principal amount of the

Securities outstanding is less than 20% of the aggregate principal amount originally issued. Upon expiry of such notice, referred to in Condition 5(f) (*Redemption and Purchase - Redemption in the case of minimal outstanding amount*) the Issuer shall be bound to redeem the Securities in accordance with Condition 5(f) (*Redemption and Purchase - Redemption in the case of minimal outstanding amount*).

Redemption upon a Regulatory Event

The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable) if, as a result of any change in, or amendment to, the Property Funds Appendix, or any change in the application or official interpretation of the Property Funds Appendix, as of the date fixed for redemption, the Securities count, or will in the Distribution Payment Period immediately following the date fixed for redemption, count towards the Aggregate Leverage under the Property Funds Appendix.

Taxation

Where the Securities are recognised as debt securities for Singapore income tax purposes, all payments of principal, Distributions and Optional Distributions in respect of the Securities by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Singapore or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event, where the Securities are recognised as debt securities for Singapore income tax purposes, the Issuer shall pay Additional Amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except in certain limited circumstances, as specified in Condition 7 (*Taxation*).

Where the Securities are not recognised as debt securities for Singapore income tax purposes, all payments, or part thereof, of Distributions and Optional Distributions in respect of the Securities by or on behalf of the Issuer may be subject to any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Singapore or any political subdivision thereof or any authority therein or thereof having power to tax in the same manner as distributions on ordinary units of Ascott REIT, and Ascott REIT may be obliged (in certain circumstances) to withhold or deduct tax at the rate of 10% or 17% under Section 45G of the ITA. In that event, where the Securities are recognised as equity securities for Singapore income tax purposes and tax is withheld or deducted, the Issuer shall not be under any obligation to pay any Additional Amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

For the avoidance of doubt, notwithstanding any other provision of the Conditions, if the Issuer, or any other person through whom payments on the Securities are made, is required to make any withholding or deduction required pursuant to FATCA, the Issuer or that other person shall be permitted to make such withholding or deduction, and Holders and beneficial owners of Securities will not be entitled to receive any Additional Amounts for such withholding or deduction.

Limited Rights to Institute Proceedings

The right to institute Winding-Up proceedings against Ascott REIT is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected not to pay that Distribution in whole or in part, to the extent of the amount so elected to be unpaid, in accordance with Condition 4(e) (*Distribution - Distribution Discretion*).

Proceedings for Winding-Up

If (i) a Winding-Up of Ascott REIT occurs or (ii) the Issuer shall not make payment in respect of the Securities, for a period of 15 Business Days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and the Holders holding not less than 25% of the aggregate principal amount of the outstanding Securities may institute proceedings for the Winding-Up of Ascott REIT and/or prove in the Winding-Up of Ascott REIT and/or claim in the Winding-Up of Ascott REIT for such payment.

Governing Law

The Securities are governed by, and shall be construed in accordance with, Singapore law.

Rating

The Securities are unrated.

Clearance and Settlement

The Securities will be cleared through CDP. See "*Clearance and Settlement*".

Selling Restrictions

See "*Subscription and Sale*" for the applicable restrictions on the offer, sale and transfer of the Securities.

Fiscal Agent

Deutsche Bank AG, Singapore Branch.

Paying Agent

Deutsche Bank AG, Singapore Branch.

Registrar

Deutsche Bank AG, Singapore Branch.

Listing

Application will be made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of S\$250,000 for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

Use of Proceeds

See "*Use of Proceeds*".

TERMS AND CONDITIONS OF THE SECURITIES

The following (other than the paragraphs in italics) is the text of the Terms and Conditions of the Securities which will appear on the reverse of each of the definitive certificates evidencing the Securities.

The issue of S\$[●] fixed rate perpetual securities (the **Securities**, which expression includes any further securities issued pursuant to Condition 13 (*Further Issues*)) by DBS Trustee Limited as trustee of Ascott Residence Trust (**Ascott REIT**) (the **Issuer**, which term shall include, where the context so permits, all persons for the time being acting as trustee under the Trust Deed (as defined in Condition 17 (*Definitions*))). The Securities are the subject of a fiscal agency agreement dated on or about [●] 2019 (as amended or supplemented from time to time, the **Agency Agreement**) between the Issuer and Deutsche Bank AG, Singapore Branch as registrar (the **Registrar**, which expression includes any successor registrar appointed from time to time in connection with the Securities), fiscal agent (the **Fiscal Agent**, which expression includes any successor fiscal agent appointed from time to time in connection with the Securities), transfer agent (the **Transfer Agent**, which expression includes any successor transfer agent appointed from time to time in connection with the Securities) and calculation agent (the **Calculation Agent**, which expression includes any successor calculation agent appointed from time to time in connection with the Securities). The Central Depository (Pte) Limited (**CDP**) depository services application form dated on or about [●] 2019 (the **Depository Agreement**) has been signed by the Issuer for the provision of depository services by CDP. In connection with the issue of the Securities, a deed of covenant (the **Deed of Covenant**) dated on or about [●] 2019 has also been executed by the Issuer. References herein to the **Paying Agents** shall mean the Fiscal Agent and any additional paying agents (and any successor paying agents appointed from time to time in connection with the Securities) appointed under the Agency Agreement, and references herein to the **Agents** are to the Registrar, the Fiscal Agent, the Transfer Agent, the Calculation Agent and the Paying Agents and any reference to an **Agent** is to any one of them.

The statements in these Terms and Conditions (these **Conditions**) include summaries of, and are subject to, the detailed provisions of the Deed of Covenant and the Agency Agreement. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers – Register*)) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Deed of Covenant, the Agency Agreement and the provisions of the Depository Agreement applicable to them. Copies of the Deed of Covenant, the Agency Agreement and the Depository Agreement are available for inspection by Holders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. FORM AND DENOMINATION

The Securities are in registered form in the denomination of S\$250,000 (the **Authorised Denomination**).

2. STATUS AND RANKING OF CLAIMS

- (a) *Status of the Securities*: The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Obligations (as defined in Condition 17 (*Definitions*)) of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in Condition 2(b) (*Status and Ranking of Claims – Ranking of claims in respect of the Securities*).
- (b) *Ranking of claims in respect of the Securities*: Subject to the insolvency laws of Singapore and other applicable laws, in the event of the final and effective Winding-Up (as defined in Condition 17 (*Definitions*)) of Ascott REIT, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would

have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of Ascott REIT, and thereafter, such Holder (as defined in Condition 3(a) (*Register, Title and Transfers – Register*)) were the holder of one notional preferred unit having such right to return of assets in the Winding-Up of Ascott REIT which ranks as follows:

- (i) junior to the claims of all other present and future creditors of the Issuer which are not Parity Obligations of the Issuer;
- (ii) junior to the claims of all classes of preferred units (if any) of Ascott REIT which are not Parity Obligations of the Issuer;
- (iii) *pari passu* with the claims of the Parity Obligations of the Issuer; and
- (iv) senior to the Junior Obligations of the Issuer

(a **Notional Preferred Unit**),

on the further assumption that the amount that such Holder of a Security was entitled to receive under these Conditions in respect of each Notional Preferred Unit on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security together with Distributions (as defined in Condition 4(a) (*Distribution – Distribution Calculation*)) accrued and unpaid since the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) and any unpaid Optional Distributions (as defined in Condition 4(e)(iii) (*Distribution – Distribution Discretion – Non-Cumulative and Optional Distribution*)) in respect of which the Issuer has given notice to the Holders in accordance with these Conditions.

- (c) *Set-off*. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with, the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of Ascott REIT's Winding-Up or administration, the liquidator or, as appropriate, administrator of Ascott REIT) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of Ascott REIT) and accordingly any such discharge shall be deemed not to have taken place.

3. REGISTER, TITLE AND TRANSFERS

- (a) *Register*. The Registrar will maintain a register in respect of the Securities (the Register) in accordance with the provisions of the Agency Agreement. In these Conditions, Holder of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (Certificate) will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title*: The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Agency Agreement under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

The Holder of a Security shall, by virtue of its acquisition or ownership of such Security, (i) be regarded as consenting to the collection, use and disclosure (whether directly or through a third party) of personal data (if any) as defined in the Personal Data Protection Act 2012 of Singapore of such Holder by the Issuer, Ascott Residence Trust Management Limited as manager of Ascott REIT (the **Manager**), or any affiliate or agent of the Issuer (including the Agents) which is reasonably necessary or desirable to effect or facilitate the processing or administration of the Securities (including but not limited to the making of a determination of the amounts owed to or the making of any payment to the Holder under the Securities and the preparation of documents relating to any meetings of Holders to consider matters relating to the Securities) and purposes incidental thereto, and in order for the Issuer, the Manager, or any affiliate or agent of the Issuer (including the Agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the Purposes), (ii) warrant that where the Holder discloses the personal data of the Holder's proxy(ies) and/or representative(s) to the Issuer, the Manager, or any affiliate or agent of the Issuer (including the Agents), the Holder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Issuer, the Manager, or any affiliate or agent of the Issuer (including the Agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agree that the Holder will indemnify the Issuer, the Manager, or any affiliate or agent of the Issuer (including the Agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Holder's breach of warranty.

For so long as any of the Securities are constituted and represented by the Global Certificate (as defined in the Agency Agreement) and the Global Certificate is held by CDP, each person who is for the time being shown in the records of CDP as the holder of a particular principal amount of such Securities (in which regard any certificate or other document issued by CDP as to the principal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Manager, the Agents and any other agent of the Issuer as the Holder of such principal amount of Securities other than with respect to the payment of principal, Distributions and any other amounts in respect of the Securities, for which purpose the holder of the Global Certificate shall be treated by the Issuer, the Manager, the Agents and any other agent of the Issuer as the Holder of such Securities in accordance with and subject to the terms of the Global Certificate (and the expression Holder and related expressions shall be construed accordingly). Securities which are constituted and represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of CDP.

- (c) *Transfers:* Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are in integral multiples of the Authorised Denomination. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor. No transfer of title to a Security will be valid unless and until entered on the Register.
- (d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured post to the address specified for the purpose by such relevant Holder. In this paragraph, **business day** means a day, excluding a Saturday and a Sunday and public holidays, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (e) *No charge*: The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Manager, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods*: Holders may not require transfers effected pursuant to any of these Conditions to be registered during the period of 15 Business Days (as defined in Condition 17 (*Definitions*)) ending on the due date for any payment of principal, Distribution or Optional Distribution in respect of the Securities.
- (g) *Regulations concerning transfers and registration*: All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The Issuer, with the prior written approval of the Registrar, may, without the consent of the Holders, modify the regulations concerning the transfer of Securities. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. DISTRIBUTION

- (a) *Distribution Calculation*: Subject to Condition 4(e) (*Distribution – Distribution Discretion*), the Securities confer a right to receive distributions (each a **Distribution**) from [●] 2019 (the **Issue Date**) at the applicable Distribution Rate (as defined in Condition 4(b) (*Distribution – Rate of Distribution*)) in accordance with this Condition 4 (*Distribution*). Subject to Condition 4(e) (*Distribution – Distribution Discretion*), Distributions shall be payable on the Securities semi-annually in arrear on [●] and [●] of each year (each, a **Distribution Payment Date**). The first Distribution Payment Date shall be [●] in respect of the period from (and including) the Issue Date to (but excluding) the first Distribution Payment Date.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the date of redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to (but excluding) whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Fiscal Agent has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

If a Distribution is required to be paid in respect of a Security, it shall be calculated by applying the Distribution Rate to the Authorised Denomination, multiplying the product by the relevant Day Count Fraction (as defined below), and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The **Day Count Fraction** in respect of any period a Distribution is required to be paid in respect of a Security means the actual number of days in the relevant period divided by 365.

Distributions payable under this Condition 4 (*Distribution*) will be paid in accordance with Condition 6 (*Payments*).

For so long as any of the Securities are constituted and represented by the Global Certificate and the Global Certificate is held by CDP, Distribution and Optional Distribution payable on such Securities will be determined based on the aggregate holdings of Securities of each person who is for the time being shown the records of CDP as the holder of a particular amount of such Securities.

- (b) *Rate of Distribution:* The rate of Distribution (**Distribution Rate**) applicable to the Securities shall be:
- (i) in respect of the period from (and including) the Issue Date to (but excluding) the First Call Date (as defined in Condition 17 (*Definitions*)), the Initial Distribution Rate (as defined in Condition 17 (*Definitions*)); and
 - (ii) in respect of the period from (and including) the First Call Date and each Reset Date (as defined in Condition 17 (*Definitions*)) falling thereafter to (but excluding) the immediately following Reset Date, the relevant Reset Distribution Rate (as defined in Condition 17 (*Definitions*)).
- (c) *Calculation of Distribution Rate:* The Calculation Agent will, on the Reset Determination Date (as defined in Condition 17 (*Definitions*)), calculate the Reset Distribution Rate, payable in respect of each Security. The Calculation Agent will cause the Reset Distribution Rate determined by it to be notified to the Issuer, the Manager and the Paying Agents and the Issuer shall cause such Reset Distribution Rate to be notified, or procure that such Reset Distribution Rate be notified, to each listing authority, stock exchange and/or quotation system (if any) by which the Securities have then been admitted to listing, trading and/or quotation, as soon as practicable after the First Call Date or the relevant Reset Date (as the case may be). Notice thereof shall also promptly be given by the Calculation Agent to the Holders. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Distribution*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Manager, the Agents and the Holders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (d) *Swap-Offer Rate Replacement:*
- (i) If a Benchmark Event occurs in relation to the Swap-Offer Rate (or component part thereof) when any Reset Distribution Rate remains to be determined by reference to such Swap-Offer Rate, then the following provisions shall apply to the Securities.
 - (ii) The Issuer shall use reasonable endeavours to appoint an Independent Adviser, at the Issuer's own expense, to determine a Successor Relevant Rate or, if such Independent Adviser is unable to determine a Successor Relevant Rate, an Alternative Relevant Rate and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Reset Distribution Rate applicable to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*)) during any other future Reset Period(s)). An Independent Adviser appointed pursuant to this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*) shall act in good faith and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Manager, the Agents, or the Holders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*)).
 - (iii) Subject to paragraph (iv) of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*), if:
 - (A) the Independent Adviser (acting in good faith and in a commercially reasonable manner), no later than five Business Days prior to the Reset Determination Date relating to the next Reset Period (the **IA Determination Cut-off Date**), determines a Successor Relevant Rate or, if such Independent Adviser fails to determine a Successor Relevant Rate, an Alternative Relevant Rate and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith

and in a commercially reasonable manner) for the purposes of determining the Reset Distribution Rate applicable to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 4(d) (*Distribution – Swap- Offer Rate Replacement*)) during any other future Reset Period(s)); or

- (B) the Issuer is unable to appoint an Independent Adviser having used reasonable endeavours, or the Independent Adviser appointed by the Issuer in accordance with paragraph (ii) of this Condition 4(d) (*Distribution – Swap- Offer Rate Replacement*) fails to determine a Successor Relevant Rate or an Alternative Relevant Rate prior to the relevant IA Determination Cut-off Date and the Issuer (acting in good faith and in a commercially reasonable manner), no later than three Business Days prior to the Reset Determination Date relating to the next Reset Period (the **Issuer Determination Cut-off Date**), determines a Successor Relevant Rate or, if the Issuer fails to determine a Successor Relevant Rate, an Alternative Relevant Rate (as applicable) and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Reset Distribution Rate applicable to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 4(d) (*Distribution – Swap- Offer Rate Replacement*)) during any other future Reset Period(s)),

then:

- (1) such Successor Relevant Rate or Alternative Relevant Rate (as applicable), in each case as adjusted in accordance with subparagraph (2) below, shall be the Swap- Offer Rate (or component part thereof) for all future Reset Periods (subject to the subsequent operation of this Condition 4(d) (*Distribution – Swap- Offer Rate Replacement*)) during any other future Reset Period(s)).

Without prejudice to the definition thereof, for the purposes of determining an Alternative Relevant Rate, the Independent Adviser or the Issuer will take into account relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets and such other materials as the Independent Adviser or the Issuer, as the case may be, in its sole discretion, considers appropriate; and

- (2) if the relevant Independent Adviser or the Issuer (as applicable):
- (x) determines that an Adjustment Spread is required to be applied to the Successor Relevant Rate or Alternative Relevant Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Relevant Rate or Alternative Relevant Rate (as applicable) for all future Reset Periods (subject to the subsequent operation of this Condition 4(d) (*Distribution – Swap- Offer Rate Replacement*)); or
- (y) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, or determines that no such Adjustment Spread is required, then such Successor Relevant Rate or Alternative Relevant Rate (as applicable) will apply without an Adjustment Spread for all future Reset Periods (subject to the subsequent operation of this Condition 4(d) (*Distribution – Swap- Offer Rate Replacement*)).

- (iv) Notwithstanding paragraph (iii) of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*), if:
- (A) the Independent Adviser appointed by the Issuer in accordance with paragraph (ii) of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*) notifies the Issuer prior to the IA Determination Cut-off Date that it has determined that no Successor Relevant Rate or Alternative Relevant Rate exists; or
 - (B) the Independent Adviser appointed by the Issuer in accordance with paragraph (ii) of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*) fails to determine a Successor Relevant Rate or an Alternative Relevant Rate prior to the relevant IA Determination Cut-off Date, without notifying the Issuer as contemplated in subparagraph (iv)(A) of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*), and the Issuer (acting in good faith and in a commercially reasonable manner) determines prior to the Issuer Determination Cut-off Date that no Successor Relevant Rate or Alternative Relevant Rate exists; or
 - (C) neither a Successor Relevant Rate nor an Alternative Relevant Rate is otherwise determined in accordance with paragraph (iii) of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*) prior to the Issuer Determination Cut-off Date,

the relevant Reset Distribution Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Reset Distribution Rate shall be the Initial Distribution Rate.

This paragraph (iv) shall apply to the relevant Reset Period only. Any subsequent Reset Period(s) shall be subject to the operation of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*).

- (v) Promptly following the determination of any Successor Relevant Rate or Alternative Relevant Rate (as applicable) as described in this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*), the Issuer shall give written notice thereof and of any Adjustment Spread (and the effective date(s) thereof) pursuant to this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*) to the Agents and the Holders.
- (vi) For the avoidance of doubt, the Agents shall, at the direction and expense of the Issuer, (whether or not such waivers and amendments are prejudicial to the interests of the Holders) effect such waivers and consequential amendments to the the Agency Agreement, these Conditions and any other document as the Issuer, following consultation with the Independent Adviser and acting in good faith, determines may be required to give effect to any application of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*), including, but not limited to:
 - (A) changes to these Conditions which the Independent Adviser or the Issuer (as applicable) determines may be required in order to follow market practice (determined according to factors including, but not limited to, public statements, opinions and publications of industry bodies and organisations) in relation to such Successor Relevant Rate or Alternative Relevant Rate (as applicable), including, but not limited to (1) the business day definitions, Day Count Fraction and/or Reset Determination Date applicable to the Securities and (2) the method for determining the fallback to the Reset Distribution Rate in relation to the Securities if such Successor Relevant Rate or Alternative Relevant Rate (as applicable) is not available; and

- (B) any other changes which the Independent Adviser or the Issuer in consultation with the Independent Adviser (as applicable) determines acting in good faith are reasonably necessary to ensure the proper operation and comparability to the Swap-Offer Rate (or component part thereof) or of such Successor Relevant Rate or Alternative Relevant Rate (as applicable), which changes shall apply to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*)).
- (vii) No consent of the Holders shall be required in connection with effecting the relevant Successor Relevant Rate or Alternative Relevant Rate as described in this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*) or such other relevant adjustments pursuant to this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*), or any Adjustment Spread, including for the execution of, or amendment to, any documents or the taking of other steps by the Issuer or any of the parties to the Agency Agreement (if required).

For the purposes of this Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*):

Adjustment Spread means a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, in each case to be applied to a Successor Relevant Rate or an Alternative Relevant Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Relevant Rate, is formally recommended in relation to the replacement of the Swap-Offer Rate (or component part thereof) with such Successor Relevant Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Relevant Rate for which no such recommendation has been made or, in the case of an Alternative Relevant Rate, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Swap-Offer Rate (or component part thereof), where such rate has been replaced by such Successor Relevant Rate or Alternative Relevant Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the relevant Independent Adviser or the Issuer (as applicable) in its discretion determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Swap-Offer Rate (or component part thereof), where such rate has been replaced by such Successor Relevant Rate or Alternative Relevant Rate (as applicable);

Alternative Relevant Rate means the rate which the Independent Adviser or Issuer (as the case may be) determines has replaced the Swap-Offer Rate (or component part thereof) in customary market usage in the international capital debt markets for the purpose of determining floating rates of interest in respect of securities denominated in Singapore dollars for a comparable period to the Reset Period or, if the Independent Adviser or Issuer (as the case may be) determines that there is no such rate, such other rate as the Independent Adviser or Issuer (as the case may be) determines in its discretion is most comparable to the Swap-Offer Rate (or component part thereof);

Benchmark Event means:

- (i) the Swap-Offer Rate (or component part thereof) ceasing to be published for at least five consecutive business days or ceasing to exist;
- (ii) a public statement by the administrator of the Swap-Offer Rate (or component part thereof) that it has ceased or that it will cease publishing such rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such rate):

- (iii) a public statement by the supervisor of the administrator of the Swap-Offer Rate (or component part thereof) that such rate has been or will be permanently or indefinitely discontinued;
- (iv) a public statement by the supervisor of the administrator of the Swap-Offer Rate (or component part thereof) that such rate will be prohibited from being used, either generally or in respect of the Securities, or that such use will be subject to restrictions or adverse consequences;
- (v) an official announcement by the regulatory supervisor of the administrator of the Swap-Offer Rate (or component part thereof) at any time after the Issue Date that such rate is no longer representative; or
- (vi) it becoming unlawful for any Agent, the Issuer or any other party to calculate any payments due to be made to any Holder using the Swap-Offer Rate (or component part thereof),

provided that in the case of (ii), (iii) or (iv) above the Benchmark Event shall occur on the date of the cessation of publication of the Swap-Offer Rate, the discontinuation of the Swap-Offer Rate or the prohibition of use of the Swap-Offer Rate (or in each case a component part thereof), as the case may be, and not the date of the relevant public statement;

Independent Adviser means an independent financial institution of international repute or independent financial adviser with appropriate expertise appointed by the Issuer at its own expense;

Reference Banks means the principal Singapore office of three major banks in the Singapore inter-bank market selected by the Calculation Agent (in consultation with the Issuer);

Relevant Nominating Body means:

- (i) the central bank for Singapore dollars or any central bank or other supervisory authority which is responsible for supervising the administrator of the Swap-Offer Rate (or the relevant component part(s) thereof); or
- (ii) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of:
 - (A) the central bank for Singapore dollars;
 - (B) the central bank or other supervisory authority which is responsible for supervising the administrator of the Swap-Offer Rate (or the relevant component part(s) thereof);
 - (C) a group of the aforementioned central banks or other supervisory authorities; or
 - (D) the Financial Stability Board or any part thereof; and

Successor Relevant Rate means the rate which has been formally published, endorsed, approved, recommended or recognised as a successor or replacement to the Swap-Offer Rate (or component part thereof) by any Relevant Nominating Body.

(e) *Distribution Discretion:*

- (i) *Optional Payment:* The Issuer may, at its sole discretion, elect not to pay a Distribution (or to pay only part of a Distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an **Optional Payment Notice**) to the Paying Agents, the Registrar and the Holders (in accordance with Condition 14 (*Notices*)) not more than 15 nor less than three Business Days prior to a scheduled Distribution Payment Date.

- (ii) *No obligation to pay:* Subject to Condition 4(e)(iii) (*Distribution – Distribution Discretion – Non-Cumulative and Optional Distribution*) and Condition 4(e)(v) (*Distribution – Distribution Discretion – Optional Distribution*), the Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date and any failure to pay a Distribution in whole or in part shall not constitute a default of the Issuer in respect of the Securities.
- (iii) *Non-Cumulative and Optional Distribution:* If the Issuer elects not to pay a Distribution in whole or in part, the Issuer is not under any obligation to pay that or any other Distributions that have not been paid in whole or in part. Such unpaid Distributions or part thereof are non-cumulative and do not accrue interest. The Issuer may, at its sole discretion, and at any time, elect to pay an optional amount equal to the amount of Distribution which is unpaid in whole or in part (an **Optional Distribution**) by complying with the notice requirements in Condition 4(e)(v) (*Distribution – Distribution Discretion – Optional Distribution*). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay Distributions pursuant to this Condition 4(e) (*Distribution – Distribution Discretion*).
- (iv) *Restrictions in the case of Non-Payment:* If, on any Distribution Payment Date, payments of all Distribution scheduled to be made on such date are not made in full by reason of this Condition 4(e) (*Distribution – Distribution Discretion*), the Issuer shall not:
 - (a) declare or pay any distributions or make any other payment on, and will procure that no distribution or other payment is made on, any of its Junior Obligations or (except on a pro-rata basis) its Parity Obligations; or
 - (b) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or (except on a pro-rata basis) its Parity Obligations,

unless and until either a redemption of all the outstanding Securities in accordance with Condition 5 (*Redemption and Purchase*) has occurred, the next scheduled Distribution has been paid in full, or an Optional Distribution equal to the amount of a Distribution payable with respect to the most recent Distribution Payment Period (as defined in Condition 17 (*Definitions*)) that was unpaid in full or in part, has been paid in full, or an Extraordinary Resolution (as defined in the Agency Agreement) by Holders has permitted such payment.

- (v) *Optional Distribution:* The Issuer may, at its sole discretion, pay an Optional Distribution (in whole or in part) at any time by giving notice of such election to the Paying Agents, the Registrar and the Holders (in accordance with Condition 14 (*Notices*)) not more than 20 nor less than 15 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Optional Distribution on the payment date specified in such notice).

Any partial payment of an Optional Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a pro-rata basis. An Optional Distribution in respect of a prior Distribution may be paid on the same day as a scheduled Distribution under Condition 4(a) (*Distribution – Distribution Calculation*) and/or any distributions or any other payment with respect to the Issuer's Junior Obligations.

- (vi) *No default:* Notwithstanding any other provision in these Conditions, the non-payment of any Distribution payment in accordance with this Condition 4(e) (*Distribution – Distribution Discretion*) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer.

5. REDEMPTION AND PURCHASE

- (a) *No fixed redemption date:* The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Status and Ranking of Claims*) and without prejudice to Condition 8 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5 (*Redemption and Purchase*).
- (b) *Redemption at the option of the Issuer:* The Issuer may, at its option, redeem the Securities in whole, but not in part, on the First Call Date or on any Distribution Payment Date thereafter at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable).

Upon the expiry of any such notice as is referred to in this Condition 5(b) (*Redemption at the option of the Issuer*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(b) (*Redemption at the option of the Issuer*).

- (c) *Redemption for tax reasons:* The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, as of the date fixed for redemption, the Issuer has become obliged, or will in the Distribution Payment Period immediately following the date fixed for redemption become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of:
- (i) any amendment to, or change in, the laws (or any rules or regulations or practice related thereto or thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective on or after the Issue Date; or
 - (ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations or practice related thereto by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which amendment or change is enacted, promulgated, issued or becomes effective on or after the Issue Date; or
 - (iii) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations or practice related thereto that differs from the previous generally accepted position which is issued or announced on or after the Issue Date,

and such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that, prior to the publication of any notice of redemption pursuant to this Condition 5(c) (*Redemption for tax reasons*), the Issuer shall deliver to the Fiscal Agent:

- (i) a certificate, signed by duly authorised signatories of the Issuer or two authorised signatories of the Manager, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (ii) an opinion of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(c) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c) (*Redemption for tax reasons*).

References in this Condition 5(c) (*Redemption for tax reasons*) to “independent tax or legal advisers of recognised standing” are not intended to and shall not in the ordinary course exclude any of the Issuer’s, Ascott REIT’s or the Manager’s usual tax or legal advisers, or any such adviser who may have tendered professional services to the Issuer, Ascott REIT or the Manager in connection with the issue and offering of the Securities.

- (d) *Redemption upon a ratings event*: The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days’ notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, as of the date fixed for redemption, an amendment, clarification or change has occurred, or will in the Distribution Payment Period immediately following the date fixed for redemption occur, in the equity credit criteria, guidelines or methodology of Fitch Ratings (as defined in Condition 17 (*Definitions*)) (or any other rating agency of equivalent recognised standing requested from time to time by the Issuer to grant a rating to the Issuer or the Securities) and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results or will result in a lower equity credit for the Securities than the equity credit assigned or which would have been assigned on the Issue Date (in the case of Fitch Ratings) or assigned at the date when equity credit is assigned for the first time (in the case of any other rating agency), provided that, prior to the publication of any notice of redemption pursuant to this Condition 5(d) (*Redemption upon a ratings event*), the Issuer shall deliver, or procure that there is delivered, to the Fiscal Agent a certificate signed by duly authorised signatories of the Issuer or two authorised signatories of the Manager stating that the circumstances referred to above prevail and setting out the details of such circumstances.

Upon the expiry of any such notice as is referred to in this Condition 5(d) (*Redemption upon a ratings event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(d) (*Redemption upon a ratings event*).

- (e) *Redemption for accounting reasons*: The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days’ notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if as of the date fixed for redemption or in the Distribution Payment Period immediately following the date fixed for redemption, as a result of any changes or amendments to SFRS (as defined in Condition 17 (*Definitions*)) or any other accounting standards that may replace SFRS for the purposes of the consolidated financial statements of Ascott REIT (the **Relevant Accounting Standard**), the Securities must not or must no longer be recorded as “equity” of Ascott REIT pursuant to the Relevant Accounting Standard, provided that, prior to the publication of any notice of redemption pursuant to this Condition 5(e) (*Redemption for accounting reasons*), the Issuer shall deliver to the Fiscal Agent:

- (A) a certificate, signed by duly authorised signatories of the Issuer or two authorised signatories of the Manager, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (B) an opinion of the Issuer’s independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

Upon the expiry of any such notice as is referred to in this Condition 5(e) (*Redemption for accounting reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(e) (*Redemption for accounting reasons*).

- (f) *Redemption in the case of minimal outstanding amount:* The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 20% of the aggregate principal amount originally issued.

Upon expiry of any such notice as is referred to in this Condition 5(f) (*Redemption in the case of minimal outstanding amount*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(f) (*Redemption in the case of minimal outstanding amount*).

- (g) *Redemption upon a regulatory event:* The Issuer may, at its option, redeem the Securities in whole, but not in part, at any time, at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable), if, as a result of any change in, or amendment to, the Property Funds Appendix (as defined in Condition 17 (*Definitions*)), or any change in the application or official interpretation of the Property Funds Appendix, as of the date fixed for redemption, the Securities count, or will in the Distribution Payment Period immediately following the date fixed for redemption count, towards the Aggregate Leverage (as defined in Condition 17 (*Definitions*)) under the Property Funds Appendix, provided that, prior to the publication of any notice of redemption pursuant to this Condition 5(g) (*Redemption upon a regulatory event*), the Issuer shall deliver, or procure that there is delivered to the Fiscal Agent:

- (i) a certificate, signed by duly authorised signatories of the Issuer or two authorised signatories of the Manager, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (ii) an opinion of an independent legal adviser of recognised standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to, or change in application or interpretation of, the Property Funds Appendix, took, or is due to take, effect.

Upon expiry of any such notice as is referred to in this Condition 5(g) (*Redemption upon a regulatory event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(g) (*Redemption upon a regulatory event*).

References in this Condition 5(g) (*Redemption upon a regulatory event*) to "independent legal adviser of recognised standing" are not intended to and shall not in the ordinary course exclude any of the Issuer's, Ascott REIT's or the Manager's usual legal advisers, or any such adviser who may have tendered professional services to the Issuer, Ascott REIT or the Manager in connection with the issue and offering of the Securities.

- (h) *No other redemption:* The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Condition 5(b) (*Redemption and Purchase – Redemption at the option of the Issuer*) to Condition 5(g) (*Redemption and Purchase – Redemption upon a regulatory event*) above.

- (i) *Purchase*: The Issuer or any of Ascott REIT's Subsidiaries (as defined in Condition 17 (*Definitions*)) may at any time purchase Securities in the open market or otherwise and at any price. Such securities may, at the option of the Issuer or the relevant Ascott REIT Subsidiary, be held, resold or cancelled.
- (j) *Cancellation*: All Securities redeemed by the Issuer shall be cancelled.

6. PAYMENTS

- (a) *Principal*: Payments of principal shall be made in Singapore dollars by Singapore dollar cheque drawn on a bank in Singapore, or, upon application (not later than 15 Business Days before the due date for any such payment) by a Holder of a Security to the Specified Office of the Fiscal Agent, by transfer to a Singapore dollar account and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
- (b) *Distribution*: Payments of Distribution (including any Optional Distribution) shall be made in Singapore dollars by Singapore dollar cheque drawn on a bank in Singapore, or, upon application (not later than 15 Business Days before the due date for any such payment) by a Holder of a Security to the Specified Office of the Fiscal Agent, by transfer to a Singapore dollar account and (in the case of Distributions or Optional Distributions payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Revenue Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (**FATCA**). No commissions or expenses shall be charged to the Holders in respect of such payments.
- (d) *Payments on business days*: Where payment is to be made by transfer to a Singapore dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by Singapore dollar cheque, the cheque will be mailed (i) (in the case of payments of principal, Distributions and Optional Distributions payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distributions and Optional Distributions payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, **business day** means any day, other than a Saturday and a Sunday and public holidays, on which banks are open for general business (including dealings in foreign currencies) in Singapore and in the place of the Specified Office of the relevant Paying Agent and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

- (f) *Record date*: Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the 15th Business Day before the due date for such payment (the **Record Date**). Where payment in respect of a Security is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. TAXATION

Where the Securities are recognised as debt securities for Singapore income tax purposes, all payments of principal, Distributions and Optional Distributions in respect of the Securities by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Singapore or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event, where the Securities are recognised as debt securities for Singapore income tax purposes, the Issuer shall pay such additional amounts (**Additional Amounts**) as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

- (a) presented for payment by or on behalf of a Holder who is liable for such taxes or duties in respect of such Security by reason of his having some connection with a Tax Jurisdiction (as defined below) other than the mere holding of such Security; or
- (b) presented for payment by, or on behalf of, a Holder who would be able to avoid such withholding or deduction by making a declaration or any other statement including, but not limited to, a declaration of residence or non-residence, but fails to do so; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such 30th day assuming that day to have been a day, other than a Saturday and a Sunday and public holidays, on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation and in Singapore.

Where the Securities are not recognised as debt securities for Singapore income tax purposes, all payments, or part thereof, of Distributions and Optional Distributions in respect of the Securities by or on behalf of the Issuer may be subject to any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Singapore or any political subdivision thereof or any authority therein or thereof having power to tax in the same manner as distributions on ordinary units of Ascott REIT, and Ascott REIT may be obliged (in certain circumstances) to withhold or deduct tax at the rate of 10% or 17% under Section 45G of the Income Tax Act, Chapter 134 of Singapore. In that event, where the Securities are recognised as equity securities for Singapore income tax purposes and tax is withheld or deducted, the Issuer shall not be under any obligation to pay any Additional Amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

For the avoidance of doubt, notwithstanding any other provision of these Conditions, if the Issuer, or any other person through whom payments on the Securities are made, is required to make any withholding or deduction required pursuant to FATCA, the Issuer or that other person shall be permitted to make such withholding or deduction, and Holders and beneficial owners of Securities will not be entitled to receive any Additional Amounts for such withholding or deduction.

For the avoidance of doubt, nothing in this Condition 7 (*Taxation*) shall apply to any payment of tax by any Holder with respect to its overall net income.

In these Conditions:

Tax Jurisdiction means the Republic of Singapore or any political subdivision or any authority thereof or therein having power to tax; and

Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent or the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal, Distribution or Optional Distribution shall be deemed to include any Additional Amounts in respect of principal, Distribution or Optional Distribution (as the case may be) which may be payable under this Condition 7 (*Taxation*).

8. NON-PAYMENT

- (a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 8 (*Non-payment*), the right to institute Winding-Up proceedings against Ascott REIT is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected not to pay that Distribution in whole or in part, to the extent of the amount so elected to be unpaid, in accordance with Condition 4(e) (*Distribution – Distribution Discretion*).
- (b) *Proceedings for Winding-Up*: If (i) a Winding-Up of Ascott REIT occurs or (ii) the Issuer shall not make payment in respect of the Securities for a period of 15 Business Days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities and the Holders holding not less than 25% of the aggregate principal amount of the outstanding Securities may institute proceedings for the Winding-Up of Ascott REIT and/or prove in the Winding-Up of Ascott REIT and/or claim in the Winding-Up of Ascott REIT for such payment.
- (c) *Enforcement*: Without prejudice to Condition 8(b) (*Non-payment – Proceedings for Winding-Up*), Holders holding not less than 25% of the aggregate principal amount of the outstanding Securities may without further notice to the Issuer institute such proceedings against the Issuer as they may think fit to enforce any term or condition binding on the Issuer under the Securities (other than any payment obligation of the Issuer under or arising from the Securities, including, without limitation, payment of any principal or satisfaction of any Distributions in respect of the Securities including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (d) *Extent of Holders' remedy*: No remedy against the Issuer or Ascott REIT, other than as referred to in this Condition 8 (*Non-payment*), shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities.

9. PRESCRIPTION

Claims for principal, Distribution and Optional Distribution on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years (in the case of principal) and five years (in the case of a Distribution or an Optional Distribution) of the appropriate Relevant Date.

10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses (including taxes and duties) incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. AGENTS

In acting under the Agency Agreement in connection with the Securities, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent, calculation agent and additional or successor paying agents and transfer agent; *provided, however, that* the Issuer shall at all times maintain:

- (a) a fiscal agent;
- (b) a calculation agent; and
- (c) a registrar who will maintain the Register.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders.

12. MEETINGS OF HOLDERS; MODIFICATION AND WAIVER

- (a) *Meetings of Holders:* The Agency Agreement contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions or the Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution (as defined in Schedule 4 of the Agency Agreement) will be one or more persons holding or representing not less than one-half of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, one or more persons being or representing Holders of whatever the principal amount of the Securities held or represented; provided, however, that the following proposals: (i) any proposal to change any date fixed for payment of principal, Distribution or Optional Distribution in respect of the Securities (subject to Condition 4(e)(ii) (*Distribution – Distribution Discretion – No obligation to pay*)), (ii) any proposal to reduce the amount of principal, Distribution or Optional Distribution payable (subject to Condition 4(e)(ii) (*Distribution – Distribution Discretion – No obligation to pay*)) on any date in respect of the Securities or to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, (iii) any proposal to effect the exchange or substitution of the Securities for, or the conversion of the Securities into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, (iv) any proposal to change the currency in which amounts due in respect of the Securities are payable, (v) any proposal to amend the subordination provisions of the Securities, (vi) any proposal to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution, or (vii) any proposal to amend the definition of “Reserved Matter” (as defined in Schedule 4 of the Agency Agreement), may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders of not less than 90% of the aggregate principal amount of Securities for the time being outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

- (b) *Modification:* The Issuer may, without the consent of the Holders, modify any of these Conditions for the purpose of curing any ambiguity or of curing or correcting any manifest or proven error contained herein. The Issuer may also, without the consent of the Holders, modify the Agency Agreement (i) for the purpose of curing any ambiguity or of curing or correcting any manifest or proven error contained therein; or (ii) in any other manner which is not prejudicial to the interests of the Holders. Any such modification shall be binding on the Holders and, unless the Fiscal Agent agrees otherwise, any such modification shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

13. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the amount and the first payment of Distribution) so as to form a single series with the Securities.

14. NOTICES

Notices to Holders will be valid if:

- (a) published in a leading English language newspaper having general circulation in Singapore; or
- (b) in any case where the identity and addresses of all the Holders are known to the Issuer, given individually by recorded delivery mail to such addresses,

provided that, for so long as the Securities are listed on Singapore Exchange Securities Trading Limited (the **SGX-ST**) and the rules of the SGX-ST so require, notices to Holders will be valid if published on the website of the SGX-ST at <http://www.sgx.com>. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made or, in the case of delivery pursuant to paragraph (b) above, when received at such addresses.

Until such time as any definitive Certificates are issued, so long as the Global Certificate is issued in the name of CDP, notices to Holders will only be valid if despatched by uninsured post to persons who are for the time being shown in the records of CDP as the holders of the Securities or, if the rules of CDP so permit, delivered to CDP for communication by it to the Holders, provided that for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, notice will be considered valid if published on the website of the SGX-ST at <http://www.sgx.com>. Any such notice shall be deemed to have been given to the Holders on the fourth day after the day of despatch or (as the case may be) on which the said notice was given to CDP or on the date of publication.

15. LIMITATION OF LIABILITIES

Notwithstanding any provision to the contrary in these Conditions, the Deed of Covenant, the Agency Agreement and the Securities, the Holders acknowledge that DBS Trustee Limited (in its capacity as trustee of Ascott REIT) has entered into the Deed of Covenant and the Agency Agreement only in its capacity as trustee of Ascott REIT and not in DBS Trustee Limited's personal capacity and all references to "the Issuer" in these Conditions, the Deed of Covenant, the Agency Agreement and the Securities shall be construed accordingly.

Accordingly, notwithstanding any provision to the contrary in these Conditions, the Deed of Covenant, the Agency Agreement and the Securities, DBS Trustee Limited has assumed all obligations under the Deed of Covenant, the Agency Agreement and the Securities in its capacity as trustee of Ascott REIT and not in its personal capacity. Any liability of or indemnity, covenant, undertaking, representation and/or warranty given or to be given by DBS Trustee Limited under the Deed of Covenant, the Agency Agreement and the Securities is given by DBS Trustee Limited only in its capacity as trustee of Ascott REIT and not in its personal capacity and any power and right conferred on any receiver, attorney, agent and/or delegate under the Deed of Covenant, the Agency Agreement and the Securities is limited to the assets of Ascott REIT over which DBS Trustee Limited has recourse to under the Trust Deed and shall not extend to the personal assets of DBS Trustee Limited nor any other assets held by DBS Trustee Limited as trustee of any trust (other than Ascott REIT). Any obligation, delegation, matter, act, action or thing required to be done, performed or undertaken by DBS Trustee Limited under the Deed of Covenant, the Agency Agreement and the Securities shall only be in connection with matters relating to Ascott REIT (and shall not extend to DBS Trustee Limited's obligations in respect of any other trust or real estate investment trust of which it is a trustee). Notwithstanding any provision to the contrary in these Conditions, the Deed of Covenant, the Agency Agreement and the Securities, the Holders acknowledge that the obligations of the Issuer under these Conditions and under the Securities will be solely the corporate obligations of DBS Trustee Limited in its capacity as trustee of Ascott REIT and not in its personal capacity. Accordingly, there shall be no recourse against the shareholders, directors, officers or employees of DBS Trustee Limited for any claims, losses, damages, liabilities or other obligations whatsoever in connection with any of the transactions contemplated by the provisions of the Deed of Covenant, the Agency Agreement and the Securities. The foregoing shall not relieve or discharge DBS Trustee Limited from any gross negligence, fraud or breach of trust.

For the avoidance of doubt, any legal action or proceedings commenced against DBS Trustee Limited whether in Singapore or elsewhere pursuant to the Deed of Covenant, the Agency Agreement and the Securities shall be brought against DBS Trustee Limited in its capacity as trustee of Ascott REIT and not in its personal capacity.

The provisions of this Condition 15 (*Limitation of Liabilities*) shall apply, *mutatis mutandis*, to any notice, certificate or other document which the Issuer issues under or pursuant to these Conditions, as if expressly set out in such notice, certificate or document.

This Condition 15 (*Limitation of Liabilities*) shall survive the redemption or cancellation of the Securities.

16. GOVERNING LAW

The Securities are governed by, and shall be construed in accordance with, Singapore law.

17. DEFINITIONS

For the purposes of these Conditions:

Additional Amounts has the meaning ascribed to it in Condition 7 (*Taxation*);

Aggregate Leverage means, as defined under the Property Funds Appendix, the total borrowings and deferred payments of a real estate investment trust, or such other definition as may from time to time be provided for under the Property Funds Appendix;

Business Day means any day, excluding a Saturday and a Sunday and public holidays, on which banks are open for general business (including dealings in foreign currencies) in Singapore;

Distribution Payment Period means the period from (and including) the previous Distribution Payment Date or the Issue Date (as the case may be) to (and excluding) the next Distribution Payment Date;

First Call Date means [●];

Fitch Ratings means Fitch Ratings Inc. and its successors;

Fixed Spread means [●]%;

Initial Distribution Rate means [●]% per annum;

Junior Obligation means the ordinary units of Ascott REIT and any class of equity capital in Ascott REIT, other than any instrument or security (including without limitation any preferred units) ranking in priority in payment and in all other respects to the ordinary units;

Notional Preferred Units has the meaning ascribed to it in Condition 2(b) (*Status and Ranking of claims – Ranking of claims in respect of the Securities*);

Parity Obligation means any instrument or security (including without limitation any preferred units) issued, entered into or guaranteed by the Issuer (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with a Notional Preferred Unit and/or other Parity Obligations and (ii) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof;

person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Property Funds Appendix means Appendix 6 of the Code on Collective Investment Schemes, issued by the Monetary Authority of Singapore, as amended or modified from time to time;

Reset Date means the First Call Date and each successive date falling every five calendar years after the First Call Date;

Reset Determination Date means the second Business Day prior to the relevant Reset Date;

Reset Distribution Rate means the Swap-Offer Rate with respect to the First Call Date or the relevant Reset Date (as the case may be) plus the Fixed Spread per annum;

SFRS means Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council;

Subsidiary means, in relation to Ascott REIT, any company, corporation, trust, fund or other entity (whether or not a body corporate):

- (i) which is controlled, directly or indirectly, by Ascott REIT (through its trustee);
- (ii) more than half the issued share capital of which is beneficially owned, directly or indirectly, by Ascott REIT (through its trustee); or
- (iii) which is a subsidiary of any company, corporation, trust, fund or other entity (whether or not a body corporate) to which paragraph (i) or (ii) above applies,

and for these purposes, any company, corporation, trust, fund, or other entity (whether or not a body corporate) shall be treated as being controlled by Ascott REIT if Ascott REIT (whether through its trustee or otherwise) is able to direct its affairs and/or to control the composition of its board of directors or equivalent body. Notwithstanding any of the foregoing, for the avoidance of doubt, Subsidiary shall exclude Ascendas Hospitality Trust, Ascendas Hospitality Real Estate Investment Trust, Ascendas Hospitality Business Trust and any company, corporation, trust, fund or other entity (whether or not a body corporate) which may be acquired, whether directly or indirectly, in connection with the proposed combination of Ascott Residence Trust and Ascendas Hospitality Trust as announced on 3 July 2019;

Swap-Offer Rate means, the rate per annum (expressed as a percentage) notified by the Calculation Agent to the Issuer equal to the rate appearing on the Reuters Screen ABSFIX01 Page under the caption “SGD SOR rates as of 11:00 hrs London Time” and a number header “SGD SOR” (or such other substitute page thereof or if there is no substitute page, such substitute rate or screen page announced or recommended by the Association of Banks in Singapore or its successors or a recognised industry body) for a period of five years (the Reset Period) published at the close of business on the Reset Determination Date, provided that, in the event such rate is zero or negative, the Swap Offer Rate shall be deemed to be zero per cent. per annum;

Trust Deed means the trust deed dated 19 January 2006 made between (a) Ascott Residence Trust Management Limited, as manager of Ascott REIT, and (b) DBS Trustee Limited, as trustee of Ascott REIT, as supplemented by a first supplemental deed dated 22 March 2007, a second supplemental deed dated 9 September 2009, a third supplemental deed dated 16 September 2010, a fourth supplemental deed dated 16 October 2014, a fifth supplemental deed dated 14 April 2016, a sixth supplemental deed dated 4 May 2018, a seventh supplemental deed dated 16 January 2019 and an eighth supplemental deed dated 18 June 2019, and as may be further amended or supplemented from time to time; and

Winding-Up means bankruptcy, termination, winding up, liquidation or similar proceedings.

RISK FACTORS

The Group believes that the following factors may affect its ability to fulfil its obligations under the Securities. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Securities are also described below.

The Group believes that the factors described below represent the principal risks inherent in investing in the Securities, but the inability of Ascott REIT to pay amounts on or in connection with the Securities may occur for other unknown reasons and Ascott REIT makes no representation that the statements below regarding the risks of holding any Securities are exhaustive. There may be additional risks not described below or not presently known to the Group or that the Group currently deems immaterial that turn out to be material. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group's operations could differ materially from those anticipated in these forward-looking statements due to a variety of factors, including the risks described below and elsewhere in this Offering Circular.

Risks associated with the Group's business

Ascott REIT's prospects may be adversely affected by natural disasters or other catastrophes, severe weather conditions or other acts of God

Natural disasters or other catastrophes, severe weather conditions or other acts of God that are beyond Ascott REIT's control may adversely affect the economy, infrastructure and livelihood of the people in those countries or regions. Some countries or regions where Ascott REIT operates face threats of floods, earthquakes, sandstorms, snowstorms, fires and droughts, and outbreaks of infectious diseases such as SARS, H5N1 avian flu, Influenza A H1N1, swine flu, MERS and EVD. An outbreak of infectious disease, or the measures taken by the governments of affected countries, including Singapore, against such an outbreak, could severely disrupt Ascott REIT's business operations and undermine investor confidence, thereby materially and adversely affecting its business, financial condition or results of operations.

The Group is subject to the operating risks inherent in the serviced residence, hotel and rental housing industries

The Group is subject to the operating risks inherent in the serviced residence, hotel and rental housing industries which may result in disruption to its business, result in damage to its assets and/or adversely affect the results of operations of the Group. These include:

- market conditions in the countries that Ascott REIT operates in, such as an oversupply or reduced demand and adverse changes in rental rates and operating expenses which could affect the profitability of Ascott REIT;
- competition for occupants from the serviced residence, short-term rental, coliving and hospitality properties that may affect rental and occupancy levels in Ascott REIT's properties;
- cyclical downturns arising from changes in general and local economic conditions;
- reductions in the amount of longer-term business travel and corporate executives requiring mid-term to long-term accommodation;
- the recurring need for renovation, refurbishment and improvement of serviced residences, short-term rental, coliving and rental housing properties;
- availability of financing for operating or capital requirements; and

- other factors, including acts of terrorism, war, riots, civil commotions and other instability, natural disasters, extreme weather conditions, labour shortages and work stoppages or disputes.

Uncertainties and instability in global financial, credit and currency markets could adversely affect the Group's business, financial condition and results of operations as well as the value of the Securities

The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries.

Such events have had a significant impact on the global capital markets associated not only with asset-backed securities but also with the global credit and financial markets as a whole. Global credit markets have experienced substantial dislocations, liquidity disruptions and market corrections of which the scope, duration, severity and economic effect remain uncertain. These events could adversely affect Ascott REIT, including:

- a negative impact on the ability of the tenants of Ascott REIT to pay their rents in a timely manner or continuing their leases, thus reducing Ascott REIT's cash flow;
- an adverse effect on the cost of funding Ascott REIT's business, thus limiting Ascott REIT's growth opportunities; and
- an adverse impact on the ability of Ascott REIT to obtain funds for expansion or refinance its existing debt obligations on the same or more favourable terms than its existing debt obligations, if at all.

Although Ascott REIT has relied primarily on local sources of funding, which have experienced less of an impact due to the lack of liquidity in the global capital markets, reduced liquidity in the global capital markets could nonetheless have an adverse impact on the Singapore market and limit Ascott REIT's ability to diversify its funding sources. Increased funding costs or greater difficulty in diversifying funding sources would have an adverse effect on its business, financial conditions and results of operations.

The liquidity and the value of the Securities are sensitive to the volatility of the credit markets and may be adversely affected by future developments. To the extent that turmoil in the credit market continues and/or intensifies, it may have the potential to materially affect the liquidity and the value of the Securities.

The Group operates in industries which may become intensely competitive, which may have a material adverse effect on its business

The serviced residence, hotel and rental housing industries are competitive and may become increasingly so. Each of the Properties is located in an area that includes serviced residences and/or other types of accommodation such as hotels and guest houses owned and/or operated by third parties. The Group competes locally and regionally with existing serviced residences, hotels or rental housing properties and serviced residences, hotels, co-living or rental housing properties that may be developed in the future. An increase in the number of competitive serviced residences, hotels, co-living or rental housing properties in a particular area could have a material adverse effect on the occupancy rates and contribution to revenue generated by each of the Properties.

The UK's vote to leave the European Union may adversely affect Ascott REIT and the Manager

In an advisory referendum held in June 2016, the UK electorate voted to leave the European Union. On 29 March 2017, the Government of the UK formally notified the European Union that it will leave the European Union. The future economic and political relationship between the UK and the European Union (and between the UK and other countries by agreement) is uncertain, and a period of economic and political uncertainty is expected in the UK, in the rest of the European Union and globally. The result of the UK's referendum has caused severe currency movements and volatility in global markets, and is likely to continue to do so as events develop. The ultimate nature and extent of the impact of these events on Ascott REIT and the Manager are uncertain, but may be significant.

Other member states of the European Union may also reconsider their European Union membership. This could result in one or more other countries leaving the European Union, or in major reforms or other changes being made to the European Union or to the Eurozone. The nature and extent of the impact of any such changes on Ascott REIT and the Manager are uncertain, but may be significant.

The Manager's strategy of investing mainly in hospitality and hospitality-related assets may entail a higher level of risk compared to trusts with a more diverse range of investments

The Manager's principal investment strategy is to invest in real estate and real estate-related assets which are income-producing and which are used or predominantly used as, among other things, hospitality assets in any country in the world.

A concentration of investments in a portfolio of such specific real estate assets may cause Ascott REIT to be susceptible to a downturn in the real estate market as well as the hospitality industry in Asia, Europe, the United States and Australia. This may lead to a decline in occupancy and room rates for the Properties and/or a decline in the capital value of Ascott REIT's portfolio, which could have a material adverse effect on the business, financial condition, results of operations and prospects of Ascott REIT.

The Group may be adversely affected by the illiquidity of real estate investments

Real estate investments are generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash on short notice with the result that property assets may be required to be sold at a discount in order to ensure a quick sale. Such illiquidity also limits the ability of the Manager to manage the Group's portfolio in response to changes in economic or other conditions. This could have an adverse effect on the Group's business, financial condition and results of operations, with a consequential adverse effect on the Group's ability to make expected returns. Moreover, the Group may face difficulties in securing timely and commercially favourable financing through asset-based lending transactions secured by real estate due to its illiquidity.

The Group may experience limited availability of funds

The securities markets are influenced by economic developments and volatility in securities markets in other countries. Investor reaction to developments in one country may have an adverse effect on the market price of securities of companies located in other countries. The slowdown of the worldwide economy may adversely affect market prices in the world's securities markets. Financial markets in the U.S., Europe and Asia have also, in the past, experienced extreme disruption including, among others, volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others.

The Group may require additional financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group. Factors that could affect the Group's ability to procure financing include the cyclical nature of the property market and market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources.

Ascott REIT faces risks associated with debt financing

Ascott REIT is subject to risks associated with debt financing, including the risk that its cash flows will be insufficient to meet required payments of principal and interest under such financing and to make payments to Holders. The rights of the Holders to receive payments under the Securities are effectively subordinated to the rights of the existing and future secured creditors of Ascott REIT.

Ascott REIT may also become a party to future indebtedness which is secured by a lien on certain of the properties of Ascott REIT. In the event of a default on the Securities or under any other indebtedness or upon Ascott REIT's bankruptcy, liquidation or reorganisation, any secured indebtedness of third party creditors to Ascott REIT's portfolio would effectively be senior to the Securities to the extent of the value of Ascott REIT's portfolio securing their indebtedness. The Holders would only have an unsecured claim against those assets to the extent any remain after satisfying the obligations under secured indebtedness and any unsecured indebtedness which rank senior to the Securities.

Ascott REIT will also be subject to the risk that it may not be able to refinance its existing and/or future borrowings or that the terms of such refinancing will not be as favourable as the terms of its existing borrowings. In addition, Ascott REIT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect its operations and Ascott REIT's ability to make payments to Holders. Such covenants may also restrict Ascott REIT's ability to acquire properties or undertake other capital expenditure or may require it to set aside funds for maintenance or repayment of security deposits. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase.

The Group is subject to interest rate fluctuations

As at 30 June 2019, the Group's debt amounted to approximately S\$1,679.2 million, of which approximately 12% is on a floating rate basis and the remainder is hedged with interest rate swaps or on a fixed rate basis or cross currency interest rate swaps. There is no certainty that Ascott REIT will not be affected by adverse movements in interest rates. Consequently, the interest cost to the Group for the floating interest rate debt will be subject to the risks of interest rate fluctuations.

As part of its active capital management strategies, the Group has entered into some hedging transactions to partially mitigate the risk of such interest rate fluctuations. However, its hedging policy may not adequately cover the Group's exposure to interest rate fluctuations. As a result, its operations and/or financial condition could potentially be adversely affected by interest rate fluctuations.

The Group may be involved in legal and/or other proceedings arising from its operations from time to time

The Group may be involved from time to time in disputes with various parties involved in the operation, renovation and lease of the Properties such as contractors, subcontractors, suppliers, construction companies, purchasers and tenants. These disputes may lead to legal or other proceedings, and may cause the Group to incur additional costs and delays. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable orders, directives or decrees that would result in financial losses and cause delay to the construction or completion of its projects.

Ascott REIT's inability to complete acquisitions or to successfully integrate acquisitions, including the proposed Combination (as defined below) with A-HTRUST, may adversely impact its business, financial condition, prospects or results of operations

Ascott REIT's business strategy includes the acquisition of properties and property-holding entities that expand or complement its existing business. Successful growth through acquisitions is dependent upon Ascott REIT's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms and purchase prices and ultimately complete such transactions and integrate the acquired target successfully.

The acquisitions, including the proposed Combination, may expose Ascott REIT to significant risks and uncertainties, including but not limited to:

- competition for acquisition targets, which may lead to substantial increases in purchase prices or terms that are not attractive to Ascott REIT;
- dependence on external sources of capital, in particular to finance the purchase prices of acquisitions;
- proposed acquisitions may be prohibited by certain antitrust or other regulatory laws or may require divestitures;
- difficulties in identifying hospitality and hospitality-related assets to acquire and difficulties in completing and integrating acquisitions (including any unexpected delays or expenses in the integration process);

- disruptions to Ascott REIT's business and diversion of the attention of Ascott REIT's management from existing operations to the acquisition process and integration of acquired assets;
- a failure to accurately predict or to realise expected cost savings and synergies;
- difficulties in obtaining the requisite licenses, permits, authorisation or approvals from regulatory authorities, resulting in increases in development costs or delays in project construction;
- incurrence of unintended or unanticipated capital expenditures in connection with acquisitions or the vendors of our acquired properties may breach their obligations to Ascott REIT;
- difficulties in retaining key customers and personnel; and
- other matters not yet known to the Manager, not currently considered material by the Manager or not otherwise disclosed in this Offering Circular.

Ascott REIT's assessments of and assumptions regarding acquisition targets may not prove to be correct, or actual developments may differ significantly from its expectations. Acquired targets may have unexpected or unidentified liabilities or regulatory problems and acquisitions may be made at a premium over the fair value of the net identifiable assets of the acquired company. The occurrence of any of the above in connection with any acquisition could have a material adverse effect on Ascott REIT's business, financial condition, results of operations or prospects.

The proposed Combination may not complete, or if completed, may not yield expected benefits and may result in adverse effects on the business, financial condition, results of operations and prospects of Ascott REIT

On 3 July 2019, Ascott REIT entered into an implementation agreement (**Implementation Agreement**) with Ascendas Hospitality Trust (**A-HTRUST**), pursuant to which the parties agreed to implement the combination of Ascott REIT and A-HTRUST (the **Combination**) on the terms and subject to the conditions set out in the Implementation Agreement. As part of the Combination, Ascott REIT will acquire all of the issued and paid-up stapled units in A-HTRUST (**A-HTRUST Stapled Units**) by way of a trust scheme of arrangement (**A-HTRUST Scheme**) for a consideration of S\$1.0868 for each A-HTRUST Stapled Unit (**A-HTRUST Scheme Consideration**). The A-HTRUST Scheme Consideration comprises S\$0.0543 in cash (**Cash Consideration**) and 0.7942 units in a stapled Ascott REIT and Ascott BT (**Consideration Units**) issued at a price of S\$1.30 each. The Manager will finance the cash component of its share of estimated total transaction costs, including the Cash Consideration, using its existing debt facilities.

In connection with the Combination, Ascott REIT will establish a wholly-owned Ascott BT, with the number of units in Ascott BT being equivalent to the number of issued and outstanding Units in Ascott REIT. Pursuant to a trust scheme of arrangement by Ascott REIT (**Ascott REIT Scheme**), all the units in Ascott Business Trust (**Ascott BT**) will be distributed *in specie* to the unitholders of Ascott REIT. Each unit in Ascott BT will be stapled to one unit in Ascott REIT under the terms of a stapling deed and cannot be traded separately.

Further, in connection with the Combination, the units in Ascendas Hospitality Real Estate Investment Trust (**A-HTRUST REIT**) and the units in Ascendas Hospitality Business Trust (**A-HTRUST BT**) will be unstapled from each other. Pursuant to the A-HTRUST Scheme, Ascott REIT will acquire 100.0% of the units in A-HTRUST REIT and Ascott BT will acquire 100.0% of the units in A-HTRUST BT. Accordingly, the combined entity (the **Combined Entity**) will be a stapled group comprising Ascott REIT (which will hold A-HTRUST REIT) and Ascott BT (which will hold A-HTRUST BT). Subject to and following the completion of the Combination, the enlarged portfolio of Ascott REIT will comprise both the existing properties of Ascott REIT as at the Latest Practicable Date (as set out on pages 100 to 107 of this Offering Circular) and the properties of A-HTRUST REIT (the **A-HTRUST REIT Properties**, and together with the Properties, the **Combined REIT Properties**).

Notwithstanding the entry into the binding Implementation Agreement and while the completion of the proposed Combination is expected to take place in December 2019, there is no assurance that the Combination will be completed. The Combination is subject, among other things, to (i) approvals by the Unitholders, among others, to amend the Ascott REIT Trust Deed in connection with the Combination, to approve the Ascott REIT Scheme and to issue the Consideration Units; (ii) approvals by the holders of the A-HTRUST Stapled Units (**A-HTRUST Stapled Unitholders**) to amend the trust deeds of A-HTRUST to reflect amendments in connection with the Combination and to approve the A-HTRUST Scheme; and (iii) approval by the Unitholders or the A-HTRUST Stapled Unitholders, as the case may be, as are necessary or required pursuant to applicable laws (including the Singapore Code on Take-overs and Mergers, the Listing Manual, the Property Funds Appendix and the Business Trusts Act, Chapter 31A of Singapore) or by a court, the Securities Industry Council, the MAS, the SGX or any other governmental authority, for or in respect of the implementation of the Combination, the Ascott REIT Scheme, the acquisition by the trustee of Ascott REIT of all the units in A-HTRUST REIT and by the Ascott BT Trustee-Manager of all the units in A-HTRUST BT in consideration for the A-HTRUST Scheme Consideration, the A-HTRUST Scheme and the transactions contemplated under the Implementation Agreement (collectively, the **Approvals**). There is also no assurance that the Combination, if completed, will be on terms that are favourable to Ascott REIT or terms similar to those previously announced or will yield expected benefits to Ascott REIT.

With respect to the Combination:

- (a) the present investment mandate of the Group is to invest in real estate and real estate-related assets which are income-producing and which are used or predominantly used as, amongst other things, hospitality assets in any country in the world. This would encompass the present investment mandate of A-HTRUST, which, is similarly to invest in income-producing real estate used predominantly for hospitality purposes. Accordingly, the Manager has no intention of expanding the investment mandate of Ascott REIT following the Combination, as it considers that there is no need to do so;
- (b) the fee structure of A-HTRUST with respect to fees payable to the A-HTRUST managers will adopt that of the fee structure of the Group, and will not be materially different from the fee structure of A-HTRUST as presently adopted; and
- (c) subject to further evaluation by the Board, the Manager has no intention to amend the present constitution of the Board pursuant to the Combination.

In any event, the Board retains and reserves, and after the Combination, the board of directors of the trustee-manager of Ascott BT (the **Ascott BT Trustee-Manager**), will retain and reserve, the right and flexibility at any time and from time to time to consider any options in relation to the Combined Entity (including Ascott REIT) which may present themselves and which they may regard to be in the interests of the Combined Entity.

There is no assurance that any changes arising in connection with the proposed Combination will not result in adverse effects on the business, financial condition, results of operations and prospects of Ascott REIT and/or the Combined Entity.

The acquisition of the A-HTRUST REIT Properties pursuant to the proposed Combination may expose Ascott REIT to significant risks and uncertainties

Subject to and following the completion of the Combination, the A-HTRUST REIT Properties will form part of the enlarged portfolio of Ascott REIT, which may expose Ascott REIT to significant risks and uncertainties or matters not yet known to the Manager, not currently considered material by the Manager or not otherwise disclosed in this Offering Circular.

These potential risks, uncertainties and matters in relation to the A-HTRUST REIT Properties are subject to the due diligence conducted on the A-HTRUST REIT Properties and the Manager's assessment of the A-HTRUST REIT Properties following completion of the proposed Combination, including but not limited to:

- any changes in applicable tax laws, changes in the application of treaty benefits and cessation of preferential tax benefits in relation to the A-HTRUST REIT Properties;

- fluctuations in market value of the A-HTRUST REIT Properties from the valuations determined by independent valuers;
- any defects, breaches of laws and regulations, inherent or historical tax liabilities and other deficiencies in respect of the A-HTRUST REIT Properties; and
- any material losses in relation to the A-HTRUST REIT Properties which may be in excess of insurance proceeds.

There is no assurance that the acquisition of the A-HTRUST REIT Properties pursuant to the proposed Combination will not result in adverse effects on the business, financial condition, results of operations and prospects of Ascott REIT and/or the Combined Entity.

Ascott REIT and Ascott BT may not have the same board of directors in the future, and this may lead to differences or deadlock in the future operations of Ascott REIT and/or the Combined Entity

As at the Latest Practicable Date, the Manager understands that it is intended that the boards of directors of Ascott REIT and Ascott BT be the same so as to avoid any differences or deadlock in the operations of the Combined Entity. However, there is no assurance that the composition of the two boards will remain the same in the future.

In the event that the Manager or the Ascott BT Trustee-Manager is removed and/or replaced, the other will be required to cooperate with the new manager (which may have a different board of directors and management team) in the management of Ascott REIT or, as the case may be, Ascott BT.

As a result, the Combined Entity may lose the advantage of being managed efficiently by the same, or substantially the same, board of directors. Further, there can be no assurance that having different boards of directors for the management of Ascott REIT and Ascott BT will not lead to differences or deadlock in the operation of Ascott REIT and/or the Combined Entity, which may have adverse effects on the business, financial condition, results of operations and prospects of Ascott REIT and/or the Combined Entity.

The Manager is a wholly-owned subsidiary of the Sponsor. There may be potential conflicts of interest between Ascott REIT, the Manager, the Sponsor, CapitaLand and/or A-HTRUST

The Sponsor, its subsidiaries, related corporations and associates are engaged in the investment in, and the development and operation of, among other things, real estate and real estate-related assets which are used, or predominantly used, as hospitality and hospitality-related assets properties in Singapore and elsewhere. As at the Latest Practicable Date, the Sponsor has an aggregate interest (direct and deemed) of approximately 36.3% of the total number of Units in issue.

On 30 June 2019, CapitaLand announced the completion of its acquisition of all the shares in each of Ascendas Pte Ltd and Singbridge Pte. Ltd. (the **CapitaLand Completion**).

Following the CapitaLand Completion, CapitaLand's fund and asset management platform includes Ascott REIT and A-HTRUST, which have overlapping investment mandates. As at the Latest Practicable Date:

- (i) CapitaLand has an aggregate interest (direct and deemed) of approximately 45.0% of the total number of Units in issue and holds a 100.0% interest in the Manager.
- (ii) CapitaLand effectively owns 28.0% of A-HTRUST through Ascendas Land International Pte. Ltd.. CapitaLand also holds a 100.0% interest in Ascendas Hospitality Fund Management Pte. Ltd. , which is the manager of A-HTRUST REIT, and a 100.0% interest in Ascendas Hospitality Trust Management Pte. Ltd., which is the trustee-manager of A-HTRUST BT.
- (iii) A-HTRUST has the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate used predominantly for hospitality purposes, as well as real estate-related assets in connection with the foregoing.

The management team of CapitaLand has considered options to rationalise the overlapping investment mandates of A-HTRUST and Ascott REIT, along with measures to mitigate any conflict arising from the overlapping investment mandates during the interim period between the CapitaLand Completion and the time at which the relevant deconflict option is fully implemented.

The proposed Combination resolves the issue of overlapping mandates. Following the proposed Combination, CapitaLand will effectively control 40.2% of the Combined Entity, with A-HTRUST REIT and A-HTRUST BT held as sub-trusts of Ascott REIT and Ascott BT, respectively. There is no assurance that potential conflicts of interest between Ascott REIT, the Manager, the Sponsor, CapitaLand and/or A-HTRUST may not arise if the proposed Combination does not complete.

As at the Latest Practicable Date, each of CapitaLand, Ascott REIT and A-HTRUST is listed on the SGX-ST and is accordingly subject to rules relating to interested person transactions under Chapter 9 of the Listing Manual. In addition, each of Ascott REIT and A-HTRUST REIT is subject to rules relating to interested party transactions under the Property Funds Appendix. Notwithstanding the foregoing, there is no assurance that potential conflicts of interest between Ascott REIT, the Manager, the Sponsor, CapitaLand and/or A-HTRUST may not arise during the interim period prior to completion of the proposed Combination.

Further, notwithstanding the foregoing, the Sponsor and/or CapitaLand may exercise influence over the activities of the Group through the Manager. As a result, the strategy and activities of the Group may be influenced by the overall interests of the Sponsor and/or CapitaLand. Moreover, the Sponsor and/or CapitaLand may in the future sponsor, manage or invest in other REITs or other vehicles which may also compete directly with the Group. There can be no assurance that conflicts of interest will not arise between the Group on the one hand, and the Sponsor and/or CapitaLand on the other, or that the Group's interests will not be subordinated to those of the Sponsor and/or CapitaLand, whether in relation to the future acquisition of additional properties, acquisitions of property-related investments or competition for guests, in Singapore and elsewhere.

There is no assurance that the Group will be able to leverage on the Sponsor's experience in the operation of serviced residences, hotels and rental housing properties

In the event (a) that the Sponsor decides to transfer or dispose of its Units and ceases to be a Controlling Unitholder of Ascott REIT, or (b) of the expiry, and non-renewal, of the serviced residence management agreements between the management companies which are subsidiaries of the Sponsor (**Ascott Management Companies**) and Ascott REIT in relation to the Properties (the **Ascott Management Agreements**), the Group may no longer be able to leverage on the Sponsor's experience in the ownership and operation of serviced residences, hotels and rental housing properties, financial strength, market reach and network of contacts in the hospitality sector to further its growth. Ascott REIT may, in addition, not be able to benefit from the range of corporate services which are available to owners of properties managed by the Sponsor. This could have a material and adverse impact on the Group's results of operations and financial condition.

Ascott REIT operates substantially through Property Companies and its ability to make payments to Holders through the Ascott REIT Trustee is dependent on the financial position of the Property Companies

Ascott REIT operates substantially through the Property Companies and relies on payments and other distributions from these Property Companies for its income and cash flows. In addition, save for the Singapore Properties, all of the assets of Ascott REIT consist of shareholdings in the Property Holding Companies.

In order to make payments to Holders, the Ascott REIT Trustee will rely on the receipt by Ascott REIT of dividends from these Property Companies to the Property Holding Companies. The ability of the Property Companies to make such payments may be restricted by, among other things, the Property Companies' respective businesses and financial positions, the availability of distributable profits, applicable laws and regulations (which may restrict the payment of dividends by the Property Companies) or the terms of agreements to which they are, or may become, a party to.

There can be no assurance that the Property Companies will have sufficient distributable or realised profits or surplus in any future period to pay dividends or make advances to Ascott REIT. The level of profit or surplus of each Property Company available for distribution by way of dividends to Ascott REIT may be affected by a number of factors, including:

- operating losses incurred by the Property Companies in any financial year;

- losses arising from a revaluation of any of the Properties following any diminution in value of any of the relevant Properties. Such losses may become realised losses which would adversely affect the level of realised profits from which the relevant Property Company may make distributions to Ascott REIT;
- accounting standards that require profits generated from investment properties to be net of depreciation;
- charges before such profits are distributed to Ascott REIT;
- changes in accounting standards, taxation regulations, corporation laws and regulations relating hereto; and
- insufficient cash flows received by the Property Companies from the Properties.

The occurrence of these or other factors that affect the ability of the Property Companies to pay dividends or other distributions to Ascott REIT may adversely affect the ability of the Ascott REIT Trustee to make payments to the Holders.

There is no assurance that the other joint venture partners of the Property Companies, which are not wholly-owned, directly or indirectly, or the holding company of the Property Companies will cooperate on matters concerning these companies or honour all their obligations under these joint ventures

Several of the Property Companies are not wholly-owned, directly or indirectly, by the Ascott REIT Trustee, as trustee of Ascott REIT. Accordingly, the Ascott REIT Trustee does not have an unfettered discretion to deal with these Properties through the Property Companies as if these Properties are entirely, directly or indirectly, owned by it.

Under the relevant shareholders' agreements or joint venture agreements (as the case may be) relating to the above-mentioned Properties, certain matters such as making amendments to the joint venture agreements, changing the business or equity capital structure of the Property Companies, issuing of securities by the Property Companies, use of funds, capital borrowings and other credit activities and appointment of key personnel, may require a unanimous or a majority shareholders' approval of the relevant Property Companies being obtained.

As Ascott REIT does not own the entire interests in these Property Companies, there is no assurance that such unanimous/majority approval from the shareholders of the Property Companies can be obtained. The other shareholders of these Property Companies may vote against such resolutions and hence prevent such resolutions from being passed. If such resolutions are not passed, certain matters relating to the Properties, such as those relating to the operation of the Properties and the level of dividends to be declared by the Property Companies, may not be carried out and this may adversely affect Ascott REIT's financial condition and results of operations.

In addition, if the other joint venture partners of the Property Companies or the holding company of the Property Companies are obliged to contribute additional capital or funds to the Property Companies, but lack of financial resources at the relevant time to meet these obligations, necessary capital or funds required for development or operations may be delayed or cancelled. This adds to the uncertainty of such collaborations and may adversely affect Ascott REIT's business, financial condition and results of operations.

The Manager may not be able to implement its investment strategy for Ascott REIT or may change Ascott REIT's investment strategy

There can be no assurance that the Manager will be able to continue to implement its principal investment strategy (including through acquisitions or investments from time to time) successfully or that it will be able to expand Ascott REIT's portfolio any further, or at any specified rate or to any specified size. While the Manager plans its acquisitions or investments based on the outlook and its understanding of the relevant property market and general economic situation, the Manager may not be able to make such acquisitions or investments on favourable terms or within a desired time frame or at all. Ascott REIT will be relying

on external sources of funding to expand its portfolio, which may not be available on terms favourable to Ascott REIT. Even if Ascott REIT were able to successfully make additional property investments, there can be no assurance that Ascott REIT will achieve its intended return on such investments. Since the amount of debt that Ascott REIT can incur to finance acquisitions is limited by the Property Funds Appendix, such acquisitions will largely be dependent on Ascott REIT's ability to raise equity capital. Potential vendors may also view the prolonged time frame and lack of certainty generally associated with the raising of equity capital to fund any such purchase negatively and may prefer other potential purchasers.

Furthermore, there may be significant competition for attractive investment opportunities from other real estate investors, including serviced residence development companies, private investment funds and other real estate investment funds whose investment policy is also to invest in commercial properties. There can be no assurance that Ascott REIT will be able to compete effectively against such entities and execute its desired principal investment strategy successfully.

Ascott REIT's policies with respect to certain activities including investments and acquisitions will be determined by the Manager. While the Manager has stated its principal investment strategy, the Ascott REIT Trust Deed gives the Manager wide powers of investing in other types of assets, including any real estate and real estate-related assets, as well as listed and unlisted securities, in Singapore and other jurisdictions. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

If the Manager is unable to implement its principal investment strategy successfully, Ascott REIT's business, financial condition, prospects and results of operations may be adversely affected.

The Manager may not be able to implement its AElS or successfully carry out its development activities

The Manager continuously strives to enhance Ascott REIT's assets through planned periodic upgrading, refurbishment and reconfiguration of the Properties in order to achieve a higher level of guest satisfaction as well as to improve the Properties' performance and competitiveness.

Any plans for AElS are subject to known and unknown risks, uncertainties and other factors which may lead to any of such AElS and/or their outcomes being materially different from the original projections or plans. In addition, the Manager may from time to time and within the development limits as set out in the Property Funds Appendix embark on development activities. For instance, in 2018, Ascott REIT embarked on its maiden development project to build its first coliving property, lyf one-north Singapore.

There can be no assurance that the Manager will be able to implement any of its AElS successfully or carry out its development activities successfully, or that the carrying out of any AElS or development activities will enhance the value of the relevant property. The AElS or development activities are or may be subject to Ascott REIT obtaining the approvals of the relevant authorities. Furthermore, the Manager may not be able to carry out the proposed AElS or development activities within a desired timeframe, and any benefit or return which is expected from such AElS or development activities may be reduced or lost. Even if the relevant AEl or development is successfully carried out, there can be no assurance that Ascott REIT will achieve its intended return or benefit from such AElS or development activities.

There is no assurance that the current rating given in respect of Ascott REIT will be maintained or that the rating will not be reviewed, downgraded, suspended or withdrawn in the future

Fitch Ratings has assigned a "BBB" issuer rating in respect of Ascott REIT. The rating assigned by Fitch Ratings is based on the views of Fitch Ratings only. Future events could have a negative impact on the rating in respect of Ascott REIT and prospective investors should be aware that there is no assurance that the rating assigned will be maintained or that the rating would not be reviewed, downgraded, suspended or withdrawn as a result of future events or judgement on the part of Fitch Ratings.

Any rating changes that could occur may have a negative impact on the market value of the Securities. A downgrade of the rating may lead to the Ascott REIT Trustee being unable to obtain future credit on terms which are as favourable as those of its existing borrowings, resulting in loans at higher interest rates.

The amount that Ascott REIT may borrow is subject to the aggregate leverage limit set out in the Property Funds Appendix, which may affect the operations of Ascott REIT

Under the Property Funds Appendix, Ascott REIT is permitted to borrow up to 45.0% of the value of its Deposited Property at the time the borrowing is incurred, taking into account deferred payments (including deferred payments for assets whether to be settled in cash or in Units). According to a consultation paper on “Proposed Amendments to the Requirements for REITs” published by the MAS on 2 July 2019 (**Consultation Paper**), the MAS is reviewing the leverage limit. Pursuant to the Consultation Paper, the MAS may in the future introduce the option of allowing a REIT’s leverage to exceed 45.0% but not more than 50.0%, subject to any requirements which the MAS may impose, such as a minimum interest coverage ratio of 2.5 times after taking into account the interest payments arising from the new debt.

As at 30 June 2019, Ascott REIT’s outstanding borrowings (excluding interest) were approximately S\$1,679.2 million, including both bank loans and the outstanding medium term notes issued under its existing medium term note programmes. As at 30 June 2019, Ascott REIT’s gearing was 32.8%, which is within the 45.0% aggregate leverage limit under the Property Funds Appendix. A decline in the value of the Deposited Property may also cause the borrowing limit to be exceeded, thus affecting Ascott REIT’s ability to make further borrowings.

Ascott REIT may, from time to time, require further debt financing to achieve its investment strategies. In the event that Ascott REIT decides to incur additional borrowings in the future, Ascott REIT may face adverse consequences as a result of this limitation on future borrowings, and these may include:

- an inability to fund capital expenditure requirements of Ascott REIT’s existing asset portfolio or for future acquisitions to expand its portfolio;
- a decline in the value of the Deposited Property may also cause the borrowing limit to be exceeded, thus affecting Ascott REIT’s ability to make further borrowings; and
- cash flow shortages (including with respect to distributions) which Ascott REIT might otherwise be able to resolve by borrowing funds.

With the adoption of FRS 116, the financial information of Ascott REIT as at and for the six months ended 30 June 2019 is not directly comparable with the corresponding financial information for the previous financial period or financial years

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Ascott REIT has adopted FRS 116 from 1 January 2019. For further details of the adoption of FRS 116, please see (a) paragraph 5 of the Group’s 2019 Second Quarter Unaudited Financial Statements Announcement set out on page F-16 in this Offering Circular and (b) note 3.18 to the Group’s audited financial statement for the year ended 31 December 2018 set out on pages F-81 to F-82 in this Offering Circular.

Ascott REIT has adopted FRS 116 using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information. Accordingly, the selected consolidated statement of financial position as at 30 June 2019 will not be directly comparable to the selected consolidated statement of financial position as at 31 December 2016, 31 December 2017 and 31 December 2018, and the selected consolidated statement of total return for the six-month period ended 30 June 2019 will not be directly comparable to the selected consolidated statement of total return for the six-month period ended 30 June 2018. Accordingly, potential investors should exercise caution when comparing the Group’s consolidated financial information for the six-month period ended 30 June 2019 with the corresponding financial information for the previous financial period or financial years.

The Group depends on certain key personnel, and the loss of any key personnel may adversely affect its operations

The Group's operations depend, in part, upon the continued service and performance of members of the Manager's senior management team and certain key senior personnel. These key personnel may in future leave the Manager and compete with the Manager and the Group. The loss of any of these individuals, or of one or more of the Manager's other key employees could have a material adverse effect on the Group's business, financial condition and results of operations.

Fluctuations in exchange rates may adversely affect the Group's reported financial results

The Group's current portfolio of Properties is located across 14 countries in Asia Pacific (namely Australia, China, Indonesia, Japan, Malaysia, the Philippines, Singapore and Vietnam), Europe (namely Belgium, France, Germany, Spain and the UK) and the United States.

Because of the geographic diversity of the Group's portfolio of properties, the Group receives income in the local currencies where its properties are located at the then-applicable exchange rates. As a result, the Group is exposed to fluctuations in foreign currency exchange rates against the Singapore dollar. Such fluctuations can cause fluctuations in the Group's results of operations and could have a material adverse effect on the Group's reported financial results. A weakening of foreign currencies against the Singapore dollar may also result in an increase in Ascott REIT's Aggregate Leverage due to the reduced asset value as a result of the weaker currency and a decline in the Group's net asset value.

Ascott REIT may engage in hedging transactions. Such hedging transactions may not be effective and can limit gains and increase exposure to losses. These hedging transactions could fail to protect, or could even adversely affect, Ascott REIT

Ascott REIT has entered into some hedging transactions to partially mitigate the risk of interest rate fluctuations and manage the currency risks associated with the cash flows generated by the Properties outside Singapore, although there can be no assurance as to the extent or efficacy of any such hedging arrangements. Hedging activities may not have the desired beneficial impact on Ascott REIT's business, financial condition, results of operations and prospects. Hedging involves risks and typically involves costs, including transaction costs, which may reduce overall returns. The Manager will regularly monitor the feasibility of engaging in such hedging transactions while taking into account the cost of such transactions. These costs will increase as the period covered by the hedging increases and during periods of rising and volatile interest rates and/or foreign exchange rates.

Interest rate hedging could fail to protect Ascott REIT or adversely affect Ascott REIT for reasons including but not limited to:

- available interest rate hedging may not correspond directly with the interest rate risk for which protections are sought;
- the party owing money in the hedging transaction may default on its own obligation to pay;
- the credit quality of the counterparty owing money on the hedge may deteriorate to such an extent that it impairs Ascott REIT's ability to sell or assign its side of the hedging transaction; and
- the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value.

Such changes, although unrealised, would reduce the NAV of Ascott REIT if it is due to downward adjustments.

Ascott REIT may be unable to comply with the terms and conditions of tax rulings and tax exemptions obtained, or such tax rulings or tax exemptions may be revoked or amended

Ascott REIT has obtained various tax rulings and tax exemptions from the IRAS and the MOF, including the tax transparency ruling and exemptions on foreign-sourced income received in Singapore in respect of its overseas Properties. These tax rulings and tax exemptions are subject to stipulated terms and conditions based on the facts and representations presented to the IRAS and the MOF at the time of such

applications and include the requirement that Ascott REIT distribute at least 90.0% of its taxable income in the case of the tax transparency ruling. There can be no assurance that Ascott REIT will be able to comply with these terms and conditions on an ongoing basis or ensure that the facts and representations presented to the IRAS or the MOF do not change over time. There can also be no assurance that the IRAS or the MOF will not review, amend or revoke the tax rulings and the tax exemptions, either in whole or in part, either arising from a change in the tax laws or their interpretations or a change in policy. Non-compliance with the terms and conditions imposed on Ascott REIT by the IRAS and the MOF may affect Ascott REIT's tax transparent status, its ability to distribute its taxable income free of tax deduction at source and may also cause Ascott REIT to pay income tax on its taxable income which may result in Ascott REIT facing liquidity constraints.

The operation of certain Properties relies on trademarks which Ascott REIT does not own

The operation of certain Properties relies on trademarks which Ascott REIT does not own, such as the "Ascott", "Somerset", "Citadines" and "Citadines Connect" trade marks. Ascott REIT has been granted rights to use the third party trademarks under certain agreements with the owner and/or licensor of such trademark in connection with the operation of the Properties. Loss of the right to use the trademarks may have a material adverse effect on Ascott REIT's reputation, goodwill, business, prospects and results of operations.

Risks associated with the Properties

Ascott REIT is exposed to risks associated with changes in applicable tax laws, changes in the application of treaty benefits under relevant double taxation agreements and tax treaties and cessation of preferential tax benefits for its Properties

The income and gains derived by Ascott REIT, directly or indirectly, from its Properties, may be exposed to various types of taxes in Singapore, Australia, China, Indonesia, Japan, Malaysia, the Philippines, the United States, Vietnam, various countries in Europe. These include, but are not limited to, income tax, withholding tax, capital gains tax and other taxes specifically imposed for the ownership of such assets, and the level of taxation in each of these countries is subject to changes in law and regulations. Such changes, if any, may lead to an increase in tax rates or the introduction of new taxes. All of these factors may adversely affect Ascott REIT's business, financial condition and results of operations.

In addition, the application of treaty benefits under the relevant Avoidance of Double Taxation Agreements (DTAs) and tax treaties, such as the application of reduced withholding tax rates or preferential tax rates on interest and/or dividend income received by the relevant subsidiaries of Ascott REIT, may be subject to certain conditions. There can be no assurance that the relevant subsidiaries of Ascott REIT will, on an ongoing basis, be able to meet the requisite conditions to benefit from the reduced withholding tax rates or preferential tax rates provided under such DTAs. Where reduced withholding tax rates or preferential tax rates are not applicable, this would reduce Ascott REIT's income.

The proportionate distributions received by Ascott REIT from Somerset Chancellor Court, Somerset Ho Chi Minh City and Somerset Grand Hanoi will be diluted in the future

Somerset Chancellor Court is owned by Saigon Office and Serviced Apartment Company Limited, a 67.0% subsidiary of EATC(S). Somerset Ho Chi Minh City is owned by Mekong-Hacota, a 63.0% subsidiary of Ascott Residences. Somerset Grand Hanoi is owned by Hanoi Tower Center Company Limited, a 76.0% subsidiary of Burton Engineering. The Vietnam Property Holding Companies are wholly-owned by the Ascott REIT Trustee, as trustee of Ascott REIT. The remaining shareholding interests in the Vietnam Property Companies are owned by unrelated third parties. Ascott REIT's interests in the Vietnam Property Companies are held under the terms of a Vietnam Properties JVA with each of these unrelated third parties.

Under the terms of the Vietnam Properties JVAs, the net profits of each of the Vietnam Property Companies, after the fulfilment of certain statutory financial obligations and the payment of other amounts due, are to be distributed to the shareholders of Vietnam Property Companies in certain proportions during different periods in accordance with the terms of the relevant Vietnam Properties JVA and/or the applicable investment licence under which the Vietnam Property Companies operate.

In relation to EATC(S), Ascott REIT is entitled to 67.0% of the distributed profits during the period for which loan capital injected by Ascott REIT and interest is outstanding thereon. Ascott REIT's entitlement to the distributed profits will fall to 60.0% following the repayment of loan capital and interest and further decrease to 40.0% from the 31st to 48th year from the date of issue of the investment licence. In relation to Ascott Residences, Ascott REIT owns 63.0% of the legal capital in Mekong-Hacota. From the 19th year of the date of issue of the investment licence, the unrelated joint venture partner in Mekong-Hacota has a right to acquire approximately 0.9% of the legal capital in Mekong-Hacota every year until it owns 43.0% of the legal capital in Mekong-Hacota (in the 32nd year), whereupon the legal capital of Mekong-Hacota owned by Ascott Residences will have fallen to 57.0%. Consequently, the distributed profits that Ascott REIT is entitled to receive will decrease from the 19th year to the 32nd year. In relation to Burton Engineering, Ascott REIT owns 76.0% of the legal capital in Hanoi Tower Center Company Limited and is entitled to 76.0% of the distributed profits in the first 25 years after fulfilling all financial obligations to the Government of Vietnam and other obligations. From the 26th to 35th year, Ascott REIT is entitled to 70.0% of the distributed profits. From February 2018, the distributed profits that Ascott REIT is entitled to receive has decreased from 76.0% to 70.0%. From the 36th to the 45th year, Ascott REIT is entitled to 50.0% of the distributed profits.

The decreasing proportion of distributed profits that each of the Vietnam Property Holding Companies is entitled to for the duration of the relevant Vietnam Properties JVAs will adversely affect Ascott REIT's business, financial condition and results of operations.

Where Ascott REIT only owns a portion of the strata lots of a subdivided development with common property, there is no assurance that the other subsidiary proprietors of such subdivided development will co-operate with Ascott REIT on matters concerning the common property of this subdivided development

Ascott REIT owns, and may acquire, a portion (and not all) of the strata lots of a subdivided development with common property. All the subsidiary proprietors of such subdivided development, who constitute the management corporation of the subdivided development, jointly own the common property in the subdivided development as tenants-in-common in proportion to the share values attributable to their respective strata lots. If Ascott REIT does not own all of the total share value of strata lots comprising the subdivided development, it cannot deal with the common property in the subdivided development as if the subdivided development is entirely owned by it. The other subsidiary proprietors of such subdivided development may vote against resolutions concerning the common property of such Properties and hence prevent such resolutions from being passed. If such resolutions are not passed, enhancement works involving the common property of the subdivided development cannot be carried out by the management corporation of the subdivided development. This may affect the ability of the subdivided development to attract guests which may adversely affect the results of operation and financial condition of Ascott REIT.

The President of the Republic of Singapore may, as head lessor, re-enter the Singapore Properties upon breach of terms and conditions of the State lease

Each of Citadines Mount Sophia Property Singapore and Ascott Orchard Singapore is subject to a registered State lease, with the President of the Republic of Singapore as head lessor. The Somerset Liang Court Property Singapore was leased under a registered State lease to the Urban Redevelopment Authority, which was subsequently sub-leased to Ascott REIT. The State lease contains terms and conditions commonly found in State leases in Singapore, including the lessor's right to re-enter the Singapore Properties and terminate the lease (without compensation) in the event the lessee fails to observe or perform the terms and conditions of the lease.

The future market value of the Properties may differ from the valuations determined by independent valuers

Property valuations generally include a subjective evaluation of certain factors relating to the relevant properties, such as their relative market positions, their financial and competitive strengths and their physical conditions.

A valuer's determination of the appraised value of any property does not guarantee a sale of such property at its appraised value at present or in the future. The price at which Ascott REIT may sell any of the new properties acquired in the future may be lower than the price paid for that property.

In addition, there can be no assurance that there will be no downward revaluation of the Properties in the future. In addition, Ascott REIT is required to measure investment properties at fair value at each balance sheet date and any change in the fair value of the investment properties is recognised in the statements of total return. The changes in fair value may have an adverse effect on Ascott REIT's financial results as revaluation losses will be charged to Ascott REIT's statements of total return in the financial years where there is a significant decrease in the valuation of any of the Properties. A downward revaluation of any of these properties may also result in an increase in Ascott REIT's Aggregate Leverage.

The due diligence exercise on the Properties as well as their respective tenancies, contracts, building and equipment may not have identified all defects, breaches of laws and regulations, inherent or historical tax liabilities and other deficiencies

The Manager believes that reasonable due diligence investigations with respect to the Properties and any future properties to be acquired by Ascott REIT and their holding entities were or will be conducted prior to their acquisition. However, there is no assurance that the properties of Ascott REIT will not have defects or deficiencies requiring repair, maintenance or replacement (including design, construction or other latent property or equipment defects in the Properties which may require additional capital expenditure, special repair, maintenance expenses, the payment of damages or to other obligations to third parties) or that the due diligence investigations and physical inspections will uncover all non-compliance with the laws and regulations in relation to the Properties or their holding entities.

Statutory or contractual representations, warranties and indemnities given by any seller of properties are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

Costs or liabilities arising from such defects or deficiencies may require significant capital expenditures or obligations to third parties and may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Ascott REIT's earnings and cash flows.

Should any of the properties of Ascott REIT or their holding entities not be in compliance with certain laws and regulations, Ascott REIT may also incur financial or other obligations in relation to such breaches or non-compliance.

Losses or liabilities from latent property or equipment defects may adversely affect earnings and cash flow

Design, construction or other latent property or equipment defects in the Properties may require additional capital expenditure, special repair, maintenance expenses or the payment of damages or other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Ascott REIT's earnings and cash flows. The costs of maintaining the properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the properties age. The business and operation of the properties may be disrupted as a result of asset enhancement works and it may not be possible to collect the full rate of, or, as the case may be, any rental income on the space affected by such asset enhancement works. In addition, statutory or contractual representations, warranties and indemnities given by any seller of real estate properties are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

The Group may suffer material losses in excess of insurance proceeds

The Group maintains insurance policies for the Properties in line with general market practices and legal requirements. However, the Properties could suffer physical damage caused by fire or other causes or the Group may suffer public liability claims, all of which may result in losses (including loss of rent) that may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk, terrorist acts and losses caused by the outbreak of contagious diseases) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Currently, the Group's insurance policies for the Properties cover acts of terrorism but do not cover acts of war or outbreak of contagious diseases. The Japanese properties within Ascott REIT's portfolio are not insured against earthquakes, save for the Properties held under Tokyo Rental Housing Properties. Should an uninsured loss or a loss in excess of insured limits occur, the Group could be required to pay compensation and/or lose capital invested in the

affected property as well as anticipated future revenue from that Property. The Group would also remain liable for any debt or other financial obligation related to that Property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future. Such an event would adversely affect Ascott REIT's business, financial condition and results of operations.

Any breach by (a) the Master Lessees and the Sponsor of their obligations under the Master Leases or (b) the Ascott Management Companies and the Sponsor of their obligations under the Ascott Management Agreements may have an adverse effect on Ascott REIT

Some of Ascott REIT's Properties, such as the properties located in France, Germany, Singapore and Australia, are under Master Lease arrangements with Master Lessees. Net rental payments in respect of such properties will depend on the ability of the Master Lessees to make rental payments. A downturn in the business of the Master Lessees may weaken their financial condition and result in the Master Lessees' failure to make timely rental payments or default under the Master Leases. Any non-payment of rent by the Master Lessees or failure by the Sponsor to pay and satisfy the Ascott REIT Trustee and/or the Master Lessor of outstanding sums which are due to the Master Lessor under the Master Leases, may have an adverse effect on the financial condition of Ascott REIT and its level of distributable income. In addition, any failure by the Ascott Management Companies to pay the relevant Property Holding Companies the minimum guaranteed income in accordance with the terms of certain of the Ascott Management Agreements, or failure by the Sponsor to pay and satisfy the Ascott REIT Trustee and/or the relevant Property Holding Companies of outstanding sums owing by the Ascott Management Companies to the relevant Property Holding Companies, may have an adverse effect on the financial condition of Ascott REIT and its level of distributable income.

Failure by the Master Lessees to maintain the relevant Properties in a good state of tenable repair and condition could have an adverse impact on the physical condition of the relevant Properties, rendering them unattractive to existing end-users and potential end-users. The performance of the Master Lessees' other businesses could also have an impact on their ability to make rental payments to Ascott REIT. Factors that affect the ability of the Master Lessees to meet their obligations include, but are not limited to, their financial position and the local economies in which they have business operations.

The Master Lessees may not renew a number of the Master Leases

There is no assurance that the Master Lessee(s) will renew their respective Master Lease(s) upon the expiry of the term of such Master Lease(s).

If a Master Lease expires or is terminated, Ascott REIT may not be able to find a suitable purchaser or a suitable replacement master lessee or tenant, as a result of which Ascott REIT may lose the source of revenue from the Property. In any event, it may not be possible to replace the relevant Master Lessee immediately upon the termination of the Master Lease and this may lead to temporary vacancy of the Property. The failure to renew or termination of any of these Master Leases may have an adverse effect on the financial condition of Ascott REIT and its level of distributable income.

Risks relating to the countries in which the Properties are located

The Group is subject to risks relating to the economic, political, legal or social environments of the countries in which the Properties are located

The Group is subject to risks associated with countries where certain Properties are located and which have, at various times in the past, been adversely affected by volatile economic, political and social conditions. The business, prospects, profitability and asset values of the properties may be materially and adversely affected by factors such as, among other things:

- unexpected changes in laws and regulations and uncertainty in connection with the application and/or implementation of existing laws and regulations;
- the ability of the Manager to deal with multiple and diverse regulatory regimes;
- potentially adverse tax consequences;
- uncertain protection for intellectual property rights;

- fluctuations in exchange rates between S\$ and the relevant foreign currency;
- the risk of nationalisation and expropriation of the Group's assets;
- imposition or tightening of foreign exchange controls or restrictions on repatriation of dividends or profits;
- social unrest or political instability; and
- adverse economic, political and other conditions.

In particular, the interpretation or application of laws and regulations in the countries in which the properties are located may be uncertain and subject to rapid and unforeseen changes. The Group or the Manager has no control over such conditions and developments and cannot provide any assurance that such conditions and developments will not have a material adverse effect on the operations, financial condition and results of operations of the properties.

The gross revenue earned from, and the value of, the Properties may be adversely affected by a number of factors

The gross revenue earned from, and the value of, the Properties may be adversely affected by a number of factors, including, among other things:

- a general downturn of the economy affecting occupancy and rental rates;
- the local and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for, serviced residences, hotels or rental housing properties, changes in market rental rates and operating expenses for the Properties);
- competition for occupants from other properties which may affect rental levels or occupancy levels of the Properties;
- changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes, government charges and environmental issues, which may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance;
- legislative actions, such as the enactment of revisions to the laws relating to building standards, town planning, condemnation and redevelopment, which may affect or restrict rights related to relevant properties; and
- acts of God, natural disasters, earthquakes, volcanic eruptions, floods, wars, military coups, terrorist attacks, riots, outbreaks of infectious diseases, civil unrest and other events beyond the control of the Group and/or the Manager (such as the spread of severe acute respiratory syndrome or other communicable diseases).

Ascott REIT and/or the Combined Entity may be affected by the introduction of new or revised legislation, regulations, guidelines or directives affecting Registered Business Trusts (as defined below) and/or REITs

Ascott REIT and/or the Combined Entity may be affected by the introduction of new or revised legislation, regulations, guidelines or directives affecting business trusts registered with the MAS (**Registered Business Trusts**) and/or REITs. There is no assurance that new or revised legislation, regulations, guidelines or directives will not adversely affect Registered Business Trusts and/or REITs in general, or Ascott REIT and/or the Combined Entity specifically.

The Properties or part thereof may be acquired compulsorily

The Properties or the land on which the properties therein are located in and outside of Singapore may be compulsorily acquired by the respective governments of the countries in which they are located for, among other things, public use or public interest.

In the event the properties or the land on which they are located are compulsorily acquired, the income of the Group may be adversely affected. The owner of a property within the Properties that is compulsorily acquired may be compensated in accordance with the laws of the respective jurisdiction. If the market value of the land (or part thereof) to be compulsorily acquired is greater than the compensation paid to the Group, the Group's business, financial condition and results of operations could be adversely affected.

Potential liability for environmental problems could result in substantial costs

Ascott REIT is subject to a variety of laws and regulations in countries in which the Properties are located concerning the protection of health and the environment that may require a current or previous owner of real estate to investigate and clean up hazardous or toxic substances on a property. For example, owners and operators of real estate may be liable for the costs of removal or remediation of certain hazardous substances or other regulated materials on or in such property. Such laws often impose liability without regard to whether the owner or operator knows of, or is responsible for, the presence of such substances or materials. The cost of investigation, remediation or removal of these substances may be substantial. Ascott REIT has not provided for such potential obligations in its consolidated financial statements. Environmental laws and regulations may also impose compliance obligations on owners and operators of properties with respect to the management of hazardous substances and other regulated materials. Failure to comply with these laws can result in penalties or other sanctions.

Existing environmental reports, investigations and due diligence exercises with respect to any of the Properties may not reveal all environmental liabilities, whether previous or current owners or operators of such properties had created any material environmental condition not known to them or whether a material environmental condition exists in any one or more of these properties. There also exists the risk that material environmental conditions, liabilities, or compliance concerns may have arisen or may arise in the future. Future laws, ordinances or regulations and future interpretations of existing laws, ordinances or regulations may impose additional material environmental liability.

Ascott REIT cannot provide assurance that more stringent requirements for environmental protection will not be imposed by the relevant governmental authorities in the future. If Ascott REIT fails to comply with existing or future environmental laws and regulations in the jurisdictions of the Properties, or fails to meet societal expectations with regard to environmental issues, Ascott REIT may suffer damage to its reputation or may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Risks relating to the Securities

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- understand thoroughly the terms of the Securities; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

The Securities are perpetual securities and investors have no right to require redemption

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities.

The Issuer's obligations under the Securities are subordinated

The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Obligations of the Issuer. Subject to the insolvency laws of Singapore and other applicable laws, in the event of the final and effective Winding-Up of Ascott REIT, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of Ascott REIT, and thereafter, such holder was the holder of one Notional Preferred Unit, on the further assumption that the amount that such Holder of a Security was entitled to receive under the Conditions in respect of each Notional Preferred Unit on a return of assets in such Winding-Up were an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Security together with Distributions accrued and unpaid since the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) and any unpaid Optional Distributions in respect of which the Issuer has given notice to the Holders of the Securities in accordance with the Conditions. In the event of a shortfall of funds on the final and effective Winding-Up of Ascott REIT, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Securities.

Distributions are discretionary and non-cumulative. Holders may not receive any Distribution payments if the Issuer elects not to pay all or part of a Distribution payment under the Conditions

The Issuer may, at its sole discretion, elect not to pay any scheduled Distribution on the Securities in whole or in part for any period of time. The Issuer is subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations or (except on a *pro-rata* basis) its Parity Obligations and the redemption and repurchase of its Junior Obligations or (except on a *pro-rata* basis) its Parity Obligations in the event that it does not pay a Distribution in whole or in part as provided for in Condition 4(e)(iv) (*Distribution – Distribution Discretion – Restrictions in the case of Non-Payment*). The Issuer is not subject to any limit as to the number of times or the amount with respect to which the Issuer can elect not to pay Distributions under the Securities. However, investors should note that Ascott REIT is required under the terms and conditions of the tax rulings and tax exemptions obtained from the IRAS and the MOF to distribute at least 90.0% of its taxable income. See "*Risk Factors – Ascott REIT may be unable to comply with the terms and conditions of tax rulings and tax exemptions obtained, or such tax rulings or tax exemptions may be revoked or amended*". Distributions are noncumulative. While the Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution, being an optional amount equal to the amount of Distribution which is unpaid in whole or in part, there is no assurance that the Issuer will do so, and Distributions which the Issuer has elected not to pay in whole or in part may remain unpaid for an indefinite period of time. Any non-payment of a Distribution in whole or in part in accordance with the Conditions shall not constitute a default for any purpose. Any election by the Issuer not to pay a Distribution, in whole or in part, will likely have an adverse effect on the market price of the Securities. In addition, as a result of the discretionary and non-cumulative nature of the Distribution payable in respect of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such election not to pay and may be more sensitive generally to adverse changes in the financial condition of the Issuer.

The Securities may be redeemed at the Issuer's option on certain dates on or after five years after the Issue Date or upon the occurrence of certain other events

The Securities are perpetual securities and have no fixed final redemption date. The Issuer may, at its option, redeem the Securities in whole, but not in part, on the First Call Date or on any Distribution Payment Date thereafter at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders, the Registrar and the Paying Agents (which notice shall be irrevocable).

The Issuer may also, at its option, redeem the Securities in whole, but not in part, at any time at their principal amount, together with the Distribution accrued from (and including) the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) to (but excluding) the date fixed for redemption if:

- as of the date fixed for redemption, (i) the Issuer has become obliged, or will in the Distribution Payment Period immediately following the date fixed for redemption be obliged, to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of (a) any amendment to, or change in, the laws (or any rules or regulations or practice related thereto or thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective on or after the Issue Date; or (b) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations or practice related thereto by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which amendment or change is enacted, promulgated, issued or becomes effective on or after the Issue Date; or (c) any generally applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations or practice related thereto that differs from the previous generally accepted position which is issued or announced on or after the Issue Date, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it;
- as of the date fixed for redemption, an amendment, clarification or change has occurred, or will in the Distribution Payment Period immediately following the date fixed for redemption occur, in the equity credit criteria, guidelines or methodology of Fitch Ratings (or any other rating agency of equivalent recognised standing requested from time to time by the Issuer to grant a rating to the Issuer or the Securities) and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results or will result in a lower equity credit for the Securities than the equity credit assigned or which would have been assigned on the Issue Date (in the case of Fitch Ratings) or assigned at the date when equity credit is assigned for the first time (in the case of any other rating agency);
- as of the date fixed for redemption or in the Distribution Payment Period immediately following the date fixed for redemption, as a result of any changes or amendments to the Relevant Accounting Standard, the Securities must or must no longer be recorded as "equity" of Ascott REIT pursuant to the Relevant Accounting Standard;
- immediately before giving the notice of redemption to the Holders, the Registrar and the Paying Agents the aggregate principal amount of the Securities outstanding is less than 20.0% of the aggregate principal amount originally issued; and
- as a result of any change in, or amendment to, the Property Funds Appendix, or any change in the application or official interpretation of the Property Funds Appendix, as of the date fixed for redemption, the Securities count, or will in the Distribution Payment Period immediately following the date fixed for redemption count, towards the Aggregate Leverage under the Property Funds Appendix.

See "*Terms and Conditions of the Securities – Redemption and Purchase*".

The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to Holders in light of market conditions or the individual circumstances of the Holder. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for non-payment under the Securities

Any scheduled Distribution will not be due if the Issuer elects not to pay that Distribution in whole or in part pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings against Ascott REIT is limited to circumstances where payment has become due and the Issuer fails to make the payment when due for a period of 15 Business Days. The only remedy against the Issuer available to any Holder of Securities for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting proceedings for the Winding-Up of Ascott REIT and/or proving in the Winding-Up of Ascott REIT and/or claiming in the Winding-Up of Ascott REIT in respect of any of the Issuer's payment obligations arising from the Securities. As Ascott REIT is an authorised collective investment scheme, the enforcement of any remedy will be subject to prevailing laws and legislation applicable to collective investment schemes in Singapore.

The Securities contain provisions regarding modification and waivers which may affect the rights of Holders

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution in writing signed by or on behalf of the Holders of not less than 90.0% of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. The Conditions also provide that the Issuer and the Fiscal Agent may agree, without the consent of the Holders, to any modification of any of the Conditions for the purpose of curing any ambiguity or of curing or correcting any manifest or proven error contained herein. The Issuer and the Fiscal Agent may also agree, without the consent of the Holders, to any modification of the Agency Agreement (i) for the purpose of curing any ambiguity or curing or correcting any manifest or proven error contained therein or (ii) in any other manner which is not prejudicial to the interests of the Holders. Any such modification shall be binding on the Holders and, unless the Fiscal Agent agrees otherwise, any such modification shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

The regulation and reform of "benchmarks" may adversely affect the value of the Securities

From, and including, the First Call Date, and on each Reset Date thereafter, the Securities will bear a rate of distribution calculated as the Reset Distribution Rate (as defined in the Conditions). The definition of "Reset Distribution Rate" relies upon the Singapore dollar swap offer rate, which is dependent on the US\$ London interbank offered rate (**US\$ LIBOR**). Interest rates and indices which are deemed to be or used as "benchmarks" (such as US\$ LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

The guidance and proposals for reform described above could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark". More broadly, such guidance and proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks, including US\$ LIBOR: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and, on and from the First Call Date, the return on the Securities.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the international regulatory guidance and reform of benchmarks in making any investment decision with respect to the Securities.

If US\$ LIBOR is discontinued, the Reset Distribution Rate may be changed in ways that may be adverse to the Holders, without any requirement that the consent of the Holders be obtained

From, and including, the First Call Date, and on each Reset Date thereafter, the Securities will bear a rate of distribution calculated as the Reset Distribution Rate. The definition of “Reset Distribution Rate” relies upon the Singapore dollar swap offer rate, which is dependent on US\$ LIBOR. Accordingly, changes to the manner in which US\$ LIBOR is administered could lead to adverse consequences in respect of the market value of an investment in, and the amount payable under, the Securities.

Investors should be aware that if US\$ LIBOR ceases to be calculated or administered or published by the relevant administrator (in circumstances where no successor administrator has been appointed) (and other than due to a “Benchmark Event” as defined in the Conditions), the Conditions provide that the Reset Distribution Rate in respect of each Reset Period shall be determined in accordance with certain fallback arrangements. In particular, subject as described below in relation to Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*), in such circumstances the applicable Reset Distribution Rate would be determined as at the last preceding Reset Determination Date. In the case of the first Reset Determination Date, the Reset Distribution Rate would be the Initial Distribution Rate.

Investors should also be aware that Condition 4(d) (*Distribution – Swap-Offer Rate Replacement*) provides that, upon the occurrence of a Benchmark Event, additional fallback arrangements will apply. These include the possibility that the relevant rate of distribution (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a successor rate or an alternative rate (as applicable) determined by an Independent Adviser (as defined in the Conditions) appointed by the Issuer or, if the Issuer is unable to appoint an Independent Adviser (having used reasonable endeavours) or the Independent Adviser appointed by the Issuer fails to make such determination, the Issuer; and such successor rate or alternative rate (as applicable) may be adjusted (if required) by the relevant Independent Adviser or the Issuer (as applicable), in each such case with the Independent Adviser or Issuer (as applicable) acting in good faith and in a commercially reasonable manner, as more fully described in the Conditions.

No consent of the Holders shall be required in connection with effecting any successor rate or alternative rate (as applicable). In addition, no consent of the Holders shall be required in connection with any other related adjustments and/or amendments to the Conditions (or any other relevant document) which are made in order to effect any successor rate or alternative rate (as applicable).

Investors should note that the definition of “Benchmark Event” relies upon certain circumstances having come to pass (as more fully described in the Conditions). In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and, on and from the First Call Date, the return on the Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of value or liquidity of, and the amount payable under, the Securities.

An active trading market for the Securities may not develop

The Securities are a new issue of securities for which there is currently no trading market. Although application will be made to the SGX-ST for the listing and quotation of the Securities on the SGX-ST, no assurance can be given that an active trading market for the Securities will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Securities or the price at which Holders will be able to sell their Securities. The Sole Lead Manager and Bookrunner is not obliged to make a market in the Securities and any such market-making, if commenced, may be discontinued at any time at

the sole discretion of the Sole Lead Manager and Bookrunner. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Securities. Even if an active trading market were to develop, the Securities could trade at prices that may be lower than the initial offering price. Future trading prices of the Securities will depend on many factors, including, but not limited to:

- prevailing interest rates and interest rate volatility;
- the market for similar securities;
- the Group's operating and financial results;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- changes in the Group's industry and competition; and
- general market, financial and economic conditions.

Ascott REIT may raise other capital which affects the price of the Securities

Ascott REIT may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which Ascott REIT may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on the final and effective Winding-Up of Ascott REIT or may increase the likelihood of a non-payment of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

The market value of the Securities may be subject to fluctuation

Trading prices of the Securities may be influenced by numerous factors, including (i) the market for similar securities, (ii) the respective operating results and/or financial condition of Group, and (iii) political, economic, financial and any other factors that can affect the capital markets, the industry and the Group generally. Adverse economic developments in Singapore as well as countries in which the Group operates or have business dealings could have a material adverse effect on the business, financial performance and financial condition of the Group and the market value of the Securities. As a result, the market price of the Securities may be above or below the Issue Price.

An investment in the Securities is subject to interest rate risk

Holders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in debt security prices, which may result in a capital loss for Holders. However, Holders may reinvest the interest or distribution payments at higher prevailing interest rates. Conversely, when interest rates fall, debt security prices may rise. Holders may enjoy capital gains but interest or distribution payments received may be reinvested at lower prevailing interest rates.

An investment in the Securities is subject to inflation risk

Holders may suffer erosion on the return of their investments due to inflation. Holders may have an anticipated real rate of return based on expected inflation rates on the purchase of the Securities. An unexpected increase in inflation could reduce the actual real returns.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) they are permitted to invest in the Securities, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital regulation or similar rules.

The Securities are structurally subordinated to any and all existing and future liabilities and obligations of Ascott REIT's Subsidiaries

Ascott REIT holds certain assets by way of shareholdings (direct and indirect) in its Subsidiaries. Both the timing and the ability of certain Subsidiaries to pay dividends may be constrained by applicable laws. In the event that Ascott REIT's Subsidiaries do not pay any dividends or do so irregularly, Ascott REIT's cash flows may be adversely affected. As a result of the holding company structure of Ascott REIT, the Securities are structurally subordinated to any and all existing and future liabilities and obligations of Ascott REIT's Subsidiaries, associated companies and joint ventures. Generally, claims of creditors, including trade creditors, and claims of preferred shareholders, if any, of such companies will have priority with respect to the assets and earnings of such companies over the claims of Ascott REIT and its creditors, including the Holders. The Securities will not be guaranteed.

Following the completion of the Combination, Ascott REIT will hold 100.0% of the units in A-HTRUST REIT. A-HTRUST REIT in turn holds certain assets by way of shareholdings in its subsidiaries. Following the completion of the Combination, the Securities will therefore also be structurally subordinated to any and all existing and future liabilities and obligations of A-HTRUST REIT and its subsidiaries. As the Securities will be issued by Ascott REIT and not by Ascott BT, following the completion of the Combination, Holders will not have recourse to the properties and other assets of Ascott BT and A-HTRUST BT for any claims with respect to the Securities.

The Securities will be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of CDP

The Securities will be represented by the Global Certificate. Such Global Certificate will be deposited with or registered in the name of CDP. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates.

CDP will maintain records of their accountholders in relation to the Global Certificate. While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through CDP.

While the Securities are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Securities by making payments to CDP, for distribution to their accountholders or, as the case may be, to the Fiscal Agent for distribution to the holders as appearing in the records of CDP. A holder of a beneficial interest in the Global Certificate must rely on the procedures of CDP to receive payments under the Securities. The Issuer bears no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by CDP to appoint appropriate proxies.

The performance of contractual obligations by the Issuer is dependent on other parties

The ability of the Issuer to make payments in respect of the Securities may depend upon the due performance by the other parties to the Agency Agreement of their obligations thereunder, including the performance by any of the Agents of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of the Securities, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Holders.

Holders may be subject to Singapore taxation

The Singapore tax treatment of the Securities is as described in the Section "Taxation", subject to the agreement of the IRAS. An advance ruling application will be submitted to the IRAS to confirm the Singapore tax treatment of the Securities. In the event that the IRAS regards the Securities to be an equity instrument for Singapore income tax purposes, consistent with the accounting treatment of the Securities under SFRS, all payments, or part thereof, of Distributions and Optional Distributions in respect of the Securities may be subject to Singapore income tax in the same manner as distributions on ordinary units of Ascott REIT, and Ascott REIT may be obliged (in certain circumstances) to withhold tax at the rate of

10% or 17% under Section 45G of the ITA. Where tax is withheld or deducted, the Issuer shall not be under any obligation to pay Additional Amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required under Condition 7 (*Taxation*) of the Securities. Holders are thus advised to consult their own professional advisers regarding the risk of payments on the Securities being subject to Singapore withholding tax.

In the event that the IRAS regards the Securities to be debt securities for Singapore income tax purposes, the Securities are intended to be “qualifying debt securities” for the purposes of the ITA, subject to the fulfilment of certain conditions. However, there is no assurance that such Securities will continue to enjoy the tax concessions granted to “qualifying debt securities” should the relevant tax laws be amended or revoked at any time or should Ascott REIT cease to fulfil the required conditions. For further details of the tax treatment of the Securities, see “*Taxation*”.

USE OF PROCEEDS

The offering of the Securities is intended to raise gross proceeds of approximately S\$[●] million and net proceeds of approximately S\$[●] million, being the gross proceeds from the offering of the Securities less the estimated amount of commissions, fees and expenses in connection with the offering of the Securities.

The Manager intends to utilise the net proceeds of approximately S\$[●] million from the offering of the Securities for general corporate purposes including the redemption of the Ascott REIT S\$150,000,000 5.00% perpetual securities with first call date on 27 October 2019.

CAPITALISATION AND INDEBTEDNESS

The table below sets forth the consolidated capitalisation and indebtedness of the Group as at 30 June 2019. The information set out in this table has been extracted from and should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere and/or incorporated by reference in this Offering Circular.

	As at 30 June 2019 (S\$'000)
Total short-term borrowings	80,994
Total long-term borrowings	1,588,994
Total borrowings⁽¹⁾	<u>1,669,988</u>
Total Unitholders' funds	2,756,633
Total capitalisation⁽²⁾	4,426,621

As at the Latest Practicable Date, there has been no material change in the capitalisation or indebtedness of the Group since 30 June 2019.

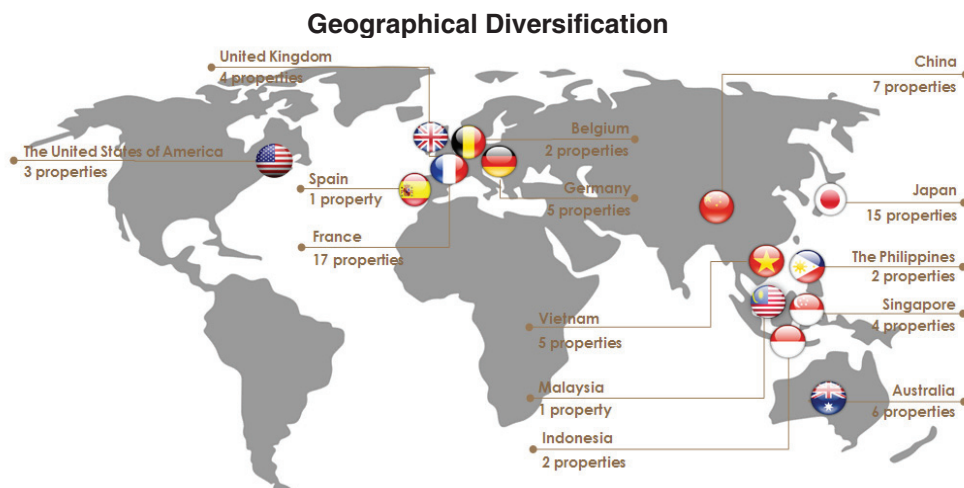
Notes:

- (1) Net of unamortised fees and expenses incurred for debt raising exercises amounting to S\$9.2 million.
- (2) "Total capitalisation" is defined as borrowings and equity attributable to unitholders of Ascott REIT.

DESCRIPTION OF ASCOTT REIT

1. HISTORY AND BACKGROUND

Ascott REIT is a serviced residence REIT established with the objective of investing primarily in real estate and real estate-related assets which are income-producing and which are used, or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world. Comprising an initial asset portfolio of 12 strategically located properties with 2,068 apartment units in five countries in the Pan-Asian Region, Ascott REIT was listed on the Main Board of the SGX-ST on 31 March 2006 with an initial asset size of approximately S\$856.0 million. As at the Latest Practicable Date, Ascott REIT's portfolio comprises 74⁵ Properties with over 11,700 units⁶ in 37 cities across 14 countries in Asia Pacific, Europe and the United States. As at the Latest Practicable Date, the market capitalisation of Ascott REIT is approximately S\$2.8 billion.



The Manager is a direct wholly-owned subsidiary of CapitaLand Financial Limited, which is in turn a wholly-owned subsidiary of CapitaLand Limited (**CapitaLand**). CapitaLand is one of Asia's largest diversified real estate groups. The sponsor of Ascott REIT is The Ascott Limited (**Ascott** or the **Sponsor**), a wholly-owned subsidiary of CapitaLand. The Sponsor is one of the leading international lodging owner-operators. The Sponsor's portfolio spans more than 180 cities across over 30 countries in Asia Pacific, Central Asia, Europe, the Middle East, Africa and the United States. The Sponsor has more than 64,000 operating units and over 48,000 units under development, making a total of more than 112,000 units in over 700 properties. Headquartered in Singapore, the Sponsor pioneered Asia Pacific's first international-class serviced residence property in 1984. The Sponsor has extensive experience in the ownership and management of serviced residences as well as an established international network of relationships with developers and service providers. The Manager believes that Ascott REIT can leverage on the Sponsor's network to achieve its business objectives and provide Ascott REIT with access to the market and network of contacts in the serviced residence sector.

In 2018, Ascott REIT won the "Best Hospitality REIT (Platinum award)" in the Asia Pacific Best of the Breeds REITs Awards 2018, the "Best Serviced Residence Brand in Asia Pacific" award in the Business Traveller Asia-Pacific Awards 2018 and the "Best Serviced Residence Group" award in the Travel Weekly Asia Readers' Choice Awards 2018. Ascott REIT was also ranked third in the REIT and Business Trust category for the Singapore Governance and Transparency Index 2018.

⁵ This figure includes 1 of one-north Singapore, which is under development.

⁶ This figure includes the number of units for 1 of one-north Singapore, which is subject to change.

Awards won by the Properties in Ascott REIT's portfolio in 2018 and YTD June 2019 include:

- 'Travellers' Choice Award 2018': TripAdvisor Awards 2018.
- 'World's Leading Serviced Apartments': World Travel Awards 2019 for Citadines Arnulfpark Munich, Citadines Ramblas Barcelona and Citadines Sainte-Catherine Brussels, and World Travel Awards 2018 for Citadines Arnulfpark Munich, Citadines Ramblas Barcelona, Citadines Sainte-Catherine Brussels and Citadines Shinjuku Tokyo and Citadines Shinjuku Tokyo.
- 'Certificate of Excellence Award': TripAdvisor Awards 2019 and TripAdvisor Awards 2018.

The details of such awards are set out in the table below:

Country	Property	Award
Belgium	Citadines Sainte-Catherine Brussels	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018 • 'Certificate of Excellence' award at TripAdvisor Awards 2019 • 'Leading Serviced Apartments' award at World Travel Awards 2018 • 'Leading Serviced Apartments' award at World Travel Awards 2019
China	Ascott Beijing	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018
	Somerset Xu Hui Shanghai	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018 • 'Top 10 Family Hotels in China', TripAdvisor Travellers' Choice Awards 2018
	Citadines Xinghai Suzhou	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018
	Somerset Heping Shenyang	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018
France	Citadines City Centre Grenoble	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018 • 'Certificate of Excellence' award at TripAdvisor Awards 2019
	La Clef Louvre Paris	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018 • 'Top 25 Hotels in France', 'Top 25 Luxury Hotels in France', TripAdvisor Travellers' Choice Awards 2018 • 'Certificate of Excellence' award at TripAdvisor Awards 2019
	Citadines Place d'Italie Paris	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018
	Citadines Tour Eiffel Paris	<ul style="list-style-type: none"> • 'Certificate of Excellence' award at TripAdvisor Awards 2018 • 'Certificate of Excellence' award at TripAdvisor Awards 2019

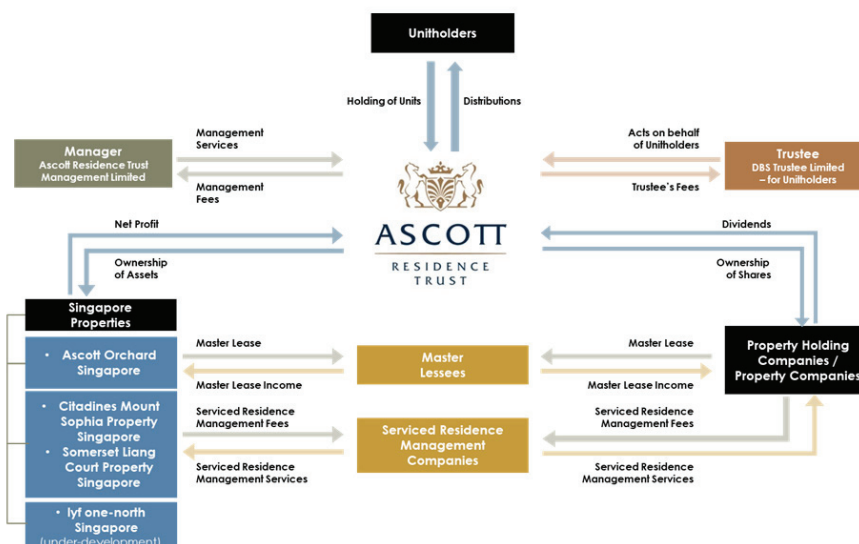
Country	Property	Award
Germany	Citadines Les Halles Paris	<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2018
	Citadines Croisette Cannes	<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
	Citadines Castellane Marseille	<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
	Citadines Austerlitz Paris	<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
	Citadines City Centre Frankfurt	<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
	Citadines Arnulfpark Munich	<ul style="list-style-type: none"> ● 'Leading Serviced Apartment' award at World Travel Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2018 ● 'Leading Serviced Apartments' award at World Travel Awards 2019 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
Indonesia	Ascott Jakarta	<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
		<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
Japan	Citadines Shinjuku Tokyo	<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2018 ● 'Leading Serviced Apartment' award at World Travel Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
		<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
		<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
Malaysia	Somerset Kuala Lumpur (formerly known as Somerset Ampang Kuala Lumpur)	<ul style="list-style-type: none"> ● 'Top 10 Value for Money Hotels in Malaysia', TripAdvisor Travellers' Choice Awards 2018 ● 'Certificate of Excellence' award at TripAdvisor Awards 2019
		<ul style="list-style-type: none"> ● 'Certificate of Excellence' award at TripAdvisor Awards 2019

Country	Property	Award		
The Philippines	Ascott Makati	<ul style="list-style-type: none"> • ‘Top 25 Luxury Hotels in Philippines’, and ‘Top Family Hotel in Philippines’, TripAdvisor Travellers’ Choice Awards 2018 • ‘Certificate of Excellence’ award at TripAdvisor Awards 2018 • Awarded ‘Excellence In Design For Great Efficiencies (EDGE)’, Philippines GreenBuilding Initiative 2019 		
	Somerset Millennium Makati	<ul style="list-style-type: none"> • ‘Certificate of Excellence’ award at TripAdvisor Awards 2018 		
Spain	Citadines Ramblas Barcelona	<ul style="list-style-type: none"> • ‘Leading Serviced Apartment’ award at World Travel Awards 2018 • ‘Certificate of Excellence’ award at TripAdvisor Awards 2018 • ‘Leading Serviced Apartments’ award at World Travel Awards 2019 		
		UK	Citadines Trafalgar Square London	<ul style="list-style-type: none"> • ‘Certificate of Excellence’ award at TripAdvisor Awards 2018
			Citadines South Kensington	<ul style="list-style-type: none"> • ‘Top 25 Family Hotels in United Kingdom’, TripAdvisor Travellers’ Choice Awards 2018 • ‘Certificate of Excellence’ award at TripAdvisor Awards 2018
Vietnam	Somerset Grand Hanoi	<ul style="list-style-type: none"> • ‘Top 10 Hotels for Families in Vietnam’, TripAdvisor Travellers’ Choice Awards 2018 • ‘Certificate of Excellence’ award at TripAdvisor Awards 2019 • Awarded “Green Mark Gold Plus” in 2018 by Building and Construction Authority, Singapore 		
		Somerset Ho Chi Minh City	<ul style="list-style-type: none"> • ‘Top 10 Hotels for Families in Vietnam’, TripAdvisor Travellers’ Choice Awards 2018 • ‘Certificate of Excellence’ award at TripAdvisor Awards 2019 	
		Somerset Chancellor Court Ho Chi Minh City	<ul style="list-style-type: none"> • ‘Certificate of Excellence’ award at TripAdvisor Awards 2019 	
	Somerset Hoa Binh Hanoi	<ul style="list-style-type: none"> • ‘Certificate of Excellence’ award at TripAdvisor Awards 2019 		

2. RATINGS

Ascott REIT was assigned a “BBB” senior unsecured credit rating by Fitch Ratings in September 2017, which was affirmed in August 2019. The outlook for the rating is stable. Fitch Ratings also affirmed Ascott REIT’s “BBB” rating on its S\$1 billion multi-currency medium term notes programme.

3. STRUCTURE OF ASCOTT REIT



A. The Ascott REIT Trustee – DBS TRUSTEE LIMITED

The trustee of Ascott REIT is DBS Trustee Limited. The Ascott REIT Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act, Chapter 336 of Singapore. It is approved to act as a trustee for authorised collective investment schemes under the SFA. The Ascott REIT Trustee has a paid-up share capital of S\$2,500,000 and has a place of business in Singapore at 12 Marina Boulevard, Level 44, Marina Bay Financial Centre Tower 3, Singapore 018982. The Ascott REIT Trustee is a wholly-owned subsidiary of DBS Bank Ltd. The Ascott REIT Trustee was incorporated in 1975 and has been providing trustee services in Singapore for more than 20 years. The Ascott REIT Trustee acts as trustee for collective investment schemes and REITs. In addition, the Ascott REIT Trustee also acts as trustee for private trusts, employee share option schemes and debenture issues.

Powers, Duties and Obligations of the Ascott REIT Trustee

The Ascott REIT Trustee's powers, duties and obligations are set out in the Ascott REIT Trust Deed. The powers and duties of the Ascott REIT Trustee include:

- (a) acting as trustee of Ascott REIT and, in such capacity, safeguarding the rights and interests of the Unitholders, for example, by satisfying itself that transactions it enters into for and on behalf of Ascott REIT with a related party of the Manager or Ascott REIT are conducted on normal commercial terms, are not prejudicial to the interests of Ascott REIT and the Unitholders, and in accordance with all applicable requirements under the Property Funds Appendix and/or the Listing Manual relating to the transaction in question;
- (b) holding the assets of Ascott REIT on trust for the benefit of the Unitholders in accordance with the Ascott REIT Trust Deed; and
- (c) exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of Ascott REIT.

The Ascott REIT Trustee has covenanted in the Ascott REIT Trust Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties and in safeguarding the rights and interests of the Unitholders.

In the exercise of its powers, the Ascott REIT Trustee may (on the recommendation of the Manager), subject to the provisions of the Ascott REIT Trust Deed, acquire or dispose of any real or personal property, as well as borrow and encumber any asset.

The Ascott REIT Trustee may, subject to the provisions of the Ascott REIT Trust Deed, appoint and engage:

- (i) a person or entity to exercise any of its powers or perform its obligations; and
- (ii) any real estate agents or managers, including a related party of the Manager, in relation to the management, development, leasing, purchase or sale of any real estate assets and real estate-related assets.

Although the Ascott REIT Trustee may borrow money and obtain other financial accommodation for the purposes of Ascott REIT, both on a secured and an unsecured basis, the Manager must not direct the Ascott REIT Trustee to incur a liability if to do so would mean that the total liabilities of Ascott REIT exceed 45.0% (or such other leverage limit as may be prescribed in the Property Funds Appendix), of the value of its Deposited Property at the time the borrowing is incurred, taking into account deferred payments (including deferred payments for assets whether to be settled in cash or in Units).

The Ascott REIT Trustee must carry out its functions and duties and comply with all the obligations imposed on it and set out in the Ascott REIT Trust Deed, the Listing Manual, the SFA, the CIS Code, the Tax Ruling and all other relevant laws. It is responsible for the safe custody of Ascott REIT's assets and must cause Ascott REIT's accounts to be audited. It can also appoint valuers to value the real estate assets and real estate-related assets of Ascott REIT. Under the Ascott REIT Trust Deed, it can appoint any custodian, joint-custodian or sub-custodian (including, without limitation, any related party of the Ascott REIT Trustee) in relation to the whole or any part of Ascott REIT's assets.

The Ascott REIT Trustee is not personally liable to a Unitholder in connection with the office of the Ascott REIT Trustee provided that it has acted in good faith and without fraud, gross negligence, wilful default, breach of trust or breach of the Ascott REIT Trust Deed. Any liability of or indemnity, covenant, undertaking, representation and/or warranty given or to be given by the Ascott REIT Trustee shall be limited to the assets of Ascott REIT over which the Ascott REIT Trustee has recourse, provided that the Ascott REIT Trustee has acted in good faith and without fraud, gross negligence, wilful default, breach of trust or breach of the Ascott REIT Trust Deed. The Ascott REIT Trust Deed contains certain indemnities in favour of the Ascott REIT Trustee under which it will be indemnified out of the assets of Ascott REIT for liability arising in connection with certain acts or omissions. These indemnities are subject to applicable laws.

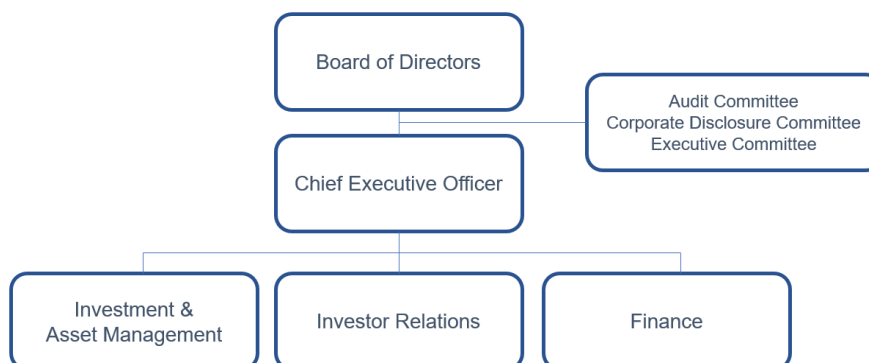
Retirement and Replacement of the Ascott REIT Trustee

The Ascott REIT Trustee may retire or be replaced under the following circumstances:

- (a) The Ascott REIT Trustee shall not be entitled to retire voluntarily except upon the appointment of a new trustee (such appointment to be made in accordance with the provisions of the Ascott REIT Trust Deed).
- (b) The Ascott REIT Trustee may be removed by notice in writing to the Ascott REIT Trustee by the Manager:
 - (i) if the Ascott REIT Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Ascott REIT Trustee;
 - (ii) if the Ascott REIT Trustee ceases to carry on business;
 - (iii) if the Ascott REIT Trustee fails or neglects after 30 days' written notice from the Manager to carry out or satisfy any material obligation imposed on the Ascott REIT Trustee by the Ascott REIT Trust Deed;

- (iv) if the Unitholders by extraordinary resolution duly passed at a meeting of Unitholders held in accordance with the provisions of the Ascott REIT Trust Deed, and of which not less than 21 days' notice has been given to the Ascott REIT Trustee and the Manager, shall so decide; or
- (v) if the MAS directs that the Ascott REIT Trustee be removed.

B. The Manager – ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED



The Manager was incorporated in Singapore under the Companies Act on 22 November 2005 under the name “ART Management Pte. Ltd.”, which was thereafter changed to “ART Management Limited” in connection with its conversion into a public limited company. The Manager subsequently changed its name to “Ascott Residence Trust Management Limited” on 20 January 2006. The Manager is a direct wholly-owned subsidiary of CapitaLand Financial Limited, which is in turn a wholly-owned subsidiary of CapitaLand. The Manager has a paid-up capital of S\$1,000,000 and its registered office is located at 168 Robinson Road #30-01 Capital Tower, Singapore 068912.

Roles and Responsibilities of the Manager

The Manager has a general power of management over the assets of Ascott REIT. The Manager’s main responsibility is to manage Ascott REIT’s assets and liabilities for the benefit of Unitholders.

The Manager will set the strategic direction of Ascott REIT and provide recommendations to the Ascott REIT Trustee on the acquisition, divestment or enhancement of assets of Ascott REIT in accordance with Ascott REIT’s stated investment strategy.

Generally, the Manager will provide the following services to Ascott REIT:

- Investment strategy: Formulate and execute Ascott REIT’s investment strategy, including determining the location and other characteristics of Ascott REIT’s property portfolio.
- Acquisitions and sales: Make recommendations to the Ascott REIT Trustee on the acquisition and sale of properties.
- Planning and reporting: Make periodic property plans, including budgets and reports, relating to the performance of Ascott REIT’s properties.
- Financing: Formulate plans for equity and debt financing for Ascott REIT’s property acquisitions, distribution payments, expense payments and capital expenditure payments.
- Administrative and advisory services: Perform day-to-day administrative services as Ascott REIT’s representative, including providing administrative services relating to meetings of Unitholders when such meetings are convened.
- Investor relations: Communicate and liaise with Unitholders and investors, including responding to Unitholders’ enquiries.

- Compliance management: Make all regulatory filings on behalf of Ascott REIT, and ensure that Ascott REIT is in compliance with the applicable provisions of the SFA and all other relevant legislation, the Listing Manual, the CIS Code (including the Property Funds Appendix), the Ascott REIT Trust Deed, the Tax Ruling and all relevant contracts.
- Accounting records: Maintain accounting records and prepare or cause to be prepared accounts and annual reports.

Retirement and Removal of the Manager

The Manager shall have the power to retire in favour of a corporation approved by the Ascott REIT Trustee to act as the manager of Ascott REIT.

The Manager may be removed by notice given in writing by the Ascott REIT Trustee if:

- (a) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Ascott REIT Trustee) or a receiver is appointed over its assets or a judicial manager is appointed in respect of the Manager;
- (b) the Manager ceases to carry on business;
- (c) the Manager fails or neglects after 30 days' written notice from the Ascott REIT Trustee to carry out or satisfy any material obligation imposed on the Manager by the Ascott REIT Trust Deed;
- (d) the Unitholders, by a resolution duly passed by a simple majority of Unitholders present and voting at a Unitholders' meeting duly convened and held in accordance with the provisions of the Ascott REIT Trust Deed, with no Unitholder being disenfranchised, shall so decide;
- (e) if the Ascott REIT Trustee is of the opinion, and so states in writing such opinion and the reason therefore, that the Manager has, to the prejudice of Unitholders, failed to comply with any provision of the Ascott REIT Trust Deed, and summons a meeting of Unitholders pursuant to Section 295 of the SFA, and if at such a meeting the Unitholders by extraordinary resolution determine to remove the Manager; or
- (f) the MAS directs the Ascott REIT Trustee to remove the Manager.

The Board of Directors of the Manager

Information on the business and working experience of each of the Directors on the Board is set out in the section entitled "*Management*".

C. The Management Companies of the Properties

Ascott REIT's Properties (as set out in the table below under the heading "*Ascott Management Companies*") are managed by the Ascott Management Companies, pursuant to the Ascott Management Agreements.

In addition, another three out of 74 of Ascott REIT's Properties (as set out in the table below under the heading "*US Management Companies*"), being the Properties located in the United States, are managed by third-party hotel managers (the **US Management Companies**, and together with the Ascott Management Companies, the **Management Companies**) under franchise arrangements.

Ascott Management Companies

Property	Ascott Management Company
Australia	
Citadines St Georges Terrace, Perth	Ascott International Management (Australia) Pty Ltd
Citadines on Bourke Melbourne	Ascott International Management (Australia) Pty Ltd
Citadines Connect Sydney Airport	Ascott International Management (Australia) Pty Ltd
Belgium	
Citadines Sainte-Catherine Brussels	Citadines SA
Citadines Toison d'Or Brussels	Citadines SA
China	
Ascott Guangzhou	Ascott (Guangzhou) Property Management Co., Ltd.
Citadines Xinghai Suzhou	APMS
Citadines Zhuankou Wuhan	APMS
Somerset Grand Central Dalian	APMB
Somerset Heping Shenyang	APMB
Somerset Olympic Tower Property Tianjin	APMB
Somerset Xu Hui Shanghai	APMS
Indonesia	
Ascott Jakarta	PT Ascott International
Somerset Grand Citra Jakarta	PT Ascott International
Japan	
Citadines Central Shinjuku Tokyo	AIM Japan
Citadines Karasuma-Gojo Kyoto	AIM Japan
Citadines Shinjuku Tokyo	AIM Japan
Somerset Azabu East Tokyo	AIM Japan
Properties held under Japan Rental Housing Properties	AIM Japan ⁽¹⁾
Malaysia	
Somerset Kuala Lumpur	Ascott International Management (Malaysia) Sdn. Bhd.
The Philippines	
Ascott Makati	Scotts Philippines
Somerset Millennium Makati	Scotts Philippines
Singapore	
Citadines Mount Sophia Property Singapore	AIMPL
Somerset Liang Court Property Singapore	AIMPL
Spain	
Citadines Ramblas Barcelona	Aparthotel Citadines SA
The UK	
Citadines Barbican London	Soderetour UK
Citadines Holborn-Covent Garden London	Soderetour UK
Citadines South Kensington London	Soderetour UK
Citadines Trafalgar Square London	Soderetour UK
Vietnam	
Somerset Chancellor Court Ho Chi Minh City	AIMV
Somerset Grand Hanoi	AIMV
Somerset Hoa Binh Hanoi	AIMV
Somerset Ho Chi Minh City	AIMV
Somerset West Lake Hanoi	AIMV

Note:

- (1) Scope of services provided is limited to (a), (d) and (g) below only. Pursuant to the relevant Ascott Management Agreements, each of the Ascott Management Companies was appointed to operate, maintain, manage and market the serviced apartment units in the Properties. AIM and/or its affiliates (which includes the Ascott Management Companies) have also been granted a right of first refusal by Ascott REIT to either (at the Manager's sole and absolute discretion) (i) provide serviced residence / property management services or (ii) lease the property as a master lessee, in relation to new properties acquired by Ascott REIT from the Sponsor pursuant to a right of first refusal (applicable only in relation to properties located in Europe, Asia and the Asia-Pacific region) on terms to be mutually agreed upon. Seven out of Ascott REIT's 74 Properties (namely, those in UK, Belgium and Spain) are on Ascott Management Agreements that provide minimum guaranteed income. The Ascott Management Companies will provide lease/licence management, marketing and serviced residence management services for the Properties. In particular, the Ascott Management Companies have each undertaken to provide the following services for the Properties:
- (a) preparation of the annual business plans of the Properties including annual budget and marketing strategy;
 - (b) planning, preparation of, contracting for and execution of advertising and promotion programmes for the Properties;
 - (c) recruitment, training and supervision of all personnel required to properly operate, manage, market and maintain the Properties;
 - (d) supervision, direction and control of the licensing and letting of any part of the Properties (including, without limitation, engaging external marketing and/or sales agents);
 - (e) negotiation of new or renewed lease/licence agreements;
 - (f) assistance in the design and selection of equipment used in connection with communications and data processing systems for the Properties; and
 - (g) generally, the performance, supervision, direction and/or control of all acts reasonably necessary in connection with the operation, management, promotion and marketing and maintenance and repair of the Properties in an efficient and proper manner, including, but not limited to, the making of all payments and disbursements.

US Management Companies

Property	US Management Company
The United States	
DoubleTree by Hilton Hotel New York – Times Square South	Affiliates of Magna Hospitality Group (Magna)
Element New York Times Square West	Affiliates of Magna
Sheraton Tribeca New York Hotel	Affiliates of Magna

D. The Master Leases

26 out of Ascott REIT's 74 Properties are on Master Leases with the Master Lessees.

As at the Latest Practicable Date, certain Master Leases had remaining terms of 13 years or less.

The Master Lessees pay fixed net rental per annum to Ascott REIT. The Master Leases in Europe are subject to annual rental revisions pegged to indices representing constructions cost, inflation or commercial rental prices. Accordingly, the rental revisions may be adjusted upwards or downwards depending on the above factors. The Master Leases in Australia are subject to fixed indexation per annum until the next market review. The Master Lease in Singapore has a variable rent component in addition to the fixed rental. As at the Latest Practicable Date, these Master Leases have a weighted average remaining tenure of about seven years.

For Master Leases which were renewed in FY2018, the weighted average lease expiry based on the date of commencement of such leases is approximately six years and accounts for 3.0% of the gross revenue of Ascott REIT for FY2018.

This will enable Ascott REIT to enjoy greater income stability through Master Leases in respect of the 17 France Properties, the five Germany Properties, the three Properties in Australia and Ascott Orchard Singapore.

4. GROWTH STRATEGIES

Ascott REIT's principal investment strategy is to invest primarily in real estate and real estate-related assets which are income producing and which are used, or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world.

Any investment made must be aligned to Ascott REIT's acquisition criteria after taking into account other relevant factors such as regulatory, commercial and political factors. Investments may be by way of direct property ownership or through the ownership of legal entities that own these properties.

The Manager aims to deliver stable and growing distributions to Unitholders through the following strategies:

- Active asset management
- Growth by acquisition
- Capital and risk management

A. Active asset management

The Manager creates value for stakeholders of Ascott REIT by maximising the operating yield of Ascott REIT's property portfolio and by focusing on the operational performance of each Property.

As part of the Manager's focused and profit-oriented approach, the Manager benchmarks the operating results of each Property against market performance and against its previous year's results and planned budgets. The Manager also conducts detailed reviews of Properties that are not achieving their targets, and works closely with the Management Companies to develop action plans to improve the operating performance of each of these Properties.

The Manager has in place robust asset management programmes that enable it to actively manage each of the Properties to generate organic growth and strengthen existing relationships with key customers. Through the Management Companies, the Manager seeks to optimise occupancy levels and ADR, and maximise REVPAU. As at 30 June 2019, approximately 75.0% of Ascott REIT's serviced residence properties have undergone, or are undergoing, AEI. In 2019, Ascott REIT completed the AEIs of Element New York Times Square West and Somerset Grand Citra Jakarta.

The Manager closely monitors the growth potential of each Property and divests Properties that have reached their maximum potential or whose growth prospects are limited by changes in the operating environment.

Since its listing in 2006 to 30 June 2019, Ascott REIT divested over 30 properties, recognising a total net divestment gain of approximately S\$0.4 billion. Proceeds from the divestments, amounting to approximately S\$1.6 billion, had been deployed towards other accretive acquisitions or distributed to Unitholders.

Arising from the sale of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an that was completed in January 2018, Ascott REIT distributed part of the divestment gains amounting to a total of S\$13.0 million to Unitholders.

On 20 September 2018, Ascott REIT announced the acquisition of a prime greenfield site for S\$62.4 million for its maiden development project. It will build the first coliving property in Singapore's research and innovation business hub, one-north.

On 9 January 2019, Ascott REIT announced the divestment of Ascott Raffles Place Singapore, which was completed on 9 May 2019. On 27 March 2019, Ascott REIT announced the acquisition of Felix Hotel, a prime freehold limited-service business hotel located in close proximity to Sydney Airport, for A\$60.6 million (approximately S\$58.8 million). The 150-room property was rebranded as Citadines Connect Sydney Airport.

Develop yield management and marketing strategies to maximise REVPAU

The profitability of Ascott REIT's portfolio depends primarily on the maximisation of REVPAU. Therefore, the Manager's yield management and marketing strategies are focused on:

- assessing and adjusting apartment rental rates based on occupancy levels and demand; and
- determining the appropriate balance between higher yielding short-stay guests and stability of revenue from long-stay guests.

The Manager works closely with the Management Companies to establish and develop relationships with global key accounts, and leverage on the Sponsor's wider networks to improve Ascott REIT's revenue and profitability. The Sponsor enjoys strong brand equity through a series of marketing initiatives across different platforms. Ascott REIT's Properties are mostly operated under the Ascott, Citadines and Somerset brands, which are amongst the portfolio of established brands of the Sponsor. Tapping on such award-winning global brands, guests are assured of consistent quality service and experience across the properties. The wide range of the Sponsor's brands also enable Ascott REIT to expand its hospitality portfolio, offering a different hospitality product to cater to the needs of varying guests.

Besides managing Ascott REIT's Properties, the Sponsor is also a lodging operator of other third-party owner properties, with over 112,000 units under its management. Focused on growing its scale, the Sponsor continuously expands its global operations and footprint into new upcoming markets. Ascott REIT taps on the Sponsor's operational network for centralised procurement to lower operating costs and comprehensive sales and marketing programmes for a wider reach.

Recognising the importance of integrating digital technology into the hospitality industry, the Sponsor has invested in various new digital innovations to improve operational efficiencies and heighten service quality to enhance overall guest experience. Leveraging technology is critical to remain competitive and Ascott REIT expects to benefit from these continuing technological advancements undertaken by the Sponsor. For instance, the Sponsor has launched a hotel management mobile application software that streamlines processes and improves productivity. Through the application, issues are efficiently reported by operations team and addressed by managers in real-time.

Improve operating efficiencies and economies of scale

To minimise direct expenses and increase gross profit margin without compromising on the quality of services, the Manager, together with the Management Companies, have identified several areas for cost management. These include:

- direct marketing to tenants to reduce commission expenses;
- centralisation of key functions such as finance and procurement for Properties located within the same city or region; and
- bulk purchases by leveraging on the Sponsor's global portfolio to achieve economies of scale.

Create real estate value and maintain quality of portfolio

The Manager continuously strives to enhance Ascott REIT's assets through planned periodic upgrading, refurbishment and reconfiguration of the Properties in order to achieve a higher level of guest satisfaction as well as to improve the Properties' performance and competitiveness. The improvement in performance is expected to translate into higher real estate value.

Unlocking values

As part of its strategy to reconstitute Ascott REIT's portfolio, the Manager monitors closely and evaluates the Properties to ascertain if any of them may have reached the optimal stage of their life cycle and should be divested so as to unlock the value of these Properties. The proceeds from the divestment can be then redeployed for other purposes, including investing in higher yielding assets.

B. Growth by Acquisition

As part of its value creation strategy, Ascott REIT explores investment opportunities globally to enhance the quality of its portfolio.

Ascott REIT's primary investment focus is on serviced residences, particularly in countries where it has an established presence. Rental housing is also an integral part of Ascott REIT's extended stay accommodation market, particularly in more stable economies.

To expand Ascott REIT's portfolio and maintain its geographical diversification across growth markets as well as stable economies, the Manager's acquisition strategies are as follows:

Acquisition of assets owned wholly or in part by the Sponsor

Ascott REIT has been granted a right of first refusal in respect of, *inter alia*, the future sale by any Sponsor entity of properties that are used or predominantly used as serviced residences or rental housing properties in the Pan-Asian Region and Europe.

The Sponsor supports Ascott REIT's acquisition strategy through acquiring, retaining and enhancing assets with good income and growth potential, with the view of subsequently divesting the assets to Ascott REIT at the appropriate time.

Acquisition of the Sponsor's properties under development

A number of the Sponsor's properties are currently under development. Upon completion, they offer a pipeline of potential targets for acquisition by Ascott REIT.

Acquisition of assets currently managed and/or leased but not owned by the Sponsor

In addition to managing Ascott REIT's portfolio, the Sponsor also operates and/or manages serviced residences owned by third parties. These assets are complementary to Ascott REIT's current portfolio. Ascott REIT will leverage on the Sponsor's knowledge and relationships with the owners of these properties to acquire these assets should such opportunities become available.

Acquisition of suitable assets from third party owners not managed and/or leased by the Sponsor

Ascott REIT also acquires quality assets from third party owners. Such opportunities arise from:

- divestment of income-producing assets by third party owners in need of capital for new business expansion or investments;
- divestment of assets by owners under financial stress; and
- acquisition of well-located but underperforming assets with the potential for rebranding or asset enhancements for higher returns.

Acquisition criteria

In evaluating acquisition opportunities, Ascott REIT adopts the following criteria:

Yield thresholds

Ascott REIT acquires properties or makes investments with yields that are currently, or have the potential to be, above their cost of capital. Its acquisitions are expected to enhance returns to Unitholders.

Locations

Ascott REIT assesses properties in terms of their micromarket locations as well as their accessibility to major roads, public transportation and proximity to amenities such as entertainment and food and beverage outlets.

Local market characteristics

Ascott REIT acquires properties in markets with positive macroeconomic indicators such as strong economic growth and expanding cross-border business investments and trade. Key considerations are the levels of foreign direct investment, business travel (including intra-country business travel), expatriate population and the resulting demand for serviced residences or rental housing properties.

Value-creation opportunities

Ascott REIT acquires properties with potential for increase in occupancy rates and/or ADRs. The potential for value creation through asset enhancement initiatives such as upgrading, refurbishment and reconfiguration is also assessed.

Building and facilities specifications including the operator of the serviced residences

Ascott REIT acquires properties that comply with approved building specifications and legal and zoning regulations, with due consideration to the size and age of the buildings.

Operator of the serviced residences or rental housing properties

Before a serviced residence or rental housing property is considered for acquisition, the operator must possess a track record in delivering stable cash flows and operations, or demonstrate the potential for achieving stable cash flows.

C. Capital and Risk Management

Ascott REIT optimises its capital structure and cost of capital within the borrowing limits set out in the Property Funds Appendix. Either debt or equity or a combination of both is used to fund future acquisitions, while AEs are funded mainly by operating cash flow.

Additionally, Ascott REIT optimises asset yields and provides stable and sustainable Unitholders' returns while maintaining flexibility for future capital expenditure or yield-accretive acquisitions. The Manager's objectives for capital and risk management are as follows:

Maintain strong balance sheet by adopting and maintaining a target gearing range

Ascott REIT maintains its gearing at a comfortable range, well within the borrowing limits allowed under the Property Funds Appendix. Ascott REIT balances the cost of capital and returns to Unitholders by achieving the right combination of debt and equity.

The Property Funds Appendix also provides that the aggregate leverage of a REIT should not exceed 45.0% of its Deposited Property at the time the borrowing is incurred, taking into account deferred payments (including deferred payments for assets whether to be settled in cash or in Units).

As at 30 June 2019, Ascott REIT's outstanding borrowings (excluding interest) were approximately S\$1,679.2 million, including both bank loans and the outstanding medium term notes issued under its existing medium term note programme. As at 30 June 2019, Ascott REIT's gearing was 32.8%, well within the 45.0% gearing limit allowed by the MAS under the Property Funds Appendix. As at 30 June 2019, Ascott REIT's interest cover ratio was 5.2 times.

Secure diversified funding sources from both financial institutions and capital markets to seize market opportunities

To finance future acquisitions and refurbishments of properties, Ascott REIT taps into diversified funding sources. This includes bank borrowings and access to debt capital markets through the issuance of bonds and notes, and the issuance of perpetual securities, an alternative form of equity. For instance, in September 2018, Ascott REIT tapped the debt capital market by issuing JPY5.0 billion (approximately S\$61.4 million) of fixed rate notes maturing in 2025 at 0.971% per annum under its S\$1,000,000,000 Multicurrency Medium Term Note Programme established in September 2009. In November 2018, Ascott REIT tapped the debt capital market by issuing S\$100 million fixed rate notes due 2023 at 3.523% per annum under its S\$1,000,000,000 Multicurrency Medium Term Note Programme established in September 2009.

The Manager also seizes opportunities to raise additional equity capital through the issuance of Units, if there is an appropriate use for such proceeds.

Adopt a proactive interest rate management strategy

The Manager adopts a proactive interest rate management policy by maintaining a target percentage of fixed versus floating interest rates. The Manager also manages risks associated with changes in interest rates on loan facilities while keeping Ascott REIT's ongoing cost of debt competitive.

Ascott REIT's interest rate exposure is managed through the use of interest rate swaps and fixed rate borrowings. As at 30 June 2019, S\$1,479.0 million or 88.0% of the Group's borrowings are on fixed interest rates with S\$20.0 million due for refinancing in the next 12 months, in line with the maturity dates of the underlying loans.

Manage exposure to foreign exchange fluctuations

With properties located globally across 14 countries, cash flow generated by Ascott REIT's assets as well as their capital values are subject to foreign exchange movements. To the extent possible, Ascott REIT adopts a natural hedging strategy, by borrowing in the same currency as the underlying asset. Due to the geographically diversified nature of Ascott REIT's portfolio and with currencies working in pairs, the impact from the weakening of some currencies is offset by the strengthening of others.

To further mitigate exposures to foreign currency fluctuations, Ascott REIT uses hedging instruments such as cross currency interest rate swaps and foreign currency forward contracts where appropriate, taking the cost of hedging into consideration. As a result of proactive foreign exchange management, as at the Latest Practicable Date, the impact of foreign exchange rate movement on Ascott REIT's gross profit has been kept within a +/-1.4% threshold for the last five years.

Perform rigorous credit risk management

The Manager establishes credit limits for customers and monitors their balances on an ongoing basis. For bookings by individuals, payments are usually made upfront and arrears are checked against lease deposits to minimise losses. Corporate bookings are generally given more credit days and the Manager adopts a strict policy of withdrawing credit terms when payments are outstanding so as to minimise bad debts. Credit evaluations are performed by the Management Companies before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

Ensure sufficient cash flows to minimise liquidity risk

The Manager's approach to managing liquidity is to ensure as far as possible that Ascott REIT has sufficient liquidity to meet its liabilities when they mature, under both normal and stressed conditions.

In addition to credit facilities, Ascott REIT has a S\$1,000,000,000 Multicurrency Medium Term Note Programme, which was established in 2009. Ascott REIT had also established a US\$2 billion Euro-Medium Term Note Programme in 2011.

Prepare for market uncertainties

The objective of market risk management is to manage and control market risk exposures while optimising returns. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

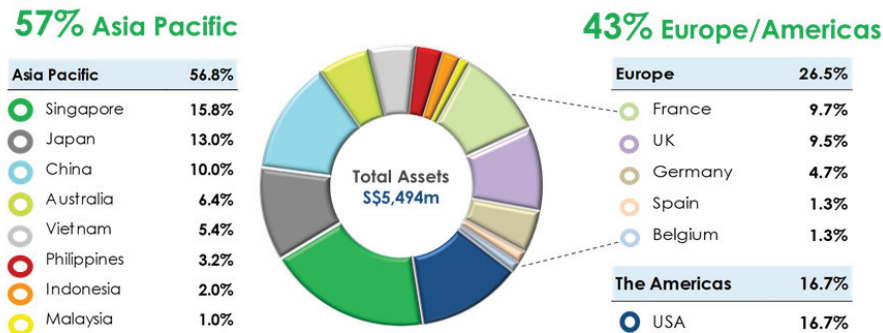
5. COMPETITIVE STRENGTHS

The Manager is of the opinion that the competitive strengths of Ascott REIT are as follows:

A. Geographical Diversification

With serviced residences and rental housing properties located in eight countries in the Pan-Asian Region, five countries in Europe as well as the United States, Ascott REIT is the most geographically diversified Singapore-listed REIT. Overall, Ascott REIT's portfolio provides income stability as there is limited reliance on any particular market and provides diversification across economic and property cycles and income stability.

Geographical diversification by asset value as at 30 June 2019



B. Strategic Location

Ascott REIT's Properties (excluding 1yf one-north Singapore, which is under development), which comprise 62 serviced residences and 11 rental housing properties in Europe, the Pan-Asian Region and North America, are conveniently located within or in close proximity to central business districts in 37 cities across France, UK, Germany, Belgium, Spain, Australia, China, Indonesia, Japan, the Philippines, Singapore, Malaysia, the United States and Vietnam.

The Properties are generally located in major global cities and important regional cities which experience high volume of business and leisure travellers. Each Property is located close to the city centre, tourist attractions or facilities for meetings, incentives, conferences and exhibitions. For example, the France Properties in Paris are located in prime areas of the city near famous landmarks such as the Louvre, the Eiffel Tower, Notre Dame and the Seine River. One of the France Properties is located in Cannes, a popular holiday destination well known for its annual International Film Festival. Similarly in London, the UK Properties are located either near business districts or tourist destinations such as Trafalgar Square and the Victorian district of South Kensington. Most of the Properties are also well-served by public transportation and are within walking distance of amenities such as restaurants and supermarkets. Likewise, in the United States, the Properties are strategically located near cultural and financial districts. For instance, Sheraton Tribeca New York Hotel is located adjacent to SoHo, a premier retail district, and is also within proximity to the financial district. Also, DoubleTree by Hilton Hotel New York – Times Square South, which is located in midtown Manhattan, is a stone's throw away from Times Square, the cultural and commercial epicentre of Manhattan and one of the world's most popular tourist attractions. The Properties in Asia are also very strategically located, one of which is Somerset Azabu East Tokyo, conveniently located in the Minatoku district, with three subway stations close by providing easy access to the entire city of Tokyo. It is also within walking distance to the Tokyo Tower and the Roppongi entertainment and shopping district. Furthermore, some of the Properties are located in high growth potential cities where there is a limited supply of international-class serviced residences. For example, Citadines Zhuankou Wuhan is located in the Wuhan Economic and Technological Development Zone to cater to the rising number of expatriates and business travellers, especially those working in multinational companies based in the Development Zone.

C. Strong Brand Recognition

Ascott REIT's serviced residences and rental housing properties are managed by the Sponsor, one of the leading international lodging owner-operators with more than 30 years of industry track record and brand that enjoys worldwide recognition.

Four of Ascott REIT's serviced residences are managed under the Ascott brand, 14 are managed under the Somerset brand, 36 are operated under the Citadines brand and one is operated under the Citadines Connect brand. Additionally, La Clef Louvre Paris is managed under The Crest Collection brand and three properties in Australia are managed under the Quest brand. The Sponsor's premier Ascott-branded properties offer top business executives discreet services in an exclusive environment. Citadines provides independent travellers with the flexibility to choose the services they require so they can customise their stay experience. Somerset serviced residences are ideal for executives and their families looking for work/life balance, as they offer more recreational facilities such as playgrounds, indoor playrooms and children's swimming pools. Citadines Connect offers contemporary and tech-enabled hotel accommodation in well-connected locations and caters to highly mobile business travellers who appreciate convenience, fuss-free services, online connectivity and recreational experiences. The Crest Collection is a prized selection of some of Ascott's most prestigious and unique luxury services residences designed with elegant and classic European flair. The Quest brand offers provide spacious serviced apartment style hotel rooms perfect for short and long stays.

Separately, Ascott REIT's remaining Properties, namely DoubleTree by Hilton Hotel New York – Times Square South, Element New York Times Square West, Sheraton Tribeca New York Hotel, The Madison Hamburg as well as the rental housing properties in Japan, are managed by third-party operators. The 11 rental housing properties in Japan which Ascott REIT owns are managed under a mixture of local rental housing brands.

As a testament to its quality accommodation and services, the Sponsor and its Properties have been awarded with various excellence awards. Please refer to pages 74 to 76 for the list of awards won by Ascott REIT's Properties in 2018 and YTD June 2019.

Due to the Sponsor's strong brand reputation and management excellence, Ascott REIT's Properties are recognised globally and are a desired choice of accommodation for business travellers seeking accommodation for extended stays.

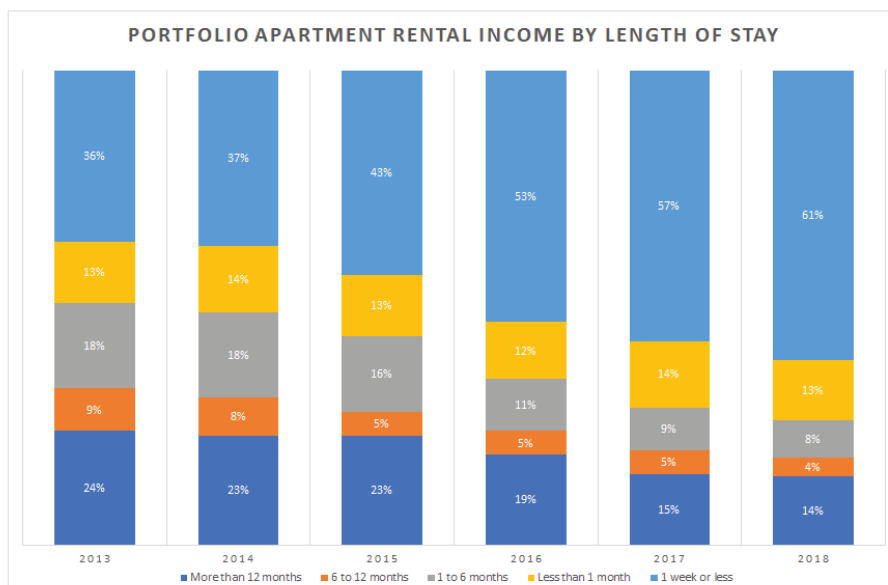
D. Operational Synergies with the Sponsor

The Sponsor operates on a large scale in Asia and Europe and this enhances its ability to attract talent, develop management systems and achieve economies of scale not available to some of its competitors. All owners of properties managed by the Sponsor, including Ascott REIT, benefit from a full range of corporate services such as human resources, corporate sales and marketing, corporate advertising, central reservations system, global sales network, centralised purchasing, building system maintenance and financial administration which are not available to independent owners.

Through its synergistic partnership with the Sponsor, Ascott REIT will be able to further leverage on the Sponsor's competitive advantages in the market through the Sponsor's ability to develop, invest in, operate and manage serviced residences and rental housing properties.

E. Stability of Income

Ascott REIT enjoys stability of income through its extended-stay business model. Ascott REIT's guest base comprises mainly expatriates' relocation, corporate assignments, project groups and extended-stay. Corporate travel, which is driven by long-term macroeconomic factors such as Gross Domestic Product growth and Foreign Direct Investment, is generally more stable than the seasonal nature of tourism travel. Ascott REIT's flexible business model provides short to long-term accommodation. The average length of stay for Properties on Management Agreements was approximately three months in FY2018, while rental housing properties with leases averaging more than one year offer greater income stability to the portfolio. Shorter-term stay, on the other hand, presents opportunities for yield growth.



Ascott REIT also enjoys income stability through the Master Leases from the France, Germany, Australia and Singapore Properties, and the Ascott Management Agreements that provide minimum guaranteed income from UK, Belgium and Spain. The proportion of gross profit from Properties on Master Leases and guaranteed income from Properties on management contracts with minimum income guarantee for YTD June 2019 was 40.8%, providing Ascott REIT with a very stable base of income. Ascott REIT will continue to enjoy this enhanced income stability over an extended period as both the Master Leases and the Ascott Management Agreements with minimum guaranteed income have weighted average remaining tenures of approximately five years.

F. Strong Acquisition Track Record

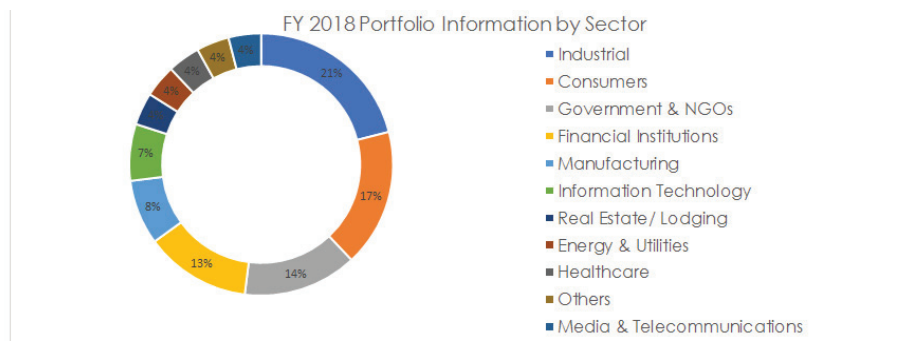
As part of its growth strategy, Ascott REIT continually explores investment opportunities globally to enhance the quality of its portfolio and to maintain its geographical diversification across growth markets as well as stable economies. Over the years, Ascott REIT has demonstrated a strong acquisition track record, having made acquisitions of more than 70 properties since its listing in 2006. Through these acquisitions, Ascott REIT's asset size has increased sixfold since its initial listing's asset size of S\$856.0 million, representing a compounded annual growth rate for FY2006 to FY2018 of about 16.4%.

In 2018, Ascott REIT invested in a prime greenfield site in one-north, Singapore's research and innovation hub – its maiden development project. On 27 March 2019, Ascott REIT announced the acquisition of Felix Hotel, which was rebranded as Citadines Connect Sydney Airport. Citadines Connect Sydney Airport is Ascott REIT's first business hotel in Australia and the first property to be managed by the Sponsor under the new Citadines Connect brand. Further, on 3 July 2019, the Manager announced the proposed Combination of Ascott REIT and A-HTRUST, to be effected through the acquisition of all the A-HTRUST Stapled Units by way of a trust scheme of arrangement for a consideration of S\$1.0868 for each A-HTRUST Stapled Unit. For further details, see "*Recent Developments - Proposed Combination between Ascott REIT and A-HTRUST*".

G. Strong Guest Base

By offering a combination of serviced residence, limited-service business hotel and rental housing units, Ascott REIT is also able to cater to a wide range of budgets and customer needs. Various apartment sizes are available to guests as the portfolio comprises studio, one-bedroom to three-bedroom and penthouse apartment units.

Ascott REIT's guest base comprises expatriate families, business travellers, corporate executives drawn from prominent domestic and international corporations, a wide range of industry sectors and government bodies. This limits Ascott REIT's reliance on any particular industry or group of clients, thus providing relative stability to the earnings of Ascott REIT's portfolio.



Note: Based on apartment rental income for corporate accounts only.

H. Potential Capital Value Upside

Serviced residences may be converted to residential units at a lower cost than hotels and office buildings due to the kitchens and other amenities built into most serviced residence units. This means that, subject to applicable regulations, a serviced residence owner has the option to continue to own such units or, if residential values are sufficiently attractive, to strata-title and sell the units or sell the property to a residential developer who may on-sell the units as private residences.

I. Managed by an Experienced and Professional Management Team

The Manager has experienced and well-qualified management personnel to handle the day-to-day operations of the Manager and Ascott REIT.

Information on the business and working experience of the management team of the Manager is set out below:

Ms Beh Siew Kim

Chief Executive Officer and Executive Non-Independent Director

Please refer to page 97 under the heading “*Ms Beh Siew Kim*”.

Ms Kang Siew Fong

Chief Financial Officer

Ms Kang Siew Fong heads the finance team and is responsible for the performance management and reporting functions at Ascott REIT. Ms Kang has more than 25 years’ experience in the finance profession. Prior to joining the Manager, Ms Kang was with Ascott for more than 13 years, holding various positions including Vice President, Finance and Vice President, Business Development and Planning. While at Ascott, she was responsible for all aspects of Ascott’s financial management and accounting, including preparation of the group consolidated accounts and quarterly reporting of financial results to the SGX-ST, co-ordinating with external auditors, and ensuring compliance with statutory reporting requirements and financial reporting standards. Ms Kang was involved in mergers and acquisitions activities at Ascott, and the formulation and implementation of its financial policies and practices, budgeting and internal controls. She was also a member of the team responsible for the listing of Ascott REIT.

Ms Kang graduated from the National University of Singapore with a Bachelor of Accountancy degree. She is also a Chartered Accountant of the Institute of Singapore Chartered Accountants.

Mr Gerry Chan

Head, Investment and Asset Management

Mr Gerry Chan heads the investment and asset management functions at the Manager, and is responsible for the Manager’s investments, divestments, portfolio management and asset enhancements. He has over a decade of investment, asset management and capital markets experience for leading investment and business trusts.

Prior to joining the Manager, Mr Chan was Vice President, Business Development for CapitaLand Retail and was with CapitaLand's Retail Division for eight years. During this period, he headed the investment functions of both CapitaLand Mall Trust and CapitaLand Malaysia Mall Trust. He was also the investment and asset manager responsible for various large-scale asset enhancement initiatives including the redeveloped Funan mixed use project.

Mr Chan graduated from Nanyang Technological University, Singapore with Master of Business and Bachelor of Accountancy degrees. He is also a Chartered Financial Analyst.

Ms Kang Wei Ling

Vice President, Investor Relations and Asset Management

Ms Kang Wei Ling heads the investor relations function at the Manager, and is responsible for conducting effective and timely communications, as well as building and maintaining relations with Unitholders, potential investors and analysts. She also oversees the performance of Ascott REIT's properties and develops and implements asset plans and strategies for the portfolio.

Ms Kang has been with the CapitaLand Group for more than 15 years and was the Vice President of Finance with CapitaLand China, prior to joining the Manager. She was responsible for the finance function of the private equity funds investing in integrated mixed-used commercial properties in China, including all aspects of financial reporting, treasury matters, capital management and communication with investors. She was also involved in the origination of these private equity funds and participated in investment and divestment deals.

Ms Kang holds a Bachelor of Accountancy from Nanyang Technological University, Singapore, and is a Chartered Accountant of the Institute of Singapore Chartered Accountants.

6. REPATRIATION OF CASH

The distributable income of Ascott REIT is substantially based on the cash operating profits of all the Properties in Ascott REIT's portfolio. There are various avenues by which cash may be repatriated from the Property Companies to Ascott REIT:

- (a) dividend income received by Ascott REIT via the Property Holding Companies;
- (b) repayment of shareholders' loans extended within Ascott REIT, the Property Holding Companies and Property Companies; and
- (c) incurrence of borrowings by Ascott REIT to address constraints in the repatriation of cash and dividends by certain Property Companies. This will be partially offset by the use of the unrepatriated cash to repay third party borrowings at the overseas level such that the overall gearing of Ascott REIT is substantially maintained.

7. RECENT DEVELOPMENTS

- (i) On 7 August 2018, the Manager announced that a total of 2,470,495 Units in Ascott REIT have been issued at an issue price of S\$1.0837 per Unit to the Manager as partial payment of the base component of the management fee (the **Base Fees**) for the period from 1 April 2018 to 30 June 2018 (both dates inclusive).

The balance of the Base Fees of S\$952,522 (excluding applicable goods and services tax) was paid in cash. The aforesaid Base Fees are computed in accordance with the provisions stipulated in the Ascott REIT Trust Deed.

- (ii) On 20 September 2018, the Manager announced the acquisition of a prime greenfield site for S\$62.4 million for its maiden development project. It is developing the first coliving property in Singapore's research and innovation business hub, one-north. Located at Nepal Hill amidst 400 companies, 800 startups and 50,000 professionals, the property is expected to be managed by the Sponsor under the coliving brand, lyf, targeted at the rising millennial segment. To be named lyf one-north Singapore, the property is expected to offer 324 units. It is slated to achieve Temporary Occupation Permit by 2020 and open in 2021.
- (iii) On 25 September 2018, the Manager announced that Ascott REIT MTN Pte. Ltd., a wholly-owned subsidiary of the Trustee, had issued JPY5,000,000,000 (equivalent to S\$61,365,000⁷) in aggregate principal amount of 0.971% Fixed Rate Notes due 2025 (the **2025 Notes**) (ISIN Code: XS1883242072) under its S\$1,000,000,000 Multicurrency Medium Term Note Programme established in September 2009, with the net proceeds arising from the issue of the 2025 Notes (after deducting issue expenses) being used to refinance existing borrowings of Ascott REIT MTN Pte. Ltd.
- (iv) On 27 September 2018, the Manager announced the redemption in full of the JPY5,000,000,000 (equivalent to S\$61,365,000⁸) in aggregate principal amount of 2.010% Fixed Rate Notes due 2018 (the **September 2018 Notes**) (ISIN Code: XS0973950636) issued by Ascott REIT MTN Pte. Ltd. at 100 per cent of its principal amount. Following the full redemption of the September 2018 Notes on the maturity date of 27 September 2018, the September 2018 Notes have been cancelled in accordance with the terms and conditions of the September 2018 Notes and there are no outstanding September 2018 Notes.
- (v) On 5 November 2018, the Manager announced that a total of 2,567,620 Units have been issued at an issue price of S\$1.0573 per Unit to the Manager as partial payment of the Base Fees for the period from 1 July 2018 to 30 September 2018 (both dates inclusive).

The balance of the Base Fees of S\$974,333 (excluding applicable goods and services tax) was paid in cash. The aforesaid Base Fees are computed in accordance with the provisions stipulated in the Ascott REIT Trust Deed.

- (vi) On 9 November 2018, the Manager announced that Ascott REIT MTN Pte. Ltd. had issued S\$100,000,000 in principal amount of 3.523% Notes due 9 November 2023 (ISIN Code: SGXF25483649) under its S\$1,000,000,000 Multicurrency Medium Term Note Programme established in September 2009, with the net proceeds arising from the issue of these Notes (after deducting issue expenses) being used to refinance existing borrowings of Ascott REIT MTN Pte. Ltd.
- (vii) On 30 November 2018, the Manager announced the redemption in full of the S\$100,000,000 in aggregate principal amount of 4.30% Fixed Rate Notes due 2018 (the **November 2018 Notes**) (ISIN Code: SG6R34976464) issued by Ascott REIT MTN Pte. Ltd. at 100 per cent of its principal amount. Following the full redemption of the notes on the maturity date of 30 November 2018, the November 2018 Notes have been cancelled in accordance with the terms and conditions of the November 2018 Notes and there are no outstanding November 2018 Notes.
- (viii) On 9 January 2019, the Manager announced the divestment of the whole of Lot 99211W of Town Subdivision 1 as comprised in Certificate of Title Volume 526 Folio 29 and known as "Ascott Raffles Place Singapore", 2 Finlayson Green, Singapore 049247, together with the building(s) erected thereon and the plant and equipment (the **Ascott Raffles Place Sale**). The Ascott Raffles Place Sale was completed on 9 May 2019.

⁷ Based on exchange rate of JPY100 = S\$1.2273.

⁸ Based on exchange rate of JPY100 = S\$1.2273.

- (ix) On 11 February 2019, the Manager announced that a total of 7,967,518 Units have been issued at an issue price of S\$1.1814 per Unit to the Manager as partial payment of the Management Fees, which includes (a) the Base Fees for the period from 1 October 2018 to 31 December 2018 (both dates inclusive) and (b) the performance fee for the period from 1 January 2018 to 31 December 2018 (both dates inclusive).

The balance of the Management Fees of S\$3,494,673 (excluding applicable goods and services tax) was paid in cash. The aforesaid Management Fees are computed in accordance with the provisions stipulated in the Ascott REIT Trust Deed.

- (x) On 1 March 2019, the Manager announced that it had transferred 196,659 Units from its unitholding to its key management personnel under its restricted unit plan, which is a performance-based variable equity-based component of the remuneration for the key management personnel of the Manager pursuant to which Units are awarded with the view of promoting alignment of the key management personnel's interests with those of the unitholders.
- (xi) On 26 March 2019, the Manager announced that the Ascott REIT Trustee has established the following wholly-owned subsidiaries as part of its ongoing business development:
- (a) Ascott REIT Thirteen Pte. Ltd. The principal activity of Ascott REIT Thirteen Pte. Ltd. is investment holding. The share capital upon incorporation of Ascott REIT Thirteen Pte. Ltd. is S\$1.00, comprising one ordinary share. The country of incorporation of Ascott REIT Thirteen Pte. Ltd. is Singapore.
- (b) Ascott REIT Thirteen Pty Ltd. The principal activity of Ascott REIT Thirteen Pty Ltd is to be the trustee company of Ascott REIT Thirteen Unit Trust. The share capital upon incorporation of Ascott REIT Thirteen Pty Ltd is AUD1.00 (equivalent to approximately S\$0.96), comprising one ordinary share. The country of incorporation of Ascott REIT Thirteen Pty Ltd is Australia.
- (xii) On 27 March 2019, the Manager announced the acquisition of Felix Hotel, a prime freehold limited-service business hotel located in close proximity to Sydney Airport, for A\$60.6 million (approximately S\$58.8 million). The 150-room property was rebranded as Citadines Connect Sydney Airport, and is Ascott REIT's first business hotel in Australia and its first property to be managed by the Sponsor under the new Citadines Connect brand.
- (xiii) On 3 May 2019, the Manager announced that it had transferred 67,770 Units at S\$1.2002 per Unit from its unitholding to the non-executive directors of the Manager as part payment of directors' fees for FY2018.
- (xiv) On 6 May 2019, the Manager announced that a total of 2,217,752 Units have been issued at an issue price of S\$1.2005 per Unit to the Manager as partial payment of the Base Fees for the period from 1 January 2019 to 31 March 2019 (both dates inclusive).

The balance of the Base Fees of S\$966,518 (excluding applicable goods and services tax) was paid in cash. The aforesaid Base Fees are computed in accordance with the provisions stipulated in the Ascott REIT Trust Deed.

Proposed Combination between Ascott REIT and A-HTRUST

- (xv) On 3 July 2019, Ascott REIT entered into an Implementation Agreement with A-HTRUST, pursuant to which the parties agreed to implement the Combination on the terms and subject to the conditions set out in the Implementation Agreement. The proposed Combination of Ascott REIT and A-HTRUST will be effected through the acquisition of all the A-HTRUST Stapled Units by way of a trust scheme of arrangement for a consideration of S\$1.0868 for each A-HTRUST Stapled Unit. The A-HTRUST Scheme Consideration comprises the Cash Consideration and the Consideration Units. The Manager will finance the cash component of its share of total transaction costs, including the Cash Consideration, using its existing debt facilities.

In connection with the Combination, Ascott REIT will establish a wholly-owned Ascott BT, with the number of units in Ascott BT being equivalent to the number of issued and outstanding Units in Ascott REIT. Pursuant to the Ascott REIT Scheme, which is a trust scheme of arrangement by Ascott REIT, all the units in Ascott BT will be distributed *in specie* to the unitholders of Ascott REIT. Each unit in Ascott BT will be stapled to one unit in Ascott REIT under the terms of a stapling deed and cannot be traded separately.

Further, in connection with the Combination, the units in A-HTRUST REIT and the units in A-HTRUST BT will be unstapled from each other. Pursuant to the A-HTRUST Scheme, Ascott REIT will acquire 100.0% of the units in A-HTRUST REIT and Ascott BT will acquire 100.0% of the units in A-HTRUST BT. Accordingly, the Combined Entity will be a stapled group comprising Ascott REIT (which will hold A-HTRUST REIT) and Ascott BT (which will hold A-HTRUST BT). Subject to and following the completion of the Combination, the enlarged portfolio of Ascott REIT will comprise both the existing properties of Ascott REIT as at the Latest Practicable Date (as set out on pages 100 to 107 of this Offering Circular) and the properties of A-HTRUST REIT.

The Combination will consolidate Ascott REIT's position as the largest hospitality trust in the Asia Pacific.⁹ As at 31 March 2019, it is expected that post-Combination, the total assets of the Combined Entity will increase from S\$5.7 billion to approximately S\$7.6 billion. This represents the addition of 14 quality properties of A-HTRUST which are predominantly freehold and located in Japan, South Korea, Singapore and Australia. Accordingly, the Combined Entity will have a portfolio of 88 properties with over 16,000 units in 39 cities and 15 countries across Asia Pacific, Europe and the United States. The Combination will also further diversify Ascott REIT's global portfolio with foray into new gateway cities, Brisbane and Seoul.

For the avoidance of doubt, assuming that the proposed Combination is completed, 5 out of 14 of the aforementioned properties will form part of the property portfolio of Ascott REIT (through A-HTRUST REIT). The enlarged portfolio of Ascott REIT (subject to and following the completion of the Combination) will not comprise the properties that are held under Ascott BT or A-HTRUST BT. Please see "*Risk Factors - The Securities are structurally subordinated to any and all existing and future liabilities and obligations of Ascott REIT's Subsidiaries*".

In addition, the Combination will strengthen the Combined Entity's financial position, giving it greater ability to drive growth. The Combined Entity will have a *pro forma* gearing of 36.9%, representing a debt headroom of approximately S\$1.0 billion as compared to the Group's existing debt headroom of approximately S\$800 million. With the larger debt headroom and enlarged scale, the Combined Entity will enjoy greater financial flexibility to fund investments and will be well-placed to capture potential opportunities globally. In addition, the enlarged asset base will increase the capacity of the Combined Entity to undertake more development or conversion projects.

The Combination is subject, among other things, to (i) approvals by the Unitholders, among others, to amend the Ascott REIT Trust Deed in connection with the Combination, to approve the Ascott REIT Scheme and to issue the Consideration Units; (ii) approvals by the A-HTRUST Stapled Unitholders to amend the trust deeds of A-HTRUST to reflect amendments in connection with the Combination and to approve the A-HTRUST Scheme; and (iii) approval by the Unitholders or the A-HTRUST Stapled Unitholders, as the case may be, as are necessary or required pursuant to applicable laws (including the Singapore Code on Take-overs and Mergers, the Listing Manual, the Property Funds Appendix and the Business Trusts Act, Chapter 31A of Singapore) or by a court, the Securities Industry Council, the MAS, the SGX or any other governmental authority, for or in respect of the implementation of the Combination, the Ascott REIT Scheme, the acquisition by the trustee of Ascott REIT of all the units in A-HTRUST REIT and by the Ascott BT Trustee-Manager of all the units in A-HTRUST BT in consideration for the A-HTRUST Scheme Consideration, the A-HTRUST Scheme and the transactions contemplated under the Implementation Agreement.

The completion of the proposed Combination is expected to take place in December 2019.

⁹ Based on Bloomberg as at 28 June 2019, reflecting only hospitality trusts with total assets of at least S\$1.0 billion. Assuming an exchange rate of S\$1 = US\$0.739 = HK\$5.771 = RMB5.077 = JPY79.61 = RM3.054 = A\$1.055 as at 28 June 2019.

MANAGEMENT

The Board of Directors of the Manager

The Board is responsible for the overall management and corporate governance of the Manager and Ascott REIT. It provides leadership to the Manager, sets strategic directions and oversees competent management of Ascott REIT. The Board has established a framework for the management of the Manager, including a system of internal controls and a business risk management process. It also sets the disclosure and transparency standards for Ascott REIT and ensures that obligations to the Unitholders and other stakeholders are understood and met.

The Board meets regularly and as and when warranted by particular circumstances as deemed appropriate by the Board members. Board meetings are scheduled in advance and are held at least once quarterly, to review and deliberate on strategic policies of Ascott REIT, significant acquisitions and disposals, financial performance and budget, and announcements of quarterly results. The Board also reviews the risks to the assets of Ascott REIT and acts upon comments from the auditors.

In the discharge of its functions, the Board is supported by special Board committees that provide independent oversight of the management team of the Manager, and which also serve to ensure that there are appropriate checks and balances. These Board committees are the Audit Committee, Corporate Disclosure Committee and Executive Committee. Each of these Board committees operates under delegated authority from the Board. Other committees may be formed as dictated by business imperatives and/or to promote operational efficiency.

As at the Latest Practicable Date, the Board consists of seven members, four of whom are non-executive independent directors, two of whom are non-independent and non-executive directors and one of whom is the Chief Executive Officer and executive non-independent director.

On 3 July 2019, Ascott REIT entered into an implementation agreement with A-HTRUST, pursuant to which the parties agreed to implement the Combination of Ascott REIT and A-HTRUST on the terms and subject to the conditions set out in the agreement. For further details on the Combination, see “*Risk Factors – The proposed Combination may not complete, or if completed, may not yield expected benefits and may result in adverse effects on the business, financial condition, results of operations and prospects of Ascott REIT*” and “*Description of Ascott REIT – Recent Developments – Proposed Combination between Ascott REIT and A-HTRUST*”. With respect to the Combination, subject to further evaluation by the Board, the Manager has no intention to amend the present constitution of the Board pursuant to the Combination. In any event, the Board retains and reserves, and after the Combination, the board of directors of the Ascott BT Trustee-Manager, will retain and reserve, the right and flexibility at any time and from time to time to consider any options in relation to the Combined Entity (including Ascott REIT) which may present themselves and which they may regard to be in the interests of the Combined Entity.

Information on the business and working experience of each of the Directors on the Board as at the Latest Practicable Date is set out below:

- **Mr Tan Beng Hai, Bob**
Chairman and Non-Executive Independent Director

Mr Tan Beng Hai, Bob joined the Board on 24 April 2015 as Non-Executive Independent Director and was appointed as Chairman of the Board on 1 September 2016. Mr Tan is also the Chairman of the Corporate Disclosure Committee.

Mr Tan is a director of two other listed companies, namely Singapore Post Limited and Sembcorp Marine Ltd. He is also a director of the Inland Revenue Authority of Singapore and a member of the Board of Ong Teng Cheong Labour Leadership Institute. Mr Tan is the Chairman of the Institute of Technical Education, Jurong Engineering Limited, SINGEX Holdings Pte. Ltd. and Sentosa Development Corporation.

In addition, he also serves as a member of the NTUC Club Management Council and the Corporate Governance Advisory Committee of the Monetary Authority of Singapore.

Mr Tan was awarded the NTUC May Day Friend of Labour Award in 2000, the Public Service Star Award – National Day Award in 2010, the NTUC May Day Meritorious Service Award in 2013, The Meritorious Service Medal – National Day Award in 2017 and the NTUC May Day Distinguished Service Award in 2018.

Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales, UK.

- **Ms Beh Siew Kim**
Chief Executive Officer and Executive Non-Independent Director

Ms Beh Siew Kim joined the Board on 1 May 2017 as Executive Non-Independent Director. She is also a member of the Corporate Disclosure Committee and the Executive Committee.

Ms Beh is responsible for spearheading the overall strategic planning and leading the implementation of the business, investment and operational strategies for Ascott REIT. She has over 20 years of experience in financial and corporate planning, development and compliance in real estate, as well as auditing in Singapore and Malaysia.

Ms Beh has been with the CapitaLand Group for more than 10 years, and was the Financial Controller and Head of Corporate Planning & Compliance at CapitaLand China prior to joining the Manager. She was responsible for the corporate planning, financial reporting, forecasting, capital management and compliance functions of CapitaLand China. As a member of the senior management team, Ms Beh has been actively involved in deal analysis, investor relations, as well as private and institutional financing. In her 10 years with CapitaLand China, she has participated in the set-up of private equity funds, investment and divestment deals.

Before joining CapitaLand Group, Ms Beh held other finance and audit positions in SembCorp Industries Limited, Ernst & Young and Arthur Andersen.

She holds a Bachelor of Business (Accounting) from the University of Tasmania, Australia, and is a member of the Institute of Singapore Chartered Accountants.

- **Mr Zulkifli Bin Baharudin**
Non-Executive Independent Director

Mr Zulkifli Bin Baharudin joined the Board on 1 January 2013. He is also a member of the Audit Committee.

Mr Zulkifli is currently the Executive Chairman of ITL Corporation and Managing Director of Global Business Integrators Pte. Ltd.. He also holds directorships and appointments in several companies and institutions. These include the boards of GDS Holdings Limited, SMU Ventures Pte. Ltd., Virtus HoldCo Limited, Ang Mo Kio – Thye Hua Kwan Hospital Ltd., Thye Hua Kwan Moral Charities Limited and Omni Holdco, LLC. He is also a director on the Board of Trustees of the Singapore Management University.

Mr Zulkifli is Singapore's Ambassador (Non-Resident) to the Republic of Kazakhstan and Uzbekistan. He was also a Nominated Member of Parliament in Singapore from 1997 to 2001.

Mr Zulkifli was awarded the Public Service Award (Meritorious) in 2005 and BBM, Public Service Star Award in 2011.

Mr Zulkifli holds a Bachelor of Science degree in Estate Management from the National University of Singapore.

- **Mr Sim Juat Quee Michael Gabriel**
Non-Executive Independent Director

Mr Sim Juat Quee Michael Gabriel joined the Board on 1 September 2016. He is also the Chairman of the Audit Committee.

Mr Sim is an Executive Director of Platanetree Capital Pte. Ltd. and a member of the Board of Jurong Town Corporation and Lien Aid Limited. He also serves as the Vice Chairman of the Board of Governors of Catholic Welfare Services and the Chairman of the Archdiocesan Audit Committee Roman Catholic Archdiocese of Singapore.

Mr Sim was an Advisory and Assurance Partner with Ernst & Young from 1995 to 2015.

Mr Sim graduated from the University of South Australia, Australia with a Master of Business Administration. He is a Fellow of the Association of Chartered Certified Accountants, UK, the Institute of Chartered Accountants of Singapore and a Certified Public Accountant, Australia. He is also a Certified Fraud Examiner of the Association of Certified Fraud Examiners.

- **Ms Elaine Carole Young**
Non-Executive Independent Director

Ms Elaine Carole Young joined the Board on 1 September 2016. She is also a member of the Audit Committee.

Ms Young is currently a non-executive director and a member of the Remuneration Committee and the Finance & Investment Committee of Link Asset Management Limited, the manager of Link Real Estate Investment Trust, which is listed on the Stock Exchange of Hong Kong. She is also a director and Chief Executive Officer of ECY Consulting Ltd, and a director of Asia Hope Ltd, Jungamals International Ltd, Newick International Ltd, NOVA Property Investment Co. Ltd. and The Mekong Club. In 2019, she co-founded “TULU”, a co-living brand and is a director of Shanghai TULU Management Consulting Co., Limited.

Ms Young was previously an Executive Director of ONYX Hospitality Ltd, from 2011 to 2014. She was also the founder and Chief Executive Officer of SHAMA Management Limited from 2000 to 2011.

Ms Young was awarded the “Entrepreneur of the Year” Award by RBS Coutts and the Financial Times at the Women in Asia Awards in 2009.

Ms Young graduated from the Ardingly College, UK.

- **Mr. Lee Chee Koon**
Non-Executive Non-Independent Director

Mr Lee Chee Koon joined the Board on 1 June 2013. He is the Chairman of the Executive Committee and a member of the Corporate Disclosure Committee.

Mr Lee is currently the Group Chief Executive Officer of CapitaLand. He is the Chairman of the boards of Ascott, CapitaLand International Pte. Ltd., CapitaLand China Holdings Pte Ltd, CapitaLand Singapore Limited, CapitaLand VN Limited, CapitaLand Financial Limited, CapitaLand Singapore (BP&C) Pte. Ltd. and CapitaLand India Pte. Ltd., and Co-Chairman and a director of LFIE Holding Limited.

Mr Lee is also a director on the boards of CapitaLand, CapitaLand Commercial Trust Management Limited, CapitaLand Corporate Investments Pte Ltd, Pidemco Land Singapore Pte. Ltd. and CapitaLand Hope Foundation. He also holds directorships and appointments in several companies and institutions. These include the boards of Temasek Foundation Nurtures CLG Limited, EDBI Pte Ltd and SkillsFuture Singapore Agency, a member of the Development Committee & Fund Raising Committee of St. Joseph’s Institution International Ltd and St. Joseph’s Institution International Elementary School Ltd and a member of Lifelong Learning Endowment Fund Advisory Council.

Before taking up his role as Group Chief Executive Officer of CapitaLand, Mr Lee was the Group Chief Investment Officer of CapitaLand. Mr Lee joined CapitaLand in February 2007 and has held several appointments within the CapitaLand group, including as Chief Executive Officer of Ascott, CapitaLand’s wholly owned serviced residence business, from 2013 to 2017 and oversaw the management and growth of Ascott, which has more than 70,000 serviced residence units in over 120 cities in more than 30 countries across the Americas, Asia Pacific, Europe and the Middle East,

Deputy Chief Executive Officer of Ascott, assisting the Chief Executive Officer in strategic planning and investment of the serviced residence business, and Ascott's Managing Director for North Asia, responsible for driving Ascott's investment and business development as well as managing operations in China, Japan and Korea. Mr Lee was also the Vice President in the Office of the President at CapitaLand from 2007 to 2009. Prior to joining CapitaLand, Mr Lee held appointments in various ministries in Singapore such as the Ministry of Trade and Industry, the Ministry of Finance and the MAS.

Mr Lee obtained a first class honours degree in Mechanical Engineering from the National University of Singapore in 1999. He also holds a Master of Science degree in Advanced Mechanical Engineering from Imperial College London, United Kingdom.

- **Mr Lim Cho Pin Andrew Geoffrey**
Non-Executive Non-Independent Director

Mr Lim Cho Pin Andrew Geoffrey joined the Board on 1 January 2018. He is also a member of the Audit Committee and the Executive Committee.

Mr Lim is the Group Chief Financial Officer of CapitaLand Group. In his role, he has direct oversight of the functions of treasury, financial reporting and controls, risk management, tax, investor relations, group strategic investment, and sustainability. He also looks after the administrative matters of the internal audit department of CapitaLand. He is a director of CapitaLand Mall Trust Management Limited, CapitaLand Commercial Trust Management Limited, CapitaLand Retail China Trust Management Limited and CapitaLand Malaysia Mall REIT Management Sdn. Bhd..

Mr Lim is the President of the Real Estate Investment Trust Association of Singapore. He is a member of the Institute of Singapore Chartered Accountants' CFO Committee, a member of the Accounting Standards Council, and represents CapitaLand as a founding member of the first Accounting for Sustainability Circle of Practice in Asia.

Prior to joining CapitaLand, he was at HSBC where he served as Managing Director and Head of South East Asia Advisory Coverage, Real Estate and Hospitality.

Mr Lim has a Master of Business Administration and a Bachelor of Commerce degree from the Rotman School of Business at the University of Toronto, and is a Chartered Financial Analyst charterholder.

INFORMATION ON THE PROPERTIES

Ascott REIT's property portfolio as at the Latest Practicable Date consists of the Properties listed in the tables below.

On 3 July 2019, Ascott REIT entered into an implementation agreement with A-HTRUST, pursuant to which the parties agreed to implement the Combination of Ascott REIT and A-HTRUST on the terms and subject to the conditions set out in the agreement. Subject to and following the completion of the Combination, the enlarged portfolio of Ascott REIT will comprise both the existing properties of Ascott REIT as at the Latest Practicable Date and the properties of A-HTRUST REIT as at the completion of the Combination. For further information relating to the Combination and the properties of A-HTRUST REIT, please refer to (i) the announcements, circulars and other information which have been or may be released by Ascott REIT and, (ii) the description of the portfolio of properties of A-HTRUST at the following link: <https://www.a-htrust.com/en/portfolio>¹⁰.

Australia (6 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(1) Citadines on Bourke Melbourne	131 – 135 Bourke Street, Melbourne, Victoria 3000, Australia	380	162.1	Freehold estate	100.0%
(2) Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000, Australia	85	18.8	Freehold estate	100.0%
(3) Quest Campbelltown ⁽³⁾	1 Rennie Road, Woodbine NSW 2560, Australia	81	21.4	Freehold estate	100.0%
(4) Quest Mascot ⁽³⁾	108 – 114 Robey Road, Mascot NSW 2020, Australia	91	25.1	Freehold estate	100.0%
(5) Quest Sydney Olympic Park ⁽³⁾	6 Edwin Flack Avenue, Sydney Olympic Park NSW 2127, Australia	140	45.5	Leasehold estate of 99 years expiring on 27 October 2111	100.0%
(6) Citadines Connect Sydney Airport (formerly known as Felix Hotel) ⁽¹⁾	113-121 Baxter Road, Mascot, New South Wales, Australia	150	62.6	Freehold estate	100.0%

¹⁰ None of Ascott REIT, the Manager, the Issuer, the Sole Lead Manager and Bookrunner and the Agents bear any responsibility for the accuracy, legality or content of the external site or for that of subsequent links. The information in such external site and/or subsequent links have not been independently verified, and none of Ascott REIT, the Manager, the Issuer, the Sole Lead Manager and Bookrunner and the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person makes any representation as to the accuracy of that information. Unless otherwise stated, none of the information contained in the external site or subsequent links is intended to be incorporated by reference to or form part of this Offering Circular.

China (7 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (S\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(7) Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630, China	207	102.1	Leasehold estate of 70 years expiring on 26 December 2074	100.0%
(8) Somerset Grand Central Dalian	128-2 Jinma Road, Dalian Development Area, Dalian 116600, China	195	101.1	Leasehold estate of 50 years expiring on 16 November 2056	100.0%
(9) Somerset Xu Hui Shanghai	888, Shaanxi Nan Road, Xu Hui District, Shanghai 200031, China	168	79.2	Leasehold estate of 70 years expiring on 22 June 2066	100.0%
(10) Somerset Olympic Tower Property Tianjin ⁽²⁾	126, Chengdu Road, Heping District, Tianjin 300051, China	185	66.3	Leasehold estate of 70 years expiring on 19 November 2062	100.0%
(11) Somerset Heping Shenyang	80 Taiyuan North Street, Heping District, Shenyang 110000, China	270	78.8	Leasehold estate of 40 years expiring on 30 October 2046	100.0%
(12) Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021, China	167	30.5	Leasehold estate of 70 years expiring on 31 December 2066	100.0%
(13) Citadines Zhuankou Wuhan	159 Dongfeng Avenue (Xianglong Business Centre Zone C) Wuhan Economic and Technological Development Zone, Wuhan 430056, Hubei Province, China	249	44.6	Leasehold estate of 40 years expiring on 26 December 2043	100.0%

Indonesia (2 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (S\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(14) Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230, Indonesia	204	62.9	Leasehold estate of 26 years expiring on 31 March 2024	100.0%
(15) Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940, Indonesia	203 (includes 40 rental housing units)	39.7	Leasehold estate of 30 years expiring on 14 August 2024	57.4%

Japan (15 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (S\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(16) Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma- Higashiiru, Shimogyo-ku, Kyoto 600-8105, Japan	124	58.2	Freehold estate	100.0%
(17) Citadines Central Shinjuku Tokyo	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo 1600021 Japan	206	141.8	Freehold estate	100.0%
(18) Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan	160	114.0	Freehold estate	100.0%
(19) Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044, Japan	79	44.8	Freehold estate	100.0%
(20) Infini Garden	3-2-2, 3, 4, 5 KashiiTeriha, Higashi-ku, Fukuoka, Japan	389	84.9	Freehold estate	100.0%
(21) Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032, Japan	64	39.4	Freehold estate	100.0%
(22) Actus Hakata V-Tower	3-15-10, Hakata Ekimae, Hakata-ku, Fukuoka, Japan	296	46.8	Freehold estate	100.0%
(23) Big Palace Kita 14jo	4-1-6, Kita14jo Nishi, Kita-ku, Sapporo, Japan	140	18.9	Freehold estate	100.0%
(24) Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima, Japan	63	7.5	Freehold estate	100.0%
(25) Gravis Court Kokutajji	2-1-9, Kokutajjimachi, Naka-ku, Hiroshima, Japan	48	5.7	Freehold estate	100.0%
(26) Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima, Japan	29	4.8	Freehold estate	100.0%
(27) S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka, Japan	178	38.3	Freehold estate	100.0%
(28) S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka, Japan	110	20.0	Freehold estate	100.0%
(29) S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka, Japan	98	17.7	Freehold estate	100.0%
(30) S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka, Japan	102	21.4	Freehold estate	100.0%

Malaysia (1 property)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (S\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(31) Somerset Kuala Lumpur	187, Jalan Ampang 50450, Kuala Lumpur, Malaysia	205	50.8	Freehold estate	100.0%

Philippines (2 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (S\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(32) Ascott Makati	Glorietta 4, Ayala Centre, Makati City 1224, The Philippines	362	122.2	Contract of Lease of 48 years expiring on 6 January 2044, with an option to renew for another 25 years upon the mutual agreement of the parties	100.0%
(33) Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229, The Philippines	133	15.9	Freehold estate	63.0%

Singapore (4 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (S\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(34) Ascott Orchard Singapore ⁽³⁾	11 Cairnhill Road Singapore 229724	220	407.0	Leasehold estate of 99 years expiring on 11 May 2113	100.0%
(35) Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	154	132.0	Leasehold estate of 96 years expiring on 19 February 2105	100.0%
(36) Somerset Liang Court Property Singapore	177B, River Valley Road, Singapore 179032	197	211.0	Leasehold estate of 97 years expiring on 1 May 2077	100.0%
(37) lyf one-north Singapore (under development)	Lot 5360P MK3 at Nepal Hill, one-north, Portsdown Road, Singapore	324 ⁽⁵⁾	67.1	An agreement for lease (AFL) has been entered into with Jurong Town Corporation (JTC) relating to the grant by JTC of a lease of this property to Ascott REIT for a term of 60 years expiring on 2 January 2079. ⁽⁶⁾	100.0%

Vietnam (5 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(38) Somerset Chancellor Court Ho Chi Minh City	21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City, Vietnam	172	56.1	Leasehold estate of 48 years expiring on 4 October 2041	67.0%
(39) Somerset Grand Hanoi	49 Hai Ba Trung Street, Hanoi, Vietnam	185	115.7	Leasehold estate of 45 years expiring on 8 February 2038	76.0%
(40) Somerset Ho Chi Minh City	8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City, Vietnam	198	45.9	Leasehold estate of 45 years expiring on 25 December 2039	63.0%
(41) Somerset West Lake Hanoi	254D Thuy Khue Road, Hanoi, Vietnam	90	13.3	Leasehold estate of 49 years expiring on 30 September 2041	70.0%
(42) Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Cau Giay, Hanoi, Vietnam	206	41.5	Leasehold estate of 36 years expiring on 24 April 2042	90.0%

France (17 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(43) Citadines City Centre Lille ⁽³⁾	Avenue Willy Brandt – Eurailille, 59777 Lille, France	101	15.0	Freehold estate	100.0%
(44) Citadines City Centre Grenoble ⁽³⁾	9-11 rue de Strasbourg 38000 Grenoble, France	107	9.0	Freehold estate	100.0%
(45) La Clef Louvre Paris ⁽³⁾	8 rue de Richelieu, 75001 Paris, France	51	48.3	Freehold estate	100.0%
(46) Citadines Trocadéro Paris ⁽³⁾	29 bis, rue Saint-Didier, 75116 Paris, France	97	42.2	Freehold estate	100.0%
(47) Citadines Presqu'île Lyon ⁽³⁾	2 rue Thomassin, 69002 Lyon, France	116	21.9	Freehold estate	100.0%
(48) Citadines Place d'Italie Paris ⁽³⁾	18, place d'Italie, 75013 Paris, France	169	51.8	Freehold estate	100.0%
(49) Citadines Montmartre Paris ⁽³⁾	16, avenue Rachel, 75018 Paris, France	111	36.3	Freehold estate	100.0%
(50) Citadines Tour Eiffel Paris ⁽³⁾	132, Boulevard de Grenelle, 75015 Paris, France	104	69.7	Freehold estate	100.0%
(51) Citadines Antigone Montpellier ⁽³⁾	588, boulevard d'Antigone, 34000 Montpellier, France	122	15.9	Freehold estate	100.0%

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(52) Citadines Castellane Marseille ⁽³⁾	60, rue du Rouet, 13006 Marseille, France	97	12.4	Freehold estate	100.0%
(53) Citadines Austerlitz Paris ⁽³⁾	27, rue Esquirol, 75013 Paris, France	50	11.0	Freehold estate	100.0%
(54) Citadines République Paris ⁽³⁾	75 bis, avenue Parmentier, 75011 Paris, France	76	22.5	Freehold estate	100.0%
(55) Citadines Maine Montparnasse Paris ⁽³⁾	67, avenue du Maine, 75014 Paris, France	67	24.7	Freehold estate	100.0%
(56) Citadines Prado Chanot Marseille ⁽³⁾	9-11, boulevard de Louvain, 13008 Marseille, France	77	9.5	Freehold estate	100.0%
(57) Citadines Les Halles Paris ⁽³⁾	4, rue des Innocents, 75001 Paris, France	189	84.6	Freehold estate	100.0%
(58) Citadines Didot Montparnasse Paris ⁽³⁾	94, rue Didot, 75014 Paris, France	80	21.5	Freehold estate	100.0%
(59) Citadines Croisette Cannes ⁽³⁾	1, rue le Poussin, 06400 Cannes, France	58	7.7	Freehold estate	100.0%

UK (4 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(60) Citadines Barbican London ⁽⁴⁾	7-21 Goswell Road, London EC1M 7AH, United Kingdom	129	76.6	Freehold estate	100.0%
(61) Citadines South Kensington London ⁽⁴⁾	35A Gloucester Road, London SW7 4PL, United Kingdom	92	76.3	Freehold estate	100.0%
(62) Citadines Trafalgar Square London ⁽⁴⁾	18/21 Northumberland Avenue, London WC2N 5EA, United Kingdom	187	175.3	Freehold estate	100.0%
(63) Citadines Holborn-Covent Garden London ⁽⁴⁾	94-99 High Holborn, London WC1V 6LF, United Kingdom	192	161.7	Freehold estate	100.0%

Belgium (2 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(64) Citadines Sainte-Catherine Brussels ⁽⁴⁾	51, quai au Bois à Brûler 1000 Brussels, Belgium	169	36.5	Freehold estate	100.0%
(65) Citadines Toison d'Or Brussels ⁽⁴⁾	61-63, Avenue de la Toison d'Or, 1060 Brussels, Belgium	154	30.9	Freehold estate	100.0%

Germany (5 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(66) Citadines City Centre Frankfurt ⁽³⁾	Europa-Allee 23, 60327 Frankfurt am Main, Germany	165	62.1	Freehold estate	93.0%
(67) Citadines Michel Hamburg ⁽³⁾	Ludwig-Erhard-Straße 7, 20459 Hamburg, Germany	127	47.8	Leasehold estate of 99 years expiring on 31 December 2111	93.0%
(68) Citadines Kurfürstendamm Berlin ⁽³⁾	Olivaer Platz 1, 10707 Berlin-Wilmersdorf, Germany	117	22.5	Freehold estate	100.0%
(69) Citadines Arnulfpark Munich ⁽³⁾	Arnulfstrasse 51, 80636 München, Germany	146	37.3	Freehold estate	99.0%
(70) The Madison Hamburg ⁽³⁾	Schaarsteinweg 4, 20459 Hamburg, Germany	166	78.6	Freehold estate	100.0%

Spain (1 property)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(71) Citadines Ramblas Barcelona ⁽⁴⁾	Ramblas 122, 08002 Barcelona, Spain	131	68.9	Freehold estate	100.0%

United States (3 properties)

Property Name	Address	Number of Apartment Units	Appraised Value as at 30 June 2019 (S\$ million)	Title	Effective Interest Held by Ascott REIT in the Property
(72) DoubleTree by Hilton Hotel New York – Times Square South	341 West 36th Street, New York, New York 10018, The United States of America	224	151.9	Freehold estate	100.0%
(73) Element New York Times Square West	311 West 39th Street, New York, New York 10018, The United States of America	411	231.8	Leasehold estate of 99 years expiring on 31 October 2112	100.0%
(74) Sheraton Tribeca New York Hotel	370 Canal Street, New York, New York 10013, The United States of America	369	228.2	Leasehold estate of 99 years expiring on 31 October 2112	100.0%

Notes:

- (1) This property was acquired in May 2019. The valuation as at 1 January 2019 by the independent valuer, HVS, was adopted as at 30 June 2019.
- (2) In respect of the serviced residence portion of Somerset Olympic Tower Property, Tianjin and excluding the commercial podium of 6,194 sq m under a 33-year master lease between Tianjin Sports Administration Bureau (as lessor) and Tianjin Cosco (as lessee) for the period from 1 July 2006 to 30 June 2039.
- (3) These properties are subject to Master Lease arrangements.
- (4) These properties are managed and operated pursuant to separate Ascott Management Agreements that provide minimum guaranteed income.
- (5) Subject to change.
- (6) The lease for this property will be substantially on the terms set out in the form of lease enclosed in the AFL and the lease and lease term will be confirmed by JTC in writing after Ascott REIT has (i) completely finished the building works at or on the property to JTC's satisfaction; and (ii) the temporary occupation permit(s) for the entire building works have been obtained from the relevant authorities.

TAXATION

The statements below are general in nature and are based on certain aspects of current Singapore income tax laws and regulations, administrative guidelines and circulars issued by the MAS and the IRAS and decisions now in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). The statements are also based on relevant budget measures announced in the 2019 Singapore Budget which have yet to be enacted as laws. These laws, regulations, administrative guidelines and circulars are also subject to various interpretations and no assurance can be given that the relevant tax authorities or the courts will agree with the explanations or conclusions set out below. Neither these statements nor any other statements in Offering Circular are intended or are to be regarded as advice on the tax position of any holder of Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. The statements should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Holders and prospective holders of the Securities are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Securities, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of Ascott REIT, the Sole Lead Manager and Bookrunner or any other persons involved in the issue and offer of the Securities accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Securities.

Singapore tax classification of hybrid instruments

The ITA currently does not contain specific provisions on how financial instruments that exhibit both debt-like and equity-like features, i.e. hybrid instruments, should be treated for income tax purposes. However, the IRAS has published an e-Tax Guide: Income Tax Treatment of Hybrid Instruments on 19 May 2014 (the **Hybrid Instruments e-Tax Guide**) which sets out the income tax treatment of hybrid instruments, including the factors that the IRAS will generally use to determine whether such instruments are debt or equity instruments for income tax purposes.

Among others, the IRAS has stated in the Hybrid Instruments e-Tax Guide that:

- (a) whether or not a hybrid instrument will be treated as debt or equity security for income tax purposes will firstly depend on its legal form, to be determined based on an examination of the legal rights and obligations attached to the instrument;
- (b) a hybrid instrument is generally characterised as equity if the legal terms of the instrument indicate ownership interests in the issuer. If the legal form of a hybrid instrument is not indicative of or does not reflect the legal rights and obligations, the facts and circumstances surrounding the instrument and a combination of factors, not limited to the following, would have to be examined to ascertain the nature of the instrument for income tax purposes. These factors include (but are not limited to):
 - (i) nature of interest acquired;
 - (ii) investor's right to participate in issuer's business;
 - (iii) voting rights conferred by the instrument;
 - (iv) obligation to repay the principal amount;
 - (v) payout;
 - (vi) investor's right to enforce payment;

- (vii) classification by other regulatory authority; and
- (viii) ranking for repayment in the event of liquidation or dissolution;
- (c) if a hybrid instrument is characterised as a debt instrument for income tax purposes, distributions from the issuer to the investors are regarded as interest;
- (d) if a hybrid instrument issued by a company or a REIT (as defined in the ITA) is characterised as an equity instrument for income tax purposes, distributions from the issuer to the investors are regarded as either dividends or REIT distributions; and
- (e) in respect of REIT distributions, the tax treatment depends on the underlying receipts from which such distributions are made and the profile of the investors.

Application for tax ruling

Based on the guidance set out in the Hybrid Instruments e-Tax Guide, the Manager will be applying to the IRAS for an advance tax ruling to confirm that the Securities will be treated as debt instruments for income tax purposes and Distributions (including Optional Distributions) in respect of the Securities will be treated as interest in the hands of the Holders.

Tax treatment if the Securities are characterised as debt instruments

In the event that the IRAS rules that the Securities are to be treated as debt instruments and the payment of Distributions (including Optional Distributions) in respect of the Securities is to be regarded as interest payment, the disclosure below under “A. *Interest and other payments*” summarises the income tax treatment that may be applicable on the Distributions (including Optional Distributions). The term “interest” as used therein in relation to the Securities shall include Distributions (including Optional Distributions) in respect of the Securities.

Tax treatment if the Securities are characterised as equity instruments

In the event that the IRAS determines otherwise and rules that the Securities are to be treated as equity instruments for Singapore income tax purposes and the payment of Distributions (including Optional Distributions) is to be regarded as capital distributions in the hands of the Holders, the payment of Distributions (including Optional Distributions) in respect of the Securities will not be subject to withholding of tax, irrespective of the profile of the Holders. The amount of such Distributions (including Optional Distributions) will be treated as a return of capital in the hands of Holders and will be applied to reduce the cost of their investment in the Securities for Singapore income tax purposes. Where the Holders, based on their own circumstances, are subject to Singapore income tax on gains from the disposal of the Securities, the reduced cost of their investments will be used for the purposes of computing such gains. If the amount of capital distributions exceeds the cost (or reduced cost, as the case may be) of their investment in the Securities, the excess will be subject to tax and the sale proceeds from the subsequent sale of those Securities will be fully taxable.

In the event that the IRAS rules that the Securities are to be treated as equity instruments for income tax purposes and the payment of Distributions (including Optional Distributions) in respect of the Securities is to be regarded in the same manner as distributions on ordinary units of Ascott REIT, Holders may be subject to income tax on such distributions, in whole or in part, currently at the rate of 17% or 10%. The Manager and the Ascott REIT Trustee may also be obliged to withhold or deduct tax from the payment of such distributions, in whole or part, at the rate of 17% or 10% to certain Holders and for this purpose Holders may, as in the case of Unitholders, be required to declare certain information relating to their status to the Manager and the Ascott REIT Trustee prior to the making of each Distribution or Optional Distribution. The disclosure below under “B. *Taxation of distributions on ordinary units*” summarises the income tax treatment currently applicable to distributions made on ordinary units of Ascott REIT, which will be applicable to the Distributions (including Optional Distributions) if the IRAS rules that the same treatment should apply.

The Manager will provide details of the tax ruling issued by the IRAS via an announcement on its website www.ascottreit.com shortly after the receipt of the tax ruling.

A. Interest and other payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore; or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is 22%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium or break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

The terms “break cost”, “prepayment fee” and “redemption premium” are defined in the ITA as follows:

break cost, in relation to debt securities, qualifying debt securities or qualifying project debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

prepayment fee, in relation to debt securities, qualifying debt securities or qualifying project debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

redemption premium, in relation to debt securities, qualifying debt securities or qualifying project debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

Any references to “break cost”, “prepayment fee” and “redemption premium” in this Singapore taxation disclosure shall have the same meaning as defined in the ITA.

In addition, as the issue of the Securities is solely lead managed by Oversea-Chinese Banking Corporation Limited, which is a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA), the Securities, if they are treated as debt instruments, should be regarded as debt securities (as defined in the ITA) and hence “qualifying debt securities” for the purposes of the ITA, to which the following treatments shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, of a return on debt securities for the Securities within such period as the MAS may specify and such other particulars in connection with the Securities as the MAS may require to the MAS and the inclusion by the Issuer in all offering documents relating to the Securities of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Securities using funds from that person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the **Qualifying Income**) from the Securities derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Securities are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (ii) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, of a return on debt securities for the Securities within such period as the MAS may specify and such other particulars in connection with the Securities as the MAS may require, to the MAS), Qualifying Income from the Securities derived by any company or body of persons (as defined in the ITA), other than any non-resident who qualifies for the tax exemption as described in paragraph (i) above, is subject to income tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (iii) subject to:
 - (aa) the Issuer including in all offering documents relating to the Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Securities is not exempt from tax shall include such income in a return of income made under the ITA; and
 - (bb) the Issuer, or such other person as the MAS may direct, furnishing to the MAS a return on debt securities for the Securities within such period as the MAS may specify and such other particulars in connection with the Securities as the MAS may require,

Qualifying Income derived from the Securities is not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

- (A) if during the primary launch of the Securities, the Securities are issued to fewer than four persons and 50% or more of the issue of such Securities is beneficially held or funded, directly or indirectly, by related parties of the Issuer or the Manager, the Securities would not qualify as “qualifying debt securities”; and

(B) even though the Securities are “qualifying debt securities”, if, at any time during the tenure of the Securities, 50% or more of the issue of such Securities which are outstanding at any time during the life of the issue is beneficially held or funded, directly or indirectly, by related parties of the Issuer or the Manager, Qualifying Income derived from the Securities held by:

- (I) any related party of the Issuer or the Manager; or
- (II) any other person where the funds used by such person to acquire such Securities are obtained, directly or indirectly, from any related party of the Issuer or the Manager,

shall not be eligible for the tax exemption or concessionary rate of tax of 10% described above.

The term **related party**, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from the Securities by any person who is not tax resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption applicable to qualifying debt securities as described above shall not apply if such person acquires the Securities using the funds of such person’s operations through a permanent establishment in Singapore.

Notwithstanding that the Issuer is permitted to make payments of interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost in respect of the Securities without deduction or withholding of tax under Section 45 and Section 45A of the ITA, any person whose Qualifying Income (whether it is interest, discount income, prepayment fee, redemption premium or break cost) derived from the Securities is not exempt from tax is required to include such income in a return of income made under the ITA.

B. Taxation of distributions on ordinary units

Distributions on ordinary units of Ascott REIT may comprise all, or a combination, of the following types of distributions:

- (a) taxable income distribution;
- (b) tax-exempt income distribution;
- (c) capital distribution; and
- (d) other gains distribution.

The tax treatment of each type of distribution differs and may depend on the profile of the beneficial owner of the distributions. The statements below provide a summary of the tax treatment and the term **Units** as used refers to ordinary units of Ascott REIT. Prospective holders of the Securities are advised to consult their own professional tax advisers as to the tax consequences that they are subject to, in particular on the Distributions (including Optional Distributions), in the event the IRAS rules that the Distributions (including Optional Distributions) are to be regarded in the same manner as distributions on the Units.

Taxable income distribution

Withholding tax

The Ascott REIT Trustee and the Manager are required to withhold or deduct tax from taxable income distributions unless such distributions are made to an individual or a Qualifying Unitholder who submits a declaration in a prescribed form within a stipulated time limit.

A **Qualifying Unitholder** is a Unitholder who is:

- a company incorporated and resident in Singapore;
- a Singapore branch of a non-tax resident company incorporated outside Singapore;
- a body of persons (excluding companies or partnership) incorporated or registered in Singapore, including a charity registered under the Charities Act (Chapter 37 of Singapore) or established by any written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Chapter 62 of Singapore) or a trade union registered under the Trade Unions Act (Chapter 333 of Singapore);
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Chapter 145 of Singapore); or
- a real estate investment trust exchange-traded funds which have been accorded the tax transparency treatment (but only in respect of taxable income distributions made by Ascott REIT on or before 31 December 2025¹¹).

In all other cases, the Ascott REIT Trustee and the Manager will withhold or deduct tax, currently at the rate of 17%, from taxable income distributions. This rate is reduced to 10% for distributions made on or before 31 December 2025¹¹ to a foreign non-individual or foreign funds¹².

A foreign non-individual is a person (other than an individual) who is not a resident of Singapore for income tax purposes and:

- (a) who does not have any permanent establishment in Singapore; or
- (b) who carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the Units are not obtained from that operation.

A foreign fund is one that qualifies for tax exemption under section 13CA, 13X or 13Y of the ITA that is not a resident of Singapore for income tax purposes and:

- (i) who does not have a permanent establishment in Singapore (other than a fund manager in Singapore); or
- (ii) who carries on any operation in Singapore through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used to acquire the Units are not obtained from that operation.

Where the Units are held in the name of a nominee, the Ascott REIT Trustee and the Manager will withhold or deduct tax, currently at the rate of 17%, unless the beneficial owner of the Units is an individual or a Qualifying Unitholder and provided that the nominee submits a declaration (containing certain particulars of the beneficial owner) in a prescribed form within a stipulated time limit to the Ascott REIT Trustee and the Manager. Where the beneficial owner is a foreign non-individual or a foreign fund as described above and provided the aforesaid declaration is submitted by the nominee, tax will be withheld or deducted at the rate of 10% for distributions made on or before 31 December 2025¹¹.

Tax deducted at source on taxable income distributions

The tax deducted at the prevailing tax rate, currently at the rate of 17%, by the Ascott REIT Trustee and the Manager is not a final tax. A Unitholder can use this tax deducted as a set-off against its Singapore income tax liability, including the tax liability on the gross amount of taxable income distributions received from Ascott REIT.

¹¹ Extended from 31 March 2020 to 31 December 2025, as announced in the 2019 Singapore Budget

¹² The 10% concessionary tax rate has been extended to foreign funds, as announced in the 2019 Singapore Budget.

The tax deducted at the reduced rate of 10% on taxable income distributions made on or before 31 December 2025¹¹ to foreign non-individuals or foreign funds¹² is a final tax imposed on the gross amount of distributions.

Taxation in the hands of Unitholders

Unless otherwise exempt, Unitholders are liable to Singapore income tax on the gross amount of taxable income distributions (i.e. the amount of distribution before tax deduction at source, if any).

Taxable income distributions received by individuals, irrespective of their nationality or tax residence status, are exempt from tax¹³ unless such distributions are derived by the individual through a partnership in Singapore or from the carrying on of a trade, business or profession. Individuals who do not qualify for this tax exemption are subject to Singapore income tax on the gross amount of taxable income distributions at their own applicable tax rates, i.e. even if they have received the distributions without tax deduction at source.

Unless exempt from income tax because of their own specific circumstances, Qualifying Unitholders are subject to Singapore income tax on the gross amount of taxable income distributions, i.e. even if they have received the distributions without tax deduction at source.

Other non-individual Unitholders are subject to Singapore income tax on the gross amount of taxable income distributions at their own applicable tax rates. Where the Unitholder is a foreign non-individual or a foreign fund, tax at a reduced rate of 10% will be imposed on taxable income distribution made on or before 31 December 2025¹⁴.

Tax-exempt income distribution

Tax-exempt income distributions are exempt from tax in the hands of all Unitholders. Tax is not withheld or deducted from such distributions.

Capital distribution

Capital distributions are returns of capital to Unitholders and are therefore not income subject to tax or withholding of tax. The amount received as capital distributions will be applied to reduce the cost of Unitholder's investment in Units for income tax purposes. Where Unitholders, based on their own circumstances, are subject to Singapore income tax on gains from the disposal of Units, the reduced cost of their investments will be used for the purposes of computing such gains. If the amount of capital distributions exceeds the cost (or reduced cost, as the case may be) of their investment in the Units, the excess will be subject to tax and the sale proceeds from the subsequent sale of those Units will be fully taxable.

Other gains distribution

Other gains distributions (such as distributions made out of income which has been taxed on Ascott REIT Trustee and gains from the disposal of immovable properties or shares which are determined to be trading gains) are not taxable in the hands of Unitholders and are not subject to withholding of tax. The Unitholders are not entitled to tax credits for any taxes paid by Ascott REIT Trustee on income which has been taxed on Ascott REIT Trustee.

Gains on disposal of the Securities

Singapore does not impose tax on capital gains. Any gains considered to be in the nature of capital arising from the sale of the Securities will not be taxable in Singapore. However, any gains derived by any person from the sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

¹³ As announced in the 2019 Singapore Budget, the sunset clause of 31 March 2020 for the tax exemption on distributions made to individuals will be removed

¹⁴ Extended from 31 March 2020 to 31 December 2025, as announced in the 2019 Singapore Budget

There are no specific laws or regulations which deal with the characterisation of capital gains. The characterisation of the gains arising from the sale of the Securities will depend on the facts and circumstances of each holder of the Securities. Holders of the Securities who apply or are required to apply Singapore Financial Reporting Standard 39 (**FRS 39**), Financial Reporting Standard 109 *Financial Instruments* (**FRS 109**) or Singapore Financial Reporting Standard (International) 9 *Financial Instruments* (**SFRS(I) 9**) (as the case may be) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Securities, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on “*Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes*”.

Adoption of FRS 39, FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes

Subject to certain “opt-out” provisions, Section 34A of the ITA requires taxpayers who adopt or are required to adopt FRS 39 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 39, subject to certain exceptions provided in that section. The IRAS has also issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement” to provide guidance on the Singapore income tax treatment of financial instruments.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who adopt or who are required to adopt FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions provided in that section. The IRAS has also issued a circular entitled “Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments”.

Holders of the Securities who may be subject to the tax treatment under the FRS 39 tax regime, FRS 109 tax regime or the SFRS(I) 9 tax regime should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Securities.

Estate Duty

Singapore estate duty has been abolished for deaths occurring on or after 15 February 2008.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, **a foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Singapore) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and the Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if the additional Securities (as described under “*Conditions of the Securities – 13. Further Issues*”) that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Securities will be issued in registered form and represented by a global certificate registered in the name of CDP, and shall be delivered to and held by CDP. The Global Certificate will be held for the account of CDP participants. For persons seeking to hold a beneficial interest in the Securities through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with CDP. Interests in the Global Certificate will only be shown on, and transfers of interests will be effected through, records maintained by CDP.

The Global Certificate will become exchangeable (free of charge to the Holder) in whole, but not in part (save as provided in the Global Certificate), for definitive certificates in the denominations of S\$250,000 each if any of the following events occurs:

- (a) CDP notifies the Issuer that it is unwilling or unable to continue to act as depository for the Securities and to continue performing its duties set out in the terms and conditions for the provisions of depository services and no alternative clearing system is available;
- (b) CDP or any Alternative Clearing System (as defined in the Global Certificate) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business and no alternative clearing system is available;
- (c) the Issuer does not make payment in respect of the Securities for a period of 15 Business Days or more after the date on which such payment is due; or
- (d) upon a Winding-Up of Ascott REIT.

Payments of principal, Distributions or any other amount in respect of the Securities in global form will, in the absence of provisions to the contrary, be made to the person shown on the Register at the close of business (in the relevant clearing system) on the date falling five Business Days before the due date for such payment as the registered holder of the Global Certificate. Holders of beneficial ownership interests must look solely to their nominee and/or applicable clearing system to receive such payment and none of Ascott REIT, the Sole Lead Manager and Bookrunner, the Agents or any of their agents will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership. Any payments by the CDP participants to indirect participants will be governed by arrangements agreed between the CDP participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CDP participants.

If (a) definitive certificates have not been issued and delivered by 5.00 p.m. (Singapore time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate, or (b) if any principal in respect of any Securities is not paid in full when due and payable in accordance with the terms of the Global Certificate, then, at 5.00 p.m. (Singapore time) on such thirtieth day (in the case of (a) of this paragraph) or at 5.00 p.m. (Singapore time) on such due date (in the case of (b) of this paragraph) the Registrar shall in respect of each Holder enter in the Register the name of such Holder as the holder of Direct Rights (as defined in the Deed of Covenant) in respect of the Securities in an aggregate principal amount equal to the principal amount of such Holder's entries relating to the Global Certificate. To the extent that the Registrar makes such entries in the Register, the Holder will have no further rights under the Global Certificate, but without prejudice to the rights which the Holder may have under the Deed of Covenant. Such registration shall be effected without charge to any Holder but against such indemnity as the Registrar may require in respect of tax or other duty of whatsoever nature which may be levied or imposed in connection with such registration.

For so long as the Global Certificate is held by CDP, each person who is for the time being shown in the records of CDP as the holder of a particular principal amount of such Securities shall be deemed to be the holder of that principal amount of Securities for all purposes.

So long as the Securities are represented by the Global Certificate and the Global Certificate is issued in the name of CDP, notices to Holders will only be valid if despatched by uninsured post to persons who are for the time being shown in the records of CDP as being holders of the Securities or, if the rules of CDP so permit, delivered to CDP for communication by it to the Holders, provided that for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, notice will be considered valid if published on the website of the SGX-ST at <http://www.sgx.com>. Any such notice shall be deemed to have been given to the Holders on the fourth day after the day of despatch or (as the case may be) on which the said notice was given to CDP or on the date of publication.

SUBSCRIPTION AND SALE

The Issuer has entered into the Subscription Agreement, pursuant to which, and subject to certain conditions contained therein, the Issuer agreed to sell to the Sole Lead Manager and Bookrunner, and the Sole Lead Manager and Bookrunner agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Securities. In addition, the Issuer has agreed with the Sole Lead Manager and Bookrunner that the Issuer will pay a commission to certain private banks in connection with the distribution of the Securities to their clients. This commission will be based on the principal amount of the Securities so distributed, and may be deducted from the purchase price for the Securities payable by such private banks upon settlement.

Any subsequent sale of the Securities to investors may be at a price different from the Issue Price.

The Subscription Agreement provides that the Issuer will indemnify the Sole Lead Manager and Bookrunner against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Sole Lead Manager and Bookrunner are subject to certain conditions precedent, and entitles the Sole Lead Manager and Bookrunner to terminate it in certain circumstances prior to payment being made to the Issuer on behalf of Ascott REIT.

The Sole Lead Manager and Bookrunner and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Sole Lead Manager and Bookrunner and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for Ascott REIT, the Issuer and/or the Manager, for which they received or will receive customary fees and expenses.

The Sole Lead Manager and Bookrunner and its affiliates may purchase the Securities and be allocated the Securities for asset management and/or proprietary purposes but not with a view to distribution. In the ordinary course of its various business activities, the Sole Lead Manager and Bookrunner and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Ascott REIT.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

Neither the Issuer nor the Sole Lead Manager and Bookrunner has made any representation that any action will be taken in any jurisdiction by the Sole Lead Manager and Bookrunner or the Issuer that would permit a public offering of the Securities in any country or jurisdiction where action for that purpose is required. The Sole Lead Manager and Bookrunner has represented and agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes this Offering Circular.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to any other exemption from the registration requirements of the Securities Act. The Sole Lead Manager and Bookrunner has represented that it has not offered or sold, and agrees that it will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Securities.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

European Union and European Economic Area (including UK)

The Sole Lead Manager and Bookrunner has represented, warranted and agreed that no offers or sales of the Securities will be made in, or to any person domiciled in, or having their registered office located in, any jurisdiction within the European Union or any member of the European Economic Area (including UK).

Hong Kong

The Sole Lead Manager and Bookrunner has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

The Sole Lead Manager and Bookrunner has acknowledged that this Offering Circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Lead Manager and Bookrunner has represented, warranted and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Securities or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

CLEARANCE AND SETTLEMENT

In respect of Securities which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (**Depository System**) maintained by CDP. Securities that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Securities which are accepted for clearance by CDP, the entire issue of the Securities is to be held by CDP in the form of the Global Certificate for persons holding the Securities in securities accounts with CDP (**Depositors**). Delivery and transfer of Securities between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Securities through the Depository System may be effected through securities sub-accounts held with corporate depositors (**Depository Agents**). Depositors holding the Securities in direct securities accounts with CDP, and who wish to trade the Securities through the Depository System, must transfer the Securities to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of distributions and repayment of principal on behalf of issuers of debt securities. Although CDP has established procedures to facilitate transfers of interests in the Securities in Global Certificate form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Ascott REIT, the Issuer, the Manager, the Agents or any of their agents will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

GENERAL INFORMATION

1. **Clearing Systems:** Clearance for the Securities will be effected through CDP and the settlement system for the trading of debt securities maintained by CDP.
2. **Listing of Securities:** Application will be made to the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries or associated companies or the Securities.
3. **Minimum Board Lot Size:** The Securities will be traded on the SGX-ST in a minimum board lot size of S\$250,000 so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.
4. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Securities.
5. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the business, financial condition or results of operations of Ascott REIT or the Group since 31 December 2018.
6. **Litigation:** Neither Ascott REIT nor the Group is involved in any litigation or arbitration proceedings relating to claims which are material in the context of the issue of the Securities and, so far as the Issuer is aware, no such litigation or arbitration proceedings are pending or threatened.
7. **Available Documents:** For so long as the Securities are outstanding, the following documents will be available during usual business hours on any weekday (Saturdays and public holidays excepted) for inspection at the office of the Manager and the specified office of the Paying Agents:
 - (i) the Agency Agreement;
 - (ii) the Deed of Covenant; and
 - (iii) the Ascott REIT Trust Deed.
8. **Financial Statements:** KPMG LLP has audited the consolidated financial statements of the Group, without qualification, prepared in accordance with RAP 7 and generally conforming with Singapore Financial Reporting Standards for FY2016, FY2017 and FY2018. KPMG LLP has reviewed the Group's 2019 Second Quarter Unaudited Financial Statements Announcement in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

INDEX TO FINANCIAL STATEMENTS

Contents	Page
2019 Second Quarter Unaudited Financial Statements Announcement in respect of the Group.....	F-2
Audited consolidated financial statements in respect of the Group for the financial year ended 31 December 2018	F-31

The information in this Appendix has been extracted and reproduced from (i) the 2019 Second Quarter Unaudited Financial Statements Announcement in respect of the Group and (ii) the audited consolidated financial statements in respect of the Group for the financial year ended 31 December 2018 and has not been specifically prepared for inclusion in this Offering Circular. The references to the page numbers herein are those as reproduced from (i) the 2019 Second Quarter Unaudited Financial Statements Announcement in respect of the Group and (ii) the annual report 2018 of the Group (as the case may be).



A Member of CapitalLand

ASCOTT RESIDENCE TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
TABLE OF CONTENTS

Item No.	Description	Page No.
	Summary of Group Results	1
	Introduction	2
1(a)(i)	Consolidated Statement of Total Return and Reconciliation Statement	3 – 4
1(a)(ii)	Explanatory Notes to Consolidated Statement of Total Return	4 – 6
1(b)(i)	Statement of Financial Position	7
1(b)(ii)	Explanatory Notes to Statement of Financial Position	8 – 9
1(c)	Consolidated Statement of Cash Flows	10 – 11
1(d)(i)	Statement of Movements in Unitholders' Funds	12 – 13
1(d)(ii)	Details of Any Change in the Units	14
2 & 3	Audit Statement	14
4 & 5	Changes in Accounting Policies	14 – 15
6	Earnings Per Unit ("EPU") and Distribution Per Unit ("DPU")	15
7	Net Asset Value ("NAV") Per Unit / Net Tangible Assets ("NTA") Per Unit	16
8	Group Performance Review	16 – 22
9	Variance from Forecast	22
10	Outlook and Prospects	22
11 & 12	Distributions	23
13	General mandate for Interested Person Transactions	23
14	Confirmation pursuant to Rule 720(1) of the Listing Manual	24
15	Confirmation pursuant to Rule 705(5) of the Listing Manual	24

ASCOTT RESIDENCE TRUST
2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT

Summary of Group Results

	2Q 2019 S\$'000	2Q 2018 S\$'000	Better / (Worse) %	YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000	Better / (Worse) %
Revenue	132,494	130,499	2	248,409	243,283	2
Gross Profit	67,655	63,138	7	122,270	111,805	9
Gross Profit (excluding FRS 116 impact) ⁽¹⁾	62,537	63,138	(1)	112,039	111,805	–
Unitholders' Distribution ^{(2), (3)}	43,144	39,779	8	74,623	68,943	8
Distribution Per Unit ("DPU") (cents)	1.98	1.84	8	3.43	3.19	8
<u>For information only</u> DPU (cents) (adjusted for one-off items ^{(2), (3)})	1.84	1.84	–	3.17	3.12	2

⁽¹⁾ FRS 116 *Leases* is effective from 1 January 2019. The adoption of this standard changes the nature of expense for the Group's portfolio of operating leases and replaced the straight-line operating lease expense to change in fair value for right-of-use assets and interest expense on lease liabilities. Please see paragraph 5 for more details.

⁽²⁾ Unitholders' distribution for 2Q 2019 included a realised exchange gain of S\$3.1 million arising from the repayment of foreign currency bank loans with the divestment proceeds from Ascott Raffles Place Singapore.

⁽³⁾ Unitholders' distribution for YTD Jun 2019 included a realised exchange gain of S\$5.7 million arising from the repayment of foreign currency bank loans with the divestment proceeds from Ascott Raffles Place Singapore.

Unitholders' distribution for YTD Jun 2018 included a realised exchange gain of S\$1.6 million arising from the receipt of divestment proceeds and repayment of foreign currency bank loans with the divestment proceeds.

DISTRIBUTION AND BOOK CLOSURE DATE

Distribution	For 1 January 2019 to 30 June 2019
Distribution Rate	3.431 cents per Unit
Book Closure Date	7 August 2019
Payment Date	29 August 2019

ASCOTT RESIDENCE TRUST

2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT

INTRODUCTION

Ascott Residence Trust (“Ascott Reit”) was established under a trust deed dated 19 January 2006 entered into between Ascott Residence Trust Management Limited (as manager of Ascott Reit) (the “Manager”) and DBS Trustee Limited (as trustee of Ascott Reit) (the “Trustee”).

Ascott Reit’s objective is to invest primarily in real estate and real estate related assets which are income-producing and which are used, or predominantly used as serviced residences, rental housing properties and other hospitality assets. It has a portfolio of serviced residences and rental housing properties across Asia Pacific, Europe and United States of America. Ascott Reit’s investment policy covers any country in the world.

Ascott Reit was directly held by The Ascott Limited up to and including 30 March 2006. On 31 March 2006, Ascott Reit was listed on the Singapore Exchange Securities Trading Limited with an initial portfolio of 12 properties with 2,068 apartment units in seven cities across five countries (Singapore, China, Indonesia, the Philippines and Vietnam).

In 2010, Ascott Reit enhanced the geographical diversification of its portfolio by acquiring 26 properties in Europe. In 2012, Ascott Reit acquired four properties in Kyoto, Singapore, Guangzhou and Germany. Ascott Reit also completed the divestment of Somerset Grand Cairnhill Singapore. In 2013, Ascott Reit acquired three properties in China and a portfolio of 11 rental housing properties in Japan. In 2014, Ascott Reit acquired nine properties in four countries (Australia, China, Japan and Malaysia).

In 2015, Ascott Reit acquired a property in Melbourne, Australia, a portfolio of four rental housing properties in Osaka, Japan, the remaining 40% interest in Citadines Shinjuku Tokyo and Citadines Karasuma-Gojo Kyoto and its first property in New York, the United States of America (“US”). On 29 April 2016, Ascott Reit completed the acquisition of Sheraton Tribeca New York Hotel. In 2017, Ascott Reit acquired two properties in Germany, a property in Singapore and its third property in US and divested a portfolio of 18 rental housing properties in Japan.

In January 2018, Ascott Reit completed the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi’an. Ascott Reit announced its maiden development project at Nepal Hill, Singapore to build the first coliving property, lyf one-north Singapore, in September 2018. The project will be completed by 2020. On 4 January 2019, Ascott Reit took possession of the site for the development of lyf one-north Singapore.

On 9 January 2019, Ascott Reit entered into a sale and purchase agreement to divest Ascott Raffles Place Singapore for an aggregate sale consideration of S\$353.3 million. The sale price is 64.3% above the book value of the property and the divestment was completed on 9 May 2019.

Ascott Reit announced the acquisition of Felix Hotel, its first limited-service business hotel in Australia, on 27 March 2019. The property was rebranded as Citadines Connect Sydney Airport upon completion of the acquisition on 1 May 2019.

As at 30 June 2019, Ascott Reit’s portfolio comprises 73 operating properties¹ with 11,434 apartment units in 37 cities across 14 countries.

Ascott Reit makes distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Distributions are paid in Singapore dollar. Since its listing, Ascott Reit has paid 100% of its distributable income.

¹ Exclude lyf one-north Singapore (under development).

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

	Note	GROUP		Better / (Worse) %	GROUP		Better / (Worse) %
		2Q 2019 S\$'000	2Q 2018 S\$'000		YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000	
Revenue	A.1	132,494	130,499	2	248,409	243,283	2
Direct expenses	A.2	(64,839)	(67,361)	4	(126,139)	(131,478)	4
Gross Profit	A.1	67,655	63,138	7	122,270	111,805	9
Finance income	A.3	388	233	67	739	601	23
Other operating income	A.4	139	266	(48)	303	395	(23)
Finance costs	A.3	(13,008)	(11,652)	(12)	(26,379)	(23,248)	(13)
Manager's management fees		(6,039)	(6,108)	1	(11,440)	(11,459)	–
Trustee's fee		(145)	(122)	(19)	(292)	(252)	(16)
Professional fees	A.5	(521)	(663)	21	(1,122)	(1,316)	15
Audit fees	A.6	(595)	(666)	11	(1,082)	(1,369)	21
Foreign exchange gain / (loss)	A.7	3,145	(6,490)	n.m.	3,342	(3,290)	n.m.
Other operating expenses	A.8	(579)	(866)	33	(1,108)	(1,464)	24
Share of results of associate (net of tax)		(2)	(14)	86	(24)	(41)	41
Net income before changes in fair value of financial derivatives, investment properties and assets held for sale		50,438	37,056	36	85,207	70,362	21
Net change in fair value of financial derivatives	A.9	600	396	52	604	282	114
Net change in fair value of investment properties and assets held for sale	A.10	9,006	26,696	(66)	144,030	26,696	440
Loss upon divestment		–	–	n.m.	–	(488)	n.m.
Assets written off		–	(13)	n.m.	–	(13)	n.m.
Total return for the period before tax		60,044	64,135	(6)	229,841	96,839	137
Income tax expense	A.11	(12,663)	(14,080)	10	(16,916)	(17,231)	2
Total return for the period after tax		47,381	50,055	(5)	212,925	79,608	167
Attributable to:							
Unitholders and perpetual securities holders		48,580	46,526		212,545	74,657	
Non-controlling interests		(1,199)	3,529		380	4,951	
Total return for the period		47,381	50,055	(5)	212,925	79,608	167

RECONCILIATION OF TOTAL RETURN FOR THE PERIOD ATTRIBUTABLE TO UNITHOLDERS TO TOTAL UNITHOLDERS' DISTRIBUTION

	Note	GROUP		Better / (Worse) %	GROUP		Better / (Worse) %
		2Q 2019 S\$'000	2Q 2018 S\$'000		YTD Jun 2019 %	YTD Jun 2018 S\$'000	
Total return for the period attributable to Unitholders and perpetual securities holders		48,580	46,526		212,545	74,657	
Net effect of non-tax deductible / chargeable items and other adjustments	A.12	(649)	(1,960)		(128,401)	3,807	
Total amount distributable for the period		47,931	44,566	8	84,144	78,464	7
Amount distributable:							
- Unitholders		43,144	39,779		74,623	68,943	
- Perpetual securities holders		4,787	4,787		9,521	9,521	
		47,931	44,566	8	84,144	78,464	7
Comprises:							
- from operations ¹		10,738	11,977		8,338	128,346	
- from unitholders' contributions		32,406	27,802		66,285	(59,403)	
		43,144	39,779	8	74,623	68,943	8

¹ Unitholders' distribution from operations was higher in YTD Jun 2018 due to dividend income recognised at the Trust arising from the profit from divestment of the two China properties.

1(a)(ii) Explanatory Notes to Consolidated Statement of Total Return

A.1 Revenue and Gross profit

Revenue for 2Q 2019 of S\$132.5 million comprised S\$18.5 million (14% of total revenue) from properties on Master Leases, S\$21.7 million (16%) from properties on management contracts with minimum guaranteed income and S\$92.3 million (70%) from properties on management contracts.

Revenue for 2Q 2019 increased by S\$2.0 million or 2% as compared to 2Q 2018. This was mainly attributed to the additional revenue of S\$0.8 million from the acquisition of Citadines Connect Sydney Airport in May 2019 and higher revenue of S\$2.3 million from the existing properties in Philippines, United Kingdom and Japan, partially offset by the decrease in revenue of S\$1.1 million from the divestment of Ascott Raffles Place Singapore.

The Group achieved a revenue per available unit ("REVPAU") of S\$158 for 2Q 2019, an increase of 2% as compared to 2Q 2018.

Gross profit for 2Q 2019 of S\$67.6 million comprised S\$16.6 million (25% of total gross profit) from properties on Master Leases, S\$9.8 million (14%) from properties on management contracts with minimum guaranteed income and S\$41.2 million (61%) from properties on management contracts.

As compared to 2Q 2018, gross profit increased by S\$4.5 million or 7% due to higher revenue and the adoption of FRS 116 Leases with effect from 1 January 2019. Please refer to paragraph 5 for more details on the impact arising from the adoption of this accounting standard.

On a same store basis and excluding the FRS 116 adjustments, gross profit increased by S\$0.2 million.

Please refer to Para 8(a) for a more detailed analysis.

A.2 Direct expenses include the following items:

	GROUP		Better / (Worse) %	GROUP		Better / (Worse) %
	2Q 2019 S\$'000	2Q 2018 S\$'000		YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000	
Depreciation and amortisation ¹	(3,059)	(3,043)	(1)	(6,075)	(6,313)	4
Staff costs	(14,708)	(14,748)	–	(28,665)	(28,968)	1

¹ Depreciation and amortisation were lower in YTD Jun 2019 mainly due to fully depreciated assets.

A.3 Finance income / Finance costs

Finance income was higher in 2Q 2019 due to fixed deposit placements with the divestment proceeds from Ascott Raffles Place Singapore, prior to the repayment of bank loans.

Finance costs were higher in 2Q 2019 due to the interest expense of S\$2.8 million recognised on the lease liability arising from the adoption of FRS 116.

Excluding the FRS 116 adjustments, finance costs were lower by S\$1.4 million in 2Q 2019 due to refinancing of medium-term notes at lower interest rates and repayment of bank loans with the divestment proceeds from Ascott Raffles Place Singapore.

A.4 Other operating income

Other operating income was higher in 2Q 2018 due to forfeiture of security deposits.

A.5 Professional fees

Professional fees were higher in 2Q 2018 due to expenses incurred in connection with the refund of withholding tax on prior periods' dividends declared by the France subsidiaries.

A.6 Audit fees

Audit fees were lower in 2Q 2019 due to weaker exchange rates.

A.7 Foreign exchange gain / (loss)

The foreign exchange gain recognised in 2Q 2019 mainly relates to realised exchange gain arising from the repayment of foreign currency bank loans with the divestment proceeds from Ascott Raffles Place Singapore.

The foreign exchange loss recognised in 2Q 2018 mainly comprised unrealised exchange loss of S\$7.0 million (mainly arising from EUR denominated shareholders' loans extended to the Group's subsidiaries as a result of the depreciation of EUR against SGD as at balance sheet date) and realised exchange gain of S\$0.5 million (mainly arising from gain on repayment of shareholders' loan from Europe and gain on the foreign currency forward contracts).

A.8 Other operating expenses

Other operating expenses were lower in 2Q 2019 mainly due to lower non-refundable GST.

A.9 Net change in fair value of financial derivatives

This mainly relates to the fair value change of foreign currency forward contracts (entered into to hedge distribution income).

A.10 Net change in fair value of investment properties and assets held for sale

This relates to the surplus on revaluation of investment properties. The surplus resulted mainly from higher valuation of the Group's properties in Australia, Belgium, Germany and Japan, partially offset by lower valuation from the properties in China, Philippines, Spain and Vietnam.

A.11 Income tax expense

Taxation for 2Q 2019 was lower by S\$1.4 million as compared to the corresponding period last year. This was mainly due to lower deferred tax liability provided on the fair value surplus recognised.

A.12 Net effect of non-tax deductible / (chargeable) items and other adjustments include the following:

	GROUP		Better / (Worse) %	GROUP		Better / (Worse) %
	2Q 2019 S\$'000	2Q 2018 S\$'000		YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000	
Depreciation and amortisation	3,059	3,043	(1)	6,075	6,313	4
Manager's management fee payable / paid partially in units	4,383	4,446	(1)	8,392	8,410	–
Trustee's fees ¹	16	23	30	46	48	4
Unrealised foreign exchange loss	142	6,988	98	2,158	5,376	60
Net change in fair value of financial derivatives (Note A.9)	(600)	(396)	52	(604)	(282)	114
Net change in fair value of investment properties and assets held for sale (Note A.10)	(9,006)	(26,696)	(66)	(144,030)	(26,696)	440
Loss upon divestment	–	–	n.m.	–	488	n.m.
Operating lease expense recognised on a straight-line basis	–	775	n.m.	–	1,551	n.m.
Interest expense on lease liabilities ²	2,801	–	n.m.	5,611	–	n.m.
Lease payments for right-of-use assets ²	(4,400)	–	n.m.	(8,808)	–	n.m.
Assets written off	–	13	n.m.	–	13	n.m.
Deferred tax expense	5,962	7,767	23	5,916	6,730	12
Effect of non-controlling interests arising from the above	(2,862)	2,013	242	(2,946)	1,883	256

¹ This relates to the Singapore properties only and is not tax deductible.

² Due to adoption of FRS 116 *Leases*. Please refer to paragraph 5 for more details.

1(b)(i) **Statement of Financial Position**

	Note	GROUP		TRUST	
		30/06/19 S\$'000	31/12/18 S\$'000	30/06/19 S\$'000	31/12/18 S\$'000
Non-Current Assets					
Investment properties	B.1	5,055,882	4,679,295	740,158	739,193
Other non-current assets	B.2	–	65,535	–	65,535
Investment property under development	B.2	67,135	–	67,135	–
Plant and equipment		48,441	48,564	9,842	10,807
Subsidiaries		–	–	276,546	276,546
Associate		3,010	3,040	3,056	3,062
Financial derivatives	B.3	2,446	8,294	999	1,879
Deferred tax assets		4,088	4,309	–	–
		5,181,002	4,809,037	1,097,736	1,097,022
Current Assets					
Inventories		333	328	–	–
Assets held for sale	B.4	–	215,000	–	215,000
Trade and other receivables	B.5	61,355	56,919	2,345,475	2,299,467
Financial derivatives	B.3	665	–	665	–
Cash and cash equivalents	B.6	251,095	227,847	44,734	40,112
		313,448	500,094	2,390,874	2,554,579
Total Assets		5,494,450	5,309,131	3,488,610	3,651,601
Non-Current Liabilities					
Interest bearing liabilities	B.9	(1,588,994)	(1,835,316)	(189,300)	(424,430)
Financial derivatives	B.3	(11,686)	(6,850)	(9,583)	(5,269)
Trade and other payables		(839)	–	–	–
Deferred tax liabilities		(119,046)	(117,865)	–	–
Lease liabilities	B.8	(279,578)	–	–	–
		(2,000,143)	(1,960,031)	(198,883)	(429,699)
Current Liabilities					
Interest bearing liabilities	B.9	(80,994)	(70,137)	–	–
Financial derivatives	B.3	(63)	(280)	(61)	(191)
Trade and other payables	B.7	(143,120)	(141,252)	(959,760)	(927,844)
Lease liabilities	B.8	(17,867)	–	–	–
Provision for taxation		(9,245)	(6,522)	–	–
		(251,289)	(218,191)	(959,821)	(928,035)
Total Liabilities		(2,251,432)	(2,178,222)	(1,158,704)	(1,357,734)
Net Assets		3,243,018	3,130,909	2,329,906	2,293,867
Represented by:					
Unitholders' funds		2,756,633	2,644,051	1,932,832	1,896,740
Perpetual securities holders	B.10	397,074	397,127	397,074	397,127
Non-controlling interests		89,311	89,731	–	–
Total Equity	1(d)(i)	3,243,018	3,130,909	2,329,906	2,293,867

1(b)(ii) Explanatory Notes to Statement of Financial Position

B.1 Investment properties

The increase in the Group's investment properties as at 30 June 2019 was mainly due to the recognition of the existing operating lease arrangements as right-of-use assets of S\$297.4 million upon the adoption of FRS 116 *Leases* with effect from 1 January 2019, acquisition of Citadines Connect Sydney Airport, the increase in valuation on 30 June 2019 and foreign currency translation differences of S\$2.5 million arising from translating the Group's investment properties as a result of the appreciation of JPY against SGD, partially offset by the depreciation of EUR and AUD against SGD.

B.2 Investment property under development / other non-current assets

Investment property under development as at 30 June 2019 relates to the reclassification of the costs previously paid for lyf one-north Singapore from "other non-current assets" as at 31 December 2018 upon the possession of the land in January 2019, the additional capital expenditure and interest capitalised in 2019.

Other non-current assets as at 31 December 2018 comprised of the cost of acquisition of 60-year leasehold land for the lyf one-north site, capitalised costs relating to the site and interest incurred on acquisition of the leasehold land.

B.3 Financial derivatives

The financial derivatives relate to the fair value of interest rate swaps (entered into to hedge interest rate risk), fair value of cross currency swaps (entered into to hedge foreign currency risk) and fair value of foreign currency forward contracts (entered into to hedge distribution income).

B.4 Assets held for sale

The assets held for sale as at 31 December 2018 relate to Ascott Raffles Place Singapore.

The decrease in assets held for sale as at 30 June 2019 was due to the completion of the sale of Ascott Raffles Place Singapore on 9 May 2019.

B.5 Trade and other receivables

The increase in the trade and other receivables as at 30 June 2019 was mainly due to higher trade receivables as a result of higher business activities, and prepaid expense.

B.6 Cash and cash equivalents

The increase in the Group's cash and cash equivalents as at 30 June 2019 was mainly due to the receipt of the output tax on the divestment proceeds of Ascott Raffles Place Singapore, which will be paid to the Inland Revenue Authority of Singapore in August 2019.

B.7 Trade and other payables

The increase in the trade and other payables as at 30 June 2019 was mainly due to the output tax on the divestment proceeds of Ascott Raffles Place Singapore payable in 3Q 2019.

The increase in the trade and other payables was partially offset by the reversal of the S\$5.0 million deposit previously received for Ascott Raffles Place Singapore as at 31 December 2018 upon completion of the divestment in May 2019, and the reversal of the operating lease expense previously accrued on a straight-line basis upon the initial recognition of FRS 116 *Leases* with effect from 1 January 2019.

B.8 Lease liabilities

The lease liabilities as at 30 June 2019 refer to the liabilities arising from the adoption of FRS 116 *Leases* with effect from 1 January 2019.

B.9 Interest bearing liabilities

	GROUP		TRUST	
	30/06/19	31/12/18	30/06/19	31/12/18
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less or on demand				
- Secured	80,652	69,760	–	–
- Unsecured	498	494	–	–
Less: Unamortised transaction costs	(156)	(117)	–	–
	80,994	70,137	–	–
Amount repayable after one year				
- Secured	687,720	849,503	69,619	216,083
- Unsecured	910,313	995,208	122,660	210,795
Less: Unamortised transaction costs	(9,039)	(9,395)	(2,979)	(2,448)
	1,588,994	1,835,316	189,300	424,430
Total	1,669,988	1,905,453	189,300	424,430

Details of collateral

The borrowings of the Group are generally secured by:

- Mortgage on subsidiaries' investment properties and the assignment of the rights, titles and interests with respect to these properties
- Assignment of rental proceeds from the investment properties and insurance policies relating to these properties
- Pledge of shares of some subsidiaries
- Corporate guarantee from the Trust

Capital management

As at 30 June 2019, the Group's gearing was 32.8%, well below the 45 percent gearing limit allowable under the property funds appendix issued by the Monetary Authority of Singapore. In this regard, the lease liabilities recognised by virtue of FRS 116 were excluded as these operating leases were entered into in the ordinary course of business and were in effect before 1 January 2019. The average cost of debts was 2.1 percent per annum, with an interest cover of 5.2 times. S\$1,479.0 million or 88% of the Group's borrowings are on fixed interest rates, of which S\$20.0 million is due in the next 12 months.

Out of the Group's total borrowings, 1 percent falls due in 2019, 16 percent falls due in 2020, 16 percent falls due in 2021, 25 percent falls due in 2022 and the balance falls due after 2022.

The Manager adopts a proactive capital management strategy and will commence discussions to refinance the loan facilities due in 2020, ahead of their maturity dates.

B.10 Perpetual securities

On 27 October 2014, the Trust issued S\$150.0 million of fixed rate perpetual securities with an initial distribution rate of 5.00% per annum, with the first distribution rate reset falling on 27 October 2019 and subsequent resets occurring every five years thereafter.

On 30 June 2015, the Trust issued S\$250.0 million of fixed rate perpetual securities with an initial distribution rate of 4.68% per annum, with the first distribution rate reset falling on 30 June 2020 and subsequent resets occurring every five years thereafter.

Distributions are payable semi-annually in arrears at the discretion of the Trust and will be non-cumulative. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the perpetual securities.

1(c) Consolidated Statement of Cash Flows

	GROUP		GROUP	
	2Q 2019 S\$'000	2Q 2018 S\$'000	YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000
Operating Activities				
Total return for the period before tax	60,044	64,135	229,841	96,839
<u>Adjustments for:</u>				
Depreciation and amortisation	3,059	3,043	6,075	6,313
(Gain) / loss on disposal of plant and equipment	(3)	8	(13)	(22)
Assets written off	–	13	–	13
Operating lease expense recognised on a straight-line basis	–	775	–	1,551
Finance costs	13,008	11,652	26,379	23,248
Finance income	(388)	(233)	(739)	(601)
Provision for doubtful debts addition / (reversal)	20	(2)	52	(16)
Manager's management fees payable / paid partially in units	4,383	4,446	8,392	8,410
Unrealised foreign exchange loss	142	6,988	2,158	5,376
Net change in fair value of investment properties and assets held for sale	(9,006)	(26,696)	(144,030)	(26,696)
Net change in fair value of financial derivatives	(600)	(396)	(604)	(282)
Loss upon divestment	–	–	–	488
Share of results of associate	2	14	24	41
Operating profit before working capital changes	70,661	63,747	127,535	114,662
Changes in working capital	7,132	(15,677)	4,391	(25,664)
Cash generated from operations	77,793	48,070	131,926	88,998
Income tax paid	(4,940)	(3,752)	(9,383)	(7,921)
Cash flows from operating activities	72,853	44,318	122,543	81,077
Investing Activities				
Acquisition of plant and equipment	(2,772)	(3,527)	(5,495)	(7,626)
Acquisition of investment properties	(52,235)	–	(58,106)	–
Capital expenditure on investment properties and assets held for sale	(5,736)	(1,205)	(6,181)	(1,332)
Capital expenditure on investment property under development	(536)	–	(2,089)	–
Deposit received for divestment of investment properties	–	–	203	–
Proceeds on disposal of assets held for sale	300,333	–	348,333	90,175
Payment of transaction costs for disposal of assets held for sale	(2,750)	–	(2,750)	–
Interest received	388	233	739	601
Proceeds from sale of plant and equipment	4	14	15	44
Cash flows from / (used in) investing activities	236,696	(4,485)	274,669	81,862
Balance carried forward	309,549	39,833	397,212	162,939

1(c) Consolidated Statement of Cash Flows

	GROUP		GROUP	
	2Q 2019 S\$'000	2Q 2018 S\$'000	YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000
Balance brought forward	309,549	39,833	397,212	162,939
Financing Activities				
Distribution to Unitholders	–	–	(85,848)	(80,183)
Distribution to perpetual securities holders	(9,574)	(9,574)	(9,574)	(9,574)
Dividend paid to non-controlling interests	(703)	(1,806)	(703)	(1,806)
Interest paid ¹	(11,439)	(10,204)	(23,647)	(19,626)
Payment of lease liabilities ¹	(1,816)	(829)	(3,932)	(1,681)
Proceeds from bank borrowings	291,383	64,843	458,483	151,474
Repayment of bank borrowings	(525,619)	(75,155)	(707,861)	(262,843)
Change in restricted cash deposits for bank facilities	6	(115)	(106)	(131)
Payment of transaction costs on bank borrowings	(1,446)	(290)	(1,574)	(290)
Cash flows used in financing activities	(259,208)	(33,130)	(374,762)	(224,660)
Increase / (decrease) in cash and cash equivalents	50,341	6,703	22,450	(61,721)
Cash and cash equivalents at beginning of the period	197,300	188,819	225,516	255,253
Effect of exchange rate changes on balances held in foreign currencies	1,017	(991)	692	999
Cash and cash equivalents at end of the period	248,658	194,531	248,658	194,531
Restricted cash deposits	2,437	2,223	2,437	2,223
Cash and cash equivalents in the Statement of Financial Position	251,095	196,754	251,095	196,754

¹ Increase due to adoption of FRS 116 *Leases*. Please refer to Note A.12 for the interest expense on lease liabilities and paragraph 5 for more details on the impact arising from the adoption of this accounting standard. In 2Q 2018, the payment of operating lease expense was captured under the “Changes in working capital”.

1(d)(i) **Statement of Movements in Unitholders' Funds**

	Note	GROUP		GROUP	
		2Q 2019 S\$'000	2Q 2018 S\$'000	YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000
<u>Unitholders' Contribution</u>					
Balance as at beginning of period		1,726,169	1,731,170	1,744,738	1,771,310
New units issued / to be issued					
- Manager's management fees paid in units		4,382	4,473	8,352	8,459
Distribution to Unitholders		–	–	(22,539)	(44,126)
Balance as at end of period		1,730,551	1,735,643	1,730,551	1,735,643
<u>Operations</u>					
Balance as at beginning of period		1,210,246	1,070,456	1,104,734	1,083,116
Adjustment on initial recognition of FRS 116		–	–	9,802	–
Adjusted balance as at beginning of period		1,210,246	1,070,456	1,114,536	1,083,116
Total return for the period attributable to Unitholders and perpetual securities holders		48,580	46,526	212,545	74,657
Total return attributable to perpetual securities holders		(4,787)	(4,787)	(9,521)	(9,521)
Transfer between reserves		(139)	–	(351)	–
Distribution to Unitholders		–	–	(63,309)	(36,057)
Balance as at end of period		1,253,900	1,112,195	1,253,900	1,112,195
<u>Foreign Currency Translation Reserve</u>					
Balance as at beginning of period		(216,003)	(167,297)	(212,000)	(170,205)
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(11,262)	(24,409)	(15,265)	(22,221)
Change in ownership interests in subsidiaries with a change in control		–	–	–	720
Balance as at end of period		(227,265)	(191,706)	(227,265)	(191,706)
<u>Capital Reserve</u>					
Balance as at beginning of period		3,788	2,148	3,576	2,148
Transfer between reserves		139	–	351	–
Balance as at end of period		3,927	2,148	3,927	2,148
<u>Hedging Reserve</u>					
Balance as at beginning of period		918	4,037	3,003	(1,240)
Effective portion of change in fair values of cash flow hedges		(4,955)	3,732	(6,675)	8,367
Net change in fair value of cash flow hedges reclassified to Statement of Total Return		(443)	243	(808)	885
Balance as at end of period		(4,480)	8,012	(4,480)	8,012
Unitholders' Funds	1(b)(i)	2,756,633	2,666,292	2,756,633	2,666,292
<u>Perpetual Securities</u>					
Balance as at beginning of period		401,861	401,861	397,127	397,127
Total return attributable to perpetual securities holders		4,787	4,787	9,521	9,521
Distribution to perpetual securities holders		(9,574)	(9,574)	(9,574)	(9,574)
Balance as at end of period	1(b)(i)	397,074	397,074	397,074	397,074

1(d)(i) Statement of Movements in Unitholders' Funds

	Note	GROUP		GROUP	
		2Q 2019 S\$'000	2Q 2018 S\$'000	YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000
<u>Non-controlling Interests</u>					
Balance as at beginning of period		89,967	88,436	89,731	89,427
Total return for the period		(1,199)	3,529	380	4,951
Dividend paid to non-controlling interests		(703)	(1,806)	(703)	(1,806)
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		1,246	1,232	(97)	(1,181)
Balance as at end of period	1(b)(i)	89,311	91,391	89,311	91,391
Equity	1(b)(i)	3,243,018	3,154,757	3,243,018	3,154,757

1(d)(i) Statement of Movements in Unitholders' Funds

	Note	TRUST		TRUST	
		2Q 2019 S\$'000	2Q 2018 S\$'000	YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000
<u>Unitholders' Contribution</u>					
Balance as at beginning of period		1,726,169	1,731,170	1,744,738	1,771,310
New units issued / to be issued					
- Manager's management fees paid in units		4,382	4,473	8,352	8,459
Distribution to Unitholders		-	-	(22,539)	(44,126)
Balance as at end of period		1,730,551	1,735,643	1,730,551	1,735,643
<u>Operations</u>					
Balance as at beginning of period		214,087	228,786	153,534	166,072
Total return for the period attributable to Unitholders and perpetual securities holders		(3,958)	8,750	124,638	112,255
Total return attributable to perpetual securities holders		(4,787)	(4,787)	(9,521)	(9,521)
Distribution to Unitholders		-	-	(63,309)	(36,057)
Balance as at end of period		205,342	232,749	205,342	232,749
<u>Hedging Reserve</u>					
Balance as at beginning of period		(2,000)	(2,569)	(1,532)	(3,275)
Effective portion of change in fair values of cash flow hedges		(1,180)	(81)	(1,896)	150
Net change in fair value of cash flow hedges reclassified to Statement of Total Return		119	431	367	906
Balance as at end of period		(3,061)	(2,219)	(3,061)	(2,219)
Unitholders' Funds	1(b)(i)	1,932,832	1,966,173	1,932,832	1,966,173
<u>Perpetual Securities</u>					
Balance as at beginning of period		401,861	401,861	397,127	397,127
Total return attributable to perpetual securities holders		4,787	4,787	9,521	9,521
Distribution to perpetual securities holders		(9,574)	(9,574)	(9,574)	(9,574)
Balance as at end of period	1(b)(i)	397,074	397,074	397,074	397,074
Equity	1(b)(i)	2,329,906	2,363,247	2,329,906	2,363,247

1(d)(ii) **Details of any change in the units**

	TRUST		TRUST	
	2Q 2019 '000	2Q 2018 '000	YTD Jun 2019 '000	YTD Jun 2018 '000
Balance as at beginning of period	2,172,559	2,157,206	2,164,592	2,149,688
Issue of new units:				
- partial payment of Manager's management fees in units	2,218	2,347	10,185	9,865
Balance as at end of period	2,174,777	2,159,553	2,174,777	2,159,553

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

The figures have not been audited but have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements SSRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Please refer to the attached review report.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2018.

5. **If there are any changes in the accounting policies and methods of computation required by an accounting standard, what has changed, as well as the reasons for the change**

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2019. FRS 116 *Leases* has a more significant impact on the Group as described below.

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.

The Group has adopted FRS 116 using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information. The Group has applied the practical expedient to grandfather the definition of a lease on transition.

The Group has recognised the existing operating lease arrangements at 31 December 2018 as ROU assets with corresponding lease liabilities under FRS 116. ROU assets which meet the definition of investment properties under the principles of FRS 40 *Investment Property* are included as part of investment properties.

The nature of expenses related to these expenses has changed as FRS 116 replaced the straight-line operating lease expense (previously recognised in "direct expenses") with change in fair value for ROU assets and interest expense on lease liabilities.

No significant impact is expected for other leases in which the Group is a lessor.

The impact on the Group's financial statements arising from the adoption of FRS 116 is as follows:

	GROUP
Statement of Financial Position as at 1 Jan 2019	
Increase in investment properties	301,083
Increase in lease liabilities	(301,083)
Decrease in trade and other payables	9,802
Increase in net assets	9,802
Increase in Unitholders' Funds	9,802

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

In computing the EPU, the weighted average number of Units for the period is used for the computation.

	GROUP		GROUP	
	2Q 2019 S\$'000	2Q 2018 S\$'000	YTD Jun 2019 S\$'000	YTD Jun 2018 S\$'000
Total return for the period attributable to Unitholders and perpetual securities holders	48,580	46,526	212,545	74,657
Less: Total return attributable to perpetual securities holders	(4,787)	(4,787)	(9,521)	(9,521)
Total return for the period attributable to Unitholders	43,793	41,739	203,024	65,136

	2Q 2019	2Q 2018	YTD Jun 2019	YTD Jun 2018
Earnings per Unit (EPU)				
Weighted average number of units for the period ('000)				
– Basic	2,173,924	2,158,934	2,171,440	2,156,538
– Diluted	2,179,205	2,164,928	2,179,205	2,164,928
EPU (cents) (based on the weighted average number of units for the period)				
– Basic	2.01	1.93	9.35	3.02
– Basic ⁽¹⁾	1.76	1.33	2.88	2.41
– Diluted	2.01	1.93	9.32	3.01

⁽¹⁾ Exclude the effects of the net change in fair value of investment properties, net of tax and non-controlling interests.

In computing the DPU, the number of Units as at the end of each period is used for the computation.

	2Q 2019	2Q 2018	YTD Jun 2019	YTD Jun 2018
Distribution per Unit (DPU)				
Number of units on issue at end of period ('000)	2,174,777	2,159,553	2,174,777	2,159,553
DPU (cents)	1.98	1.84	3.43	3.19

7. **Net asset value (“NAV”) Per Unit / Net Tangible Assets (“NTA”) Per Unit**

	GROUP		TRUST	
	30/06/19	31/12/18	30/06/19	31/12/18
NAV / NTA per Unit ⁽¹⁾ (S\$)	1.27	1.22	0.89	0.88
Adjusted NAV / NTA per Unit (excluding the distributable income to Unitholders) (S\$)	1.23	1.18	0.85	0.84

⁽¹⁾ NAV / NTA per Unit is computed based on net asset value / net tangible asset over the issued Units at the end of the period.

8. **Group Performance Review**

8(a) **Revenue and Gross Profit Analysis – 2Q 2019 vs. 2Q 2018 (Local Currency (“LC”))**

		Revenue ¹				Gross Profit ¹				REVPAU Analysis ²		
		2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)
		LC'm	LC'm	LC'm	%	LC'm	LC'm	LC'm	%	LC/day	LC/day	%
Master Leases												
Australia	AUD	1.9	1.9	–	–	1.8	1.7	0.1	6	–	–	–
France	EUR	5.4	5.7	(0.3)	(5)	4.9	5.6	(0.7)	(13)	–	–	–
Germany	EUR	2.5	2.4	0.1	4	2.4	2.2	0.2	9	–	–	–
Singapore	S\$	4.5	5.4	(0.9)	(17)	3.8	4.6	(0.8)	(17)	–	–	–
Management contracts with minimum guaranteed income												
Belgium	EUR	2.7	2.4	0.3	13	1.1	0.9	0.2	22	84	75	12
Spain	EUR	1.7	1.4	0.3	21	0.9	0.7	0.2	29	128	106	21
United Kingdom	GBP	8.4	7.6	0.8	11	3.8	3.4	0.4	12	144	130	11
Management contracts												
Australia	AUD	6.9	6.3	0.6	10	2.3	2.5	(0.2)	(8)	120	134	(10)
China	RMB	64.9	66.3	(1.4)	(2)	29.1	25.8	3.3	13	455	473	(4)
Indonesia	USD	2.7	2.8	(0.1)	(4)	0.8	0.9	(0.1)	(11)	69	70	(1)
Japan ³	JPY	1,211.7	1,159.2	52.5	5	661.3	663.6	(2.3)	–	13,238	12,203	8
Malaysia	MYR	2.9	3.2	(0.3)	(9)	0.3	0.8	(0.5)	(63)	153	172	(11)
Philippines	PHP	244.2	206.2	38.0	18	86.2	56.0	30.2	54	4,881	4,145	18
Singapore	S\$	6.2	6.1	0.1	2	2.5	2.5	–	–	194	190	2
United States of America	USD	22.4	22.8	(0.4)	(2)	10.1	6.9	3.2	46	240	243	(1)
Vietnam	VND ¹	176.3	168.5	7.8	5	93.2	86.8	6.4	7	1,583	1,528	4

¹ Revenue and Gross Profit figures are stated in millions, except for VND which are stated in billions.

² REVPAU for Japan refers to serviced residences and excludes rental housing. REVPAU for VND are stated in thousands.

³ Revenue and gross profit for Infini Garden have been classified under “Management contracts” category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for 2Q 2018 have been reclassified from “Master lease” category to “Management contracts” category.

8(a) **Revenue and Gross Profit Analysis – 2Q 2019 vs. 2Q 2018 (S\$)**

	Revenue				Gross Profit				REVPAU Analysis¹		
	2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%	S\$/day	S\$/day	%
Master Leases											
Australia	1.8	1.9	(0.1)	(5)	1.7	1.7	–	–	–	–	–
France	8.3	9.1	(0.8)	(9)	7.4	8.9	(1.5)	(17)	–	–	–
Germany	3.9	3.8	0.1	3	3.7	3.5	0.2	6	–	–	–
Singapore	4.5	5.4	(0.9)	(17)	3.8	4.6	(0.8)	(17)	–	–	–
Sub-total	18.5	20.2	(1.7)	(8)	16.6	18.7	(2.1)	(11)	–	–	–
Management contracts with minimum guaranteed income											
Belgium	4.2	3.9	0.3	8	1.7	1.4	0.3	21	129	120	8
Spain	2.7	2.3	0.4	17	1.4	1.2	0.2	17	197	169	17
United Kingdom	14.8	13.8	1.0	7	6.7	6.2	0.5	8	255	236	8
Sub-total	21.7	20.0	1.7	9	9.8	8.8	1.0	11	209	192	9
Management contracts											
Australia	6.6	6.3	0.3	5	2.2	2.5	(0.3)	(12)	115	135	(15)
China	13.0	13.8	(0.8)	(6)	5.8	5.4	0.4	7	91	99	(8)
Indonesia	3.7	3.7	–	–	1.2	1.3	(0.1)	(8)	94	93	1
Japan ²	14.8	14.1	0.7	5	8.1	8.1	–	–	162	149	9
Malaysia	1.0	1.1	(0.1)	(9)	0.1	0.3	(0.2)	(67)	50	58	(14)
Philippines	6.3	5.2	1.1	21	2.2	1.4	0.8	57	127	105	21
Singapore	6.2	6.1	0.1	2	2.5	2.5	–	–	194	190	2
United States of America	30.5	30.2	0.3	1	13.7	9.1	4.6	51	326	323	1
Vietnam	10.2	9.8	0.4	4	5.4	5.0	0.4	8	92	89	3
Sub-total	92.3	90.3	2.0	2	41.2	35.6	5.6	16	149	149	–
Group	132.5	130.5	2.0	2	67.6	63.1	4.5	7	158	155	2

¹ REVPAU for Japan refers to serviced residences and excludes rental housing.

² Revenue and gross profit for Infini Garden have been classified under "Management contracts" category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for 2Q 2018 have been reclassified from "Master lease" category to "Management contracts" category.

Group

Please refer to para 1(a)(ii)(A.1) for analysis of the Group's revenue and gross profit.

Analysis By Country

A. Master Leases

Australia

Revenue remained stable as compared to 2Q 2018. Gross profit increased by AUD 0.1 million due to lower operation and maintenance expense.

In SGD terms, revenue decreased by S\$0.1 million or 5% due to depreciation of AUD against SGD. Gross profit remained at the same level as 2Q 2018.

France

Revenue decreased by EUR 0.3 million or 5% as compared to 2Q 2018 due to lower rent upon renewal of certain master leases. Gross profit was higher in 2Q 2018 due to reversal of provision for business tax no longer required of EUR 0.3 million. Excluding this one-off adjustment, gross profit for 2Q 2019 was lower mainly due to lower revenue.

In SGD terms, revenue decreased by S\$0.8 million or 9% due to depreciation of EUR against SGD and lower underlying performance. Gross profit decreased by S\$1.5 million or 17%.

Germany

Revenue increased by EUR 0.1 million or 4% due to higher variable rent earned by Madison Hamburg in 2Q 2019. Gross profit increased by EUR 0.2 million or 9% due to higher revenue and refund of property tax in respect of prior periods.

In SGD terms, revenue increased by S\$0.1 million or 3% due to stronger underlying performance. Gross profit, in SGD terms, increased by S\$0.2 million or 6%.

Singapore

Both revenue and gross profit decreased due to the divestment of Ascott Raffles Place in May 2019. On a same store basis, revenue and gross profit increased by S\$0.2 million, as compared to 2Q 2018, due to higher variable rent earned by Ascott Orchard as a result of stronger corporate and leisure demand.

B. Management contracts with minimum guaranteed income

Belgium

Revenue increased by EUR 0.3 million or 13% and REVPAU increased by 12% in 2Q 2019 due to stronger leisure demand.

Gross profit increased by EUR 0.2 million or 22% due to higher revenue, partially offset by higher staff costs.

In SGD terms, revenue increased by S\$0.3 million or 8% as compared to 2Q 2018 due to stronger underlying performance, partially offset by depreciation of EUR against SGD. Gross profit, in SGD terms, increased by S\$0.3 million or 21%.

Spain

Revenue increased by EUR 0.3 million or 21% and REVPAU increased by 21% due to stronger leisure demand. Gross profit increased by EUR 0.2 million or 29% due to higher revenue.

In SGD terms, revenue increased by S\$0.4 million or 17% and gross profit increased by S\$0.2 million or 17% due to stronger underlying performance, partially offset by depreciation of EUR against SGD.

United Kingdom

Revenue increased by GBP 0.8 million or 11% and REVPAU increased by 11% as compared to 2Q 2018 due to higher corporate and leisure demand.

Gross profit increased by GBP 0.4 million or 12% due to higher revenue, partially offset by higher marketing expense and management fee.

In SGD terms, revenue increased by S\$1.0 million or 7% due to stronger underlying performance, partially offset by depreciation of GBP against SGD. Gross profit, in SGD terms, increased by S\$0.5 million or 8%.

C. Management contracts

Australia

Revenue increased by AUD 0.6 million or 10% due to the acquisition of Citadines Connect Sydney Airport in May 2019. REVPAU decreased by 10% in 2Q 2019 due to the acquisition of Citadines Connect Sydney Airport, which had lower REVPAU as compared to the existing properties in Australia.

On a same store basis, revenue and gross profit decreased mainly due to softer leisure and corporate demand in Melbourne.

In SGD terms, revenue increased by S\$0.3 million or 5% and gross profit decreased by S\$0.3 million or 12% due to depreciation of AUD against SGD.

China

Revenue decreased by RMB 1.4 million or 2% due to softer corporate demand, mitigated by higher commercial rent. REVPAU decreased by 4% as compared to 2Q 2018. Gross profit increased by RMB 3.3 million or 13% due to the adoption of FRS 116.

Excluding the FRS 116 adjustments, gross profit increased by RMB 2.2 million or 9% due to lower staff costs (arising from reversal of over-provision of prior year's expense), marketing expense and depreciation expense (arising from fully depreciated assets), partially offset by lower revenue.

In SGD terms, revenue decreased by S\$0.8 million or 6% due to depreciation of RMB against SGD and lower underlying performance. Gross profit increased by S\$0.4 million or 7%.

Indonesia

Both revenue and gross profit decreased by USD 0.1 million, and REVPAU decreased by 1% as compared to 2Q 2018 due to softer demand.

In SGD terms, revenue remained stable due to appreciation of USD against SGD offset by lower underlying performance. Gross profit decreased by S\$0.1 million or 8%.

Japan

Revenue increased by JPY 52.5 million or 5% and REVPAU increased by 8% as compared to 2Q 2018 due to stronger leisure demand for the serviced residences.

Gross profit decreased by JPY 2.3 million due to higher marketing expense, operation & maintenance expense and staff costs, partially offset by higher revenue.

In SGD terms, revenue increased by S\$0.7 million or 5% due to stronger underlying performance. Gross profit remained stable.

Malaysia

Revenue decreased by MYR 0.3 million or 9% and REVPAU decreased by 11% as compared to 2Q 2018 due to keen competition. Gross profit decreased by MYR 0.5 million or 63% due to lower revenue, coupled with higher staff costs (arising from lower reversal of over-provision of prior year's bonus expense as compared to 2Q 2018).

In SGD terms, revenue decreased by S\$0.1 million or 9% due to lower underlying performance and depreciation of MYR against SGD. Gross profit decreased by S\$0.2 million or 67%.

The Philippines

Revenue increased by PHP 38.0 million or 18% and REVPAU increased by 18% due to higher revenue from the refurbished apartments at Ascott Makati. Gross profit increased by PHP 30.2 million or 54%. Excluding the FRS 116 adjustments, gross profit increased by PHP 20.2 million or 36% due to higher revenue and lower staff costs, partially offset by higher depreciation expense (post renovation) and marketing expense.

In SGD terms, revenue and gross profit increased by S\$1.1 million or 21% and S\$0.8 million or 57% respectively due to stronger underlying performance and appreciation of PHP against SGD.

Singapore

Revenue increased by S\$0.1 million or 2% and REVPAU increased by 2% due to higher market demand.

Gross profit remained stable due to higher revenue, offset by higher marketing expense.

The United States of America

Revenue decreased by USD 0.4 million or 2% and REVPAU decreased by 1% as compared to 2Q 2018 due to softer market demand.

Gross profit increased by USD 3.2 million. Had the FRS 116 adjustments for 2Q 2019 and the straight-line recognition of operating lease expense for 2Q 2018 been excluded, gross profit would have decreased by USD 0.2 million. The lower gross profit was attributed to lower revenue and higher staff costs, partially offset by lower marketing expense.

In SGD terms, revenue increased by S\$0.3 million or 1% due to appreciation of USD against SGD, partially offset by lower underlying performance. Gross profit increased by S\$4.6 million or 51%.

Vietnam

Revenue increased by VND 7.8 billion or 5% and REVPAU increased by 4% as compared to 2Q 2018 mainly due to stronger corporate and leisure demand, and higher commercial rent. Gross profit increased by VND 6.4 billion or 7% due to higher revenue and lower staff costs, partially offset by higher operation & maintenance expense.

In SGD terms, revenue increased by S\$0.4 million or 4% and gross profit increased by S\$0.4 million or 8% respectively due to stronger underlying performance.

8(b) Revenue and Gross Profit Analysis – YTD Jun 2019 vs. YTD Jun 2018 (Local Currency (“LC”))

		Revenue ¹				Gross Profit ¹				REVPAU Analysis ²		
		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)
		LC'm	LC'm	LC'm	%	LC'm	LC'm	LC'm	%	LC/day	LC/day	%
Master Leases												
Australia	AUD	3.8	3.8	–	–	3.6	3.4	0.2	6	–	–	–
France	EUR	10.7	11.2	(0.5)	(4)	9.7	10.6	(0.9)	(8)	–	–	–
Germany	EUR	5.0	4.8	0.2	4	4.6	4.4	0.2	5	–	–	–
Singapore	S\$	10.5	10.6	(0.1)	(1)	9.1	9.1	–	–	–	–	–
Management contracts with minimum guaranteed income												
Belgium	EUR	4.8	4.4	0.4	9	1.6	1.2	0.4	33	74	67	10
Spain	EUR	2.9	2.5	0.4	16	1.4	1.2	0.2	17	106	92	15
United Kingdom	GBP	15.2	13.6	1.6	12	6.2	5.4	0.8	15	131	116	13
Management contracts												
Australia	AUD	14.1	13.3	0.8	6	5.5	5.6	(0.1)	(2)	138	143	(4)
China	RMB	128.4	129.4	(1.0)	(1)	54.5	49.2	5.3	11	452	461	(2)
Indonesia	USD	5.5	5.8	(0.3)	(5)	1.8	1.9	(0.1)	(5)	71	74	(4)
Japan ³	JPY	2,315.7	2,204.0	111.7	5	1,241.8	1,219.3	22.5	2	12,216	11,304	8
Malaysia	MYR	6.4	7.0	(0.6)	(9)	1.1	2.0	(0.9)	(45)	173	189	(9)
Philippines	PHP	492.3	405.7	86.6	21	174.0	110.3	63.7	58	4,965	4,097	21
Singapore	S\$	12.6	11.3	1.3	12	5.2	4.5	0.7	16	197	177	11
United States of America	USD	35.5	36.6	(1.1)	(3)	12.7	6.8	5.9	87	190	196	(3)
Vietnam	VND ¹	349.8	341.7	8.1	2	191.0	185.8	5.2	3	1,587	1,570	1

¹ Revenue and Gross Profit figures are stated in millions, except for VND which are stated in billions.

² REVPAU for Japan refers to serviced residences and excludes rental housing. REVPAU for VND are stated in thousands.

³ Revenue and gross profit for Infini Garden have been classified under “Management contracts” category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for YTD Jun 2018 have been reclassified from “Master lease” category to “Management contracts” category.

8(b) **Revenue and Gross Profit Analysis – YTD Jun 2019 vs. YTD Jun 2018 (S\$)**

	Revenue				Gross Profit				REVPAU Analysis ¹		
	YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%	S\$/day	S\$/day	%
Master Leases											
Australia	3.7	3.9	(0.2)	(5)	3.5	3.6	(0.1)	(3)	–	–	–
France	16.5	18.0	(1.5)	(8)	14.9	17.0	(2.1)	(12)	–	–	–
Germany	7.8	7.7	0.1	1	7.0	7.1	(0.1)	(1)	–	–	–
Singapore	10.5	10.6	(0.1)	(1)	9.1	9.1	–	–	–	–	–
Sub-total	38.5	40.2	(1.7)	(4)	34.5	36.8	(2.3)	(6)	–	–	–
Management contracts with minimum guaranteed income											
Belgium	7.5	7.0	0.5	7	2.5	2.0	0.5	25	114	108	6
Spain	4.4	4.1	0.3	7	2.1	2.0	0.1	5	163	148	10
United Kingdom	26.8	24.7	2.1	9	10.8	9.9	0.9	9	231	211	10
Sub-total	38.7	35.8	2.9	8	15.4	13.9	1.5	11	187	172	9
Management contracts											
Australia	13.6	13.6	–	–	5.3	5.7	(0.4)	(7)	133	147	(10)
China	25.7	26.9	(1.2)	(5)	10.9	10.2	0.7	7	91	96	(5)
Indonesia	7.4	7.6	(0.2)	(3)	2.5	2.6	(0.1)	(4)	97	98	(1)
Japan ²	28.5	26.8	1.7	6	15.3	14.9	0.4	3	150	137	10
Malaysia	2.1	2.4	(0.3)	(13)	0.4	0.7	(0.3)	(43)	57	64	(11)
Philippines	12.8	10.4	2.4	23	4.5	2.8	1.7	61	129	105	23
Singapore	12.6	11.3	1.3	12	5.2	4.5	0.7	16	197	177	11
United States of America	48.2	48.5	(0.3)	(1)	17.2	8.9	8.3	93	258	259	–
Vietnam	20.3	19.8	0.5	3	11.1	10.8	0.3	3	92	91	1
Sub-total	171.2	167.3	3.9	2	72.4	61.1	11.3	19	138	137	1
Group	248.4	243.3	5.1	2	122.3	111.8	10.5	9	146	142	3

¹ REVPAU for Japan refers to serviced residences and excludes rental housing.

² Revenue and gross profit for Infini Garden have been classified under “Management contracts” category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for YTD Jun 2018 have been reclassified from “Master lease” category to “Management contracts” category.

For the six months ended 30 June 2019 (“YTD Jun 2019”), revenue increased by S\$5.1 million or 2% as compared to the corresponding period last year (“YTD Jun 2018”). The increase in revenue was mainly due to higher revenue of S\$5.2 million from the existing properties and additional contribution of S\$0.8 million from the acquisition of Citadines Connect Sydney Airport, partially offset by decrease in revenue of S\$0.9 million from the divestment of Ascott Raffles Place Singapore.

REVPAU increased by 3%, from S\$142 in YTD Jun 2018 to S\$146 in YTD Jun 2019.

Gross profit for YTD Jun 2019 increased by S\$10.5 million or 9% as compared to YTD Jun 2018 due to higher revenue and the FRS 116 adjustments. On a same store basis and excluding the FRS 116 adjustments, gross profit increased by S\$0.8 million.

(c) Change in value of serviced residence properties and assets held for sale

The change in value of serviced residence properties and assets held for sale will affect the net asset value but has no impact on the unitholders' distribution.

Any increase or decrease in value is credited or charged to the Statement of Total Return as net appreciation or depreciation on revaluation of serviced residence properties.

As at 30 June 2019, independent desktop valuations were carried out by HVS. In determining the fair value of the Group's portfolio, the discounted cash flow approach was used. The valuation method used is consistent with that used for the 31 December 2018 valuation and prior years.

The Group's portfolio (including investment property under development) was revalued at S\$4,825.6 million, resulting in a surplus of S\$9.0 million which was recognised in the Consolidated Statement of Total Return in 2Q 2019. The surplus resulted mainly from higher valuation of the Group's properties in Australia, Belgium, Germany and Japan, partially offset by lower valuation from the properties in China, Philippines, Spain and Vietnam. The net impact on the Consolidated Statement of Total Return was S\$5.6 million (net of tax and non-controlling interests).

9. Variance from forecast

The Group has not disclosed any forecast to the market.

10. Commentary of the significant trends and the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The International Monetary Fund expects the global economy to grow 3.2% in 2019 before increasing to 3.5% in 2020. The global economy remains delicate, as trade tensions continue to weigh on business confidence.

On the back of the uncertain outlook, the US Federal Reserve kept interest rates unchanged at 2.25% to 2.5% in June 2019 and hinted at the possibility of a rate cut. As at 30 June 2019, Ascott Reit's effective interest costs remained low at 2.1%. The 'BBB' investment grade status by Fitch Ratings provides credit assurance to stakeholders, enabling Ascott Reit to continue raising funds at attractive rates and terms.

On the hospitality front, international tourist arrivals grew approximately 4% in the first quarter of 2019, in line with UNWTO's full year forecast. One of the bright spots was Asia Pacific, which grew 6% from the previous year, fueled by North-East Asia which rose 9%. As demand continues to grow, supply in the lodging space has increased.

With about 40% of gross profit contribution from master leases and management contracts with minimum guaranteed income and a geographically diversified portfolio, Ascott Reit is well positioned to remain competitive and deliver stable returns to Unitholders.

In the longer term, Ascott Reit continues to be positive in the hospitality sector, particularly in Asia Pacific where the demand for business and leisure travel is underpinned by economic growth and an expanding middle-class.

On 3 July 2019, Ascott Reit announced the proposed combination with Ascendas Hospitality Trust. This transaction, which is DPU-accretive on a FY 2018 pro forma basis, will consolidate Ascott Reit's position as the largest hospitality trust in Asia Pacific, increase the portfolio's presence in Asia Pacific where growth remains robust, while enhancing income diversification and resilience. This transaction is subject to Unitholders' approval and is expected to be completed by the end of 2019.

Sources: UNTWO (2019), IMF (2019), Federal Reserve System (2019)

11. **DISTRIBUTIONS**

11(a) **Current financial period**

Any distributions declared for the current financial period? Yes
Period of distribution : Distribution for 1 January 2019 to 30 June 2019

Distribution Type	Distribution Rate (cents)
Taxable Income	0.670
Tax Exempt Income	0.873
Capital	1.888
Total	3.431

11(b) **Corresponding period of the preceding financial period**

Any distributions declared for the corresponding period of the immediate preceding financial period? Yes
Period of distribution : Distribution for 1 January 2018 to 30 June 2018

Distribution Type	Distribution Rate (cents)
Taxable Income	0.610
Tax Exempt Income	1.344
Capital	1.238
Total	3.192

11(c) Tax rate : **Taxable Income Distribution**

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Tax-Exempt Income Distribution

Tax-exempt income distribution is exempt from tax in the hands of all unitholders.

Capital Distribution

Capital distribution represents a return of capital to unitholders for tax purposes and is therefore not subject to income tax. For unitholders who are liable to tax on profits from sale of Ascott Reit Units, the amount of capital distribution will be applied to reduce the cost base of their Ascott Reit Units for tax purposes.

11(c) Book closure date : 7 August 2019

11(d) Date payable : 29 August 2019

12. **If no distribution has been declared/recommended, a statement to that effect**

Not applicable.

13. **General mandate for Interested Person Transactions ("IPT")**

The Group has not obtained a general mandate from Unitholders for IPT.

14. **Confirmation pursuant to Rule 720(1) of the Listing Manual**

The Manager confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), as required by Rule 720(1) of the Listing Manual.

15. **Confirmation pursuant to Rule 705(5) of the Listing Manual**

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and Trust (comprising the statements of financial position as at 30 June 2019, consolidated statement of total return, consolidated statement of cash flows and statement of movements in unitholders' funds for the six months ended 30 June 2019, together with their accompanying notes), to be false or misleading in any material aspect.

On behalf of the Board
Ascott Residence Trust Management Limited

Tan Beng Hai
Chairman

Beh Siew Kim
Director

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD
Ascott Residence Trust Management Limited
(Company registration no. 200516209Z)
As Manager of Ascott Residence Trust

Karen Chan
Company Secretary
30 July 2019



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Report on review of Interim Financial Information

The Board of Directors

Ascott Residence Trust Management Limited

(in its capacity as Manager of Ascott Residence Trust and its subsidiaries)

Introduction

We have reviewed the accompanying interim financial information (the “Interim Financial Information”) of Ascott Residence Trust (the “Trust”) and its subsidiaries (the “Group”) for the six-month period ended 30 June 2019. The Interim Financial Information consists of the following:

- Statement of Financial Position of the Group as at 30 June 2019;
- Statement of Total Return of the Group for the six-month period ended 30 June 2019;
- Statement of Movements in Unitholders’ Funds of the Group for the six-month period ended 30 June 2019;
- Distribution Statement of the Group for the six-month period ended 30 June 2019;
- Portfolio Statement of the Group as at 30 June 2019;
- Statement of Cash Flows of the Group for the six-month period ended 30 June 2019; and
- Certain explanatory notes to the above Interim Financial Information.

The management of Ascott Residence Management Limited (the “Manager” of Ascott Residence Trust) is responsible for the preparation and presentation of this Interim Financial Information in accordance with the recommendations of the Statement of Recommended Accounting Practice (“RAP”) 7 *Reporting Framework for Unit Trusts* relevant to interim financial information, issued by the Institute of Singapore Chartered Accountants (“ISCA”). Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.



Other Matter

The Interim Financial Information for the comparative six-month period ended 30 June 2018 have not been audited or reviewed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with the recommendations of RAP 7 *Reporting Framework for Unit Trusts* relevant to interim financial information issued by the ISCA.

Restriction on use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Interim Financial Information for the purpose of assisting Ascott Residence Trust to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited Listing Manual and comply with the requirements of Rule 25 of Singapore Code of Take-Overs and Mergers, and for no other purpose. Our report is included in the unaudited financial statements announcement of Ascott Residence Trust for the six-month period ended 30 June 2019 for the information of the Unitholders. We do not assume responsibility to anyone other than the Ascott Residence Trust for our work, for our report, or for the conclusions we have reached in our report.

~~KPMG~~ LLP
KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 July 2019



Report from the IFA in respect of the Interim Financial Information

30 July 2019

The Board of Directors (the “**Directors**”) of
Ascott Residence Trust Management Limited
(in its capacity as Manager of Ascott Residence Trust)
168 Robinson Road
#30-01 Capital Tower
Singapore 068912

DBS Trustee Limited
(in its capacity as Trustee of Ascott Residence Trust)
12 Marina Boulevard Level 44
Marina Bay Financial Centre Tower 3
Singapore 018982

Dear Sirs,

Report from the IFA in respect of the Interim Financial Information (as defined herein) made in the announcement which was released by Ascott Residence Trust (the “Ascott Reit”) on SGXNET on 30 July 2019

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the Joint Announcement in relation to the Combination of Ascott Residence Trust and Ascendas Hospitality Trust dated 3 July 2019.

On 3 July 2019, the Ascott Reit Manager and the A-HTRUST REIT Manager jointly announced the Combination, which shall be effected through acquisition by Ascott Reit of all the issued and paid-up stapled units in A-HTRUST by way of a trust scheme of arrangement in compliance with the Code.

On 30 July 2019, the Directors had approved the unaudited financial statements announcement of Ascott Residence Trust and its subsidiaries (the “**Group**”) relating to its financial performance for the six-month period ended 30 June 2019 (the “**Interim Financial Information**”).

We have reviewed the Interim Financial Information and have held discussions with the management of Ascott Reit Manager who are responsible for the preparation of the Interim Financial Information.

Except as disclosed in paragraph 5 of the Interim Financial Information, amongst others notably the adoption of the accounting standard FRS 116, the Interim Financial Information were arrived at on bases consistent with the significant accounting policies and methods of computation adopted by the Group for the preparation of the audited consolidated financial statements of the Group for the full year ended 31 December 2018 (“**FY2018**”), which are set out in the annual report of the Group for FY2018.

We have also considered the Report on review of Interim Financial Information dated 30 July 2019 issued by KPMG LLP, being the external independent auditors of the Group, relating to their review of the Interim Financial Information.

ANZ Corporate Advisory

10 Collyer Quay, #22-00 Ocean Financial Centre, Singapore 049315

Australia and New Zealand Banking Group Limited ACN 005 357 522 | Singapore Registration Number F00002839E



Based on the above, we are of the opinion that the Interim Financial Information have been made by the Directors after due and careful enquiry.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with us by the Ascott Reit Manager. Save as provided in this letter, we do not express any other opinion or views on the Interim Financial Information. The Directors remain solely responsible for the Interim Financial Information.

The letter is provided to the Directors solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept any responsibility to any person(s), other than the Ascott Reit and the Directors, in respect of, arising out of, or in connection with this letter.

Yours faithfully

For and on behalf of

Australia and New Zealand Banking Group Limited, Singapore Branch


A handwritten signature in black ink, appearing to read 'Sigismund Kwok', written over a light grey rectangular background.

Sigismund Kwok
Corporate Advisory



FINANCIAL CONTENTS

110	Report of the Trustee
111	Statement by the Manager
112	Independent Auditors' Report
116	Statements of Financial Position
117	Statements of Total Return
118	Distribution Statements
120	Statements of Movements in Unitholders' Funds
122	Portfolio Statements
140	Consolidated Statement of Cash Flows
142	Notes to Financial Statements



REPORT OF THE TRUSTEE

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Ascott Residence Trust (the "Trust") held by it or through its subsidiaries 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 Ascott Residence Trust Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 19 January 2006 (as amended) (the "Trust Deed") between the Manager and the Trustee 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 Trust and its subsidiaries (the "Group") during the year covered by these financial statements, set out on pages 116 to 228 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,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
26 February 2019

STATEMENT BY THE MANAGER

In the opinion of the directors of Ascott Residence Trust Management Limited, the accompanying financial statements of Ascott Residence Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 116 to 228 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 have been drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2018, 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.

For and on behalf of the Manager,
Ascott Residence Trust Management Limited

Beh Siew Kim
Director

Singapore
26 February 2019

INDEPENDENT AUDITORS' REPORT

Unitholders of Ascott Residence Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ascott Residence Trust ("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 December 2018, the Statements of Total Return, Distribution Statements, 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 notes to the financial statements, including a summary of significant accounting policies as set out on pages 116 to 228.

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 financial position and portfolio holdings of the Group and the Trust as at 31 December 2018 and the total return, distributable income, movements in unitholders' funds of the Group and 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" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

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 'Auditor's 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 serviced residence properties

(Refer to Note 4 – Serviced residence properties and Note 34 – Fair value measurement)

Risk:

The Group has a portfolio of serviced residences, including rental housing properties, which represent the single largest category of assets on the Statement of Financial Position at \$4.7 billion as at 31 December 2018.

These serviced residence properties 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. The valuations are highly sensitive to key assumptions applied, particularly those relating to discount rates and terminal capitalisation rates.

INDEPENDENT AUDITORS' REPORT

Unitholders of Ascott Residence Trust
(Constituted under a Trust Deed in the Republic of Singapore)

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 qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting occupancy rates, average daily room rates and other documents.

We evaluated the discount rates and terminal capitalisation rates used in the valuation by comparing them against available industry data, taking into consideration comparability and market factors.

We also considered the adequacy of disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Our findings:

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 by the valuers were in line with generally accepted market practices. The key assumptions used were supported by the evidence available and are within the range of market data.

We also found the related disclosures in the financial statements to be appropriate.

Other information

Ascott Residence Trust Management Limited, the Manager of the Trust (the "Manager"), is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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 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.

INDEPENDENT AUDITORS' REPORT

Unitholders of Ascott Residence Trust
(Constituted under a Trust Deed in the Republic of Singapore)

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 Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is 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, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the 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.

INDEPENDENT AUDITORS' REPORT

Unitholders of Ascott Residence Trust
(Constituted under a Trust Deed in the Republic of Singapore)

- 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.

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 the law or regulations preclude 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

26 February 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current assets					
Serviced residence properties	4	4,679,295	4,908,400	739,193	950,156
Other non-current assets	5	65,535	–	65,535	–
Plant and equipment	6	48,564	49,768	10,807	13,844
Subsidiaries	7	–	–	276,546	340,889
Associate	9	3,040	2,992	3,062	2,993
Financial derivative assets	10	8,294	7,169	1,879	2,090
Deferred tax assets	11	4,309	5,770	–	–
		<u>4,809,037</u>	<u>4,974,099</u>	<u>1,097,022</u>	<u>1,309,972</u>
Current assets					
Inventories		328	214	–	–
Trade and other receivables	12	56,919	66,573	2,299,467	2,369,264
Assets held for sale	13	215,000	194,820	215,000	–
Cash and cash equivalents	14	227,847	257,345	40,112	12,598
		<u>500,094</u>	<u>518,952</u>	<u>2,554,579</u>	<u>2,381,862</u>
Total assets		<u>5,309,131</u>	<u>5,493,051</u>	<u>3,651,601</u>	<u>3,691,834</u>
Non-current liabilities					
Financial liabilities	15	1,835,316	1,681,106	424,430	351,782
Financial derivative liabilities	10	6,850	15,960	5,269	13,570
Deferred tax liabilities	11	117,865	119,211	–	–
		<u>1,960,031</u>	<u>1,816,277</u>	<u>429,699</u>	<u>365,352</u>
Current liabilities					
Financial liabilities	15	70,137	264,267	827	78,388
Financial derivative liabilities	10	280	165	191	121
Liabilities held for sale	13	–	1,065	–	–
Trade and other payables	16	141,252	237,069	927,017	916,739
Current tax liabilities		6,522	2,525	–	–
		<u>218,191</u>	<u>505,091</u>	<u>928,035</u>	<u>995,248</u>
Total liabilities		<u>2,178,222</u>	<u>2,321,368</u>	<u>1,357,734</u>	<u>1,360,600</u>
Net assets		<u>3,130,909</u>	<u>3,171,683</u>	<u>2,293,867</u>	<u>2,331,234</u>
Represented by:					
Unitholders' funds	17	2,644,051	2,685,129	1,896,740	1,934,107
Perpetual securities holders	18	397,127	397,127	397,127	397,127
Non-controlling interests	8	89,731	89,427	–	–
		<u>3,130,909</u>	<u>3,171,683</u>	<u>2,293,867</u>	<u>2,331,234</u>
Units in issue ('000)	18	<u>2,164,592</u>	<u>2,149,688</u>	<u>2,164,592</u>	<u>2,149,688</u>
Net asset value per Unit attributable to Unitholders (\$)		<u>1.22</u>	<u>1.25</u>	<u>0.88</u>	<u>0.90</u>

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Gross revenue	19	514,273	496,288	46,632	34,497
Direct expenses	20	(274,913)	(269,370)	(17,592)	(15,121)
Gross profit		239,360	226,918	29,040	19,376
Finance income	21	1,194	1,581	256	245
Dividend income		–	–	217,754	117,495
Other income		1,479	558	443	10,367
Finance costs	21	(47,116)	(46,668)	(25,289)	(24,660)
Manager's management fees	22	(23,900)	(22,358)	(23,900)	(22,358)
Professional fees	23	(2,920)	(2,651)	(831)	(926)
Trustee's fees		(546)	(495)	(546)	(495)
Audit fees		(2,398)	(2,380)	(305)	(283)
Foreign exchange (loss)/gain		(6,097)	16,225	(7,583)	(14,068)
Other operating expenses		(1,999)	(3,232)	(85,912)	(2,092)
Net income before share of results of associate		157,057	167,498	103,127	82,601
Share of results of associate (net of tax)		(21)	(38)	–	–
Net income	24	157,036	167,460	103,127	82,601
Net change in fair value of serviced residence properties and assets held for sale		35,499	85,640	2,146	1,621
Net change in fair value of financial derivatives		–	1,121	6,379	(1,569)
Profit from divestments	25	3,211	20,844	–	–
Assets written off	4	(364)	(621)	–	–
Total return for the year before income tax		195,382	274,444	111,652	82,653
Income tax expense	26	(43,541)	(51,944)	–	–
Total return for the year		151,841	222,500	111,652	82,653
Total return attributable to:					
Unitholders of the Trust/ perpetual securities holders		147,593	214,247	111,652	82,653
Non-controlling interests	8	4,248	8,253	–	–
		151,841	222,500	111,652	82,653
Earnings per Unit (cents)	27				
Basic		5.95	9.46	4.28	3.08
Diluted		5.91	9.40	4.25	3.06

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Amount available for distribution to Unitholders at beginning of the year		80,226	72,667	80,226	72,667
Total return attributable to Unitholders/perpetual securities holders		147,593	214,247	111,652	82,653
Less: Total return attributable to perpetual securities holders		(19,200)	(19,200)	(19,200)	(19,200)
Distribution adjustments	A	26,390	(42,859)	62,331	88,735
Income available for distribution to Unitholders	B	154,783	152,188	154,783	152,188
Amount available for distribution to Unitholders		235,009	224,855	235,009	224,855
Distributions to Unitholders during the year					
- Distribution of 4.39 cents per Unit for the period from 1 July 2016 to 31 December 2016		-	(72,620)	-	(72,620)
- Distribution of 3.36 cents per Unit for the period from 1 January 2017 to 30 June 2017		-	(72,009)	-	(72,009)
- Distribution of 3.73 cents per Unit for the period from 1 July 2017 to 31 December 2017		(80,183)	-	(80,183)	-
- Distribution of 3.19 cents per Unit for the period from 1 January 2018 to 30 June 2018		(68,933)	-	(68,933)	-
		(149,116)	(144,629)	(149,116)	(144,629)
Amount available for distribution to Unitholders at end of the year		85,893	80,226	85,893	80,226

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Note A – Distribution adjustments				
Distribution adjustment items:				
– Net change in fair value of serviced residence properties and assets held for sale	(35,499)	(85,640)	(2,146)	(1,621)
– Net change in fair value of financial derivatives	–	(1,121)	(6,379)	1,569
– Profit from divestments	(3,211)	(20,844)	–	–
– Assets written off	364	621	–	–
– Depreciation of plant and equipment	12,744	13,250	2,597	1,569
– Manager's management fees paid/payable in Units	17,505	16,051	17,505	16,051
– Trustee's fees	111	89	111	89
– Foreign exchange loss/(gain) – unrealised	8,988	(2,441)	2,642	19,201
– Operating lease expense recognised on a straight-line basis	3,104	3,499	–	–
– Deferred tax expense	18,375	25,048	–	–
– Non-controlling interests' share of adjustments	(2,411)	1,841	–	–
– Partial distribution of divestment gain	6,500	6,500	6,500	–
– Other adjustments	(180)	35	30	38
– Impairment loss on non-trade amounts due from subsidiaries recognised/(reversed)	–	–	20,890	(2,826)
– Impairment of subsidiaries recognised/(reversed)	–	–	64,343	(7,058)
– Impairment loss on non-trade amount due from associate recognised	–	253	–	775
– Dividend income ⁽¹⁾	–	–	(120,000)	–
– Net overseas income ⁽²⁾ not distributed to the Trust	–	–	76,238	60,948
Net effect of distribution adjustments	26,390	(42,859)	62,331	88,735

(1) Relates to profit from divestment of the two China properties.

(2) Net overseas income is defined in significant accounting policies (see Note 3.15).

Note B – Income available for distribution to Unitholders

Comprises:

– from operations	132,252	95,042	132,252	95,042
– from Unitholders' contributions	22,531	57,146	22,531	57,146
Income available for distribution to Unitholders	154,783	152,188	154,783	152,188

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Operations					
At 1 January		1,083,116	898,132	166,072	112,094
Total return attributable to Unitholders/perpetual securities holders		147,593	214,247	111,652	82,653
Total return attributable to perpetual securities holders		(19,200)	(19,200)	(19,200)	(19,200)
Distributions to Unitholders		(104,990)	(9,475)	(104,990)	(9,475)
Change in ownership interests in subsidiaries with no change in control		(357)	(397)	–	–
Transfer between reserves		(1,428)	(191)	–	–
At 31 December		1,104,734	1,083,116	153,534	166,072
Unitholders' contributions					
At 1 January		1,771,310	1,451,627	1,771,310	1,451,627
Creation of Units:					
– Rights Issue		–	442,671	–	442,671
– Manager's management fees paid in Units		17,554	16,022	17,554	16,022
– Acquisition fees paid in Units		–	984	–	984
Distributions to Unitholders		(44,126)	(135,154)	(44,126)	(135,154)
Issue expenses	28	–	(4,840)	–	(4,840)
At 31 December		1,744,738	1,771,310	1,744,738	1,771,310
Foreign currency translation reserve					
At 1 January		(170,205)	(153,410)	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(41,930)	(16,795)	–	–
Change in ownership interests in subsidiaries with a change in control		135	–	–	–
At 31 December		(212,000)	(170,205)	–	–

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Capital reserve					
At 1 January		2,148	1,957	–	–
Transfer between reserves		1,428	191	–	–
At 31 December		3,576	2,148	–	–
Hedging reserve					
At 1 January		(1,240)	2,319	(3,275)	(3,884)
Effective portion of change in fair values of cash flow hedges		3,443	(7,239)	96	(1,312)
Net change in fair value of cash flow hedge reclassified to Statement of Total Return		800	3,680	1,647	1,921
At 31 December		3,003	(1,240)	(1,532)	(3,275)
Unitholders' funds at 31 December		2,644,051	2,685,129	1,896,740	1,934,107
Perpetual securities					
At 1 January		397,127	397,127	397,127	397,127
Total return attributable to perpetual securities holders		19,200	19,200	19,200	19,200
Distribution to perpetual securities holders		(19,200)	(19,200)	(19,200)	(19,200)
At 31 December		397,127	397,127	397,127	397,127
Non-controlling interests					
At 1 January		89,427	84,511	–	–
Total return attributable to non-controlling interests		4,248	8,253	–	–
Distribution to non-controlling interests		(3,464)	(2,948)	–	–
Acquisition of subsidiaries		–	3,119	–	–
Change in ownership interests in subsidiaries with no change in control		357	397	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(837)	(3,905)	–	–
At 31 December		89,731	89,427	–	–
		3,130,909	3,171,683	2,293,867	2,331,234

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Serviced residence properties (including rental housing properties)									
Singapore									
Somerset Liang Court Property Singapore	177B, River Valley Road, Singapore 179032	Leasehold	97 years	58 years	59 years	209,550	208,809	7.9	7.8
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	86 years	87 years	131,138	131,087	5.0	4.9
Ascott Raffles Place Singapore ⁽¹⁾⁽²⁾	2 Finlayson Green, Singapore 049247	Leasehold	999 years	872 years – 874 years	873 years – 875 years	–	213,439	–	7.9
Ascott Orchard Singapore ⁽¹⁾⁽³⁾	11 Cairnhill Road, Singapore 229724	Leasehold	99 years	94 years	95 years	398,505	396,821	15.1	14.8
Balance carried forward						739,193	950,156	28.0	35.4

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.

(2) Ascott Raffles Place Singapore has been reclassified to "Assets held for Sale" (Note 13), pursuant to the planned divestment of the property as at 31 December 2018.

(3) On 10 October 2017, the Group acquired Ascott Orchard Singapore from related corporations, CH Commercial Pte. Ltd. and CH Residential Pte. Ltd. The valuation was based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						739,193	950,156	28.0	35.4
Australia									
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth, WA 6000	Freehold	Not applicable	Not applicable	Not applicable	18,919	21,846	0.7	0.8
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000	Freehold	Not applicable	Not applicable	Not applicable	158,017	164,807	6.0	6.1
Quest Campbelltown	1 Rennie Road, Woodbine, NSW 2560	Freehold	Not applicable	Not applicable	Not applicable	21,808	22,513	0.8	0.8
Quest Mascot	108 -114 Robey Road, Mascot, NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	24,455	26,071	0.9	1.0
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127	Leasehold	99 years	93 years	94 years	44,575	47,579	1.7	1.8
Balance carried forward						1,006,967	1,232,972	38.1	45.9

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						1,006,967	1,232,972	38.1	45.9
People's Republic of China									
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630	Leasehold	70 years	56 years	57 years	99,895	103,521	3.8	3.8
Somerset Xu Hui Shanghai	888, Shaanxi Nan Road, Xu Hui District, Shanghai 200031	Leasehold	70 years	47 years	48 years	75,134	76,917	2.8	2.9
Somerset Olympic Tower Property Tianjin	126, Chengdu Road, Heping District, Tianjin 300051	Leasehold	70 years	44 years	45 years	64,621	66,394	2.4	2.5
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens, 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021	Leasehold	70 years	48 years	49 years	29,707	30,401	1.1	1.1
Balance carried forward						1,276,324	1,510,205	48.2	56.2

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						1,276,324	1,510,205	48.2	56.2
People's Republic of China (continued)									
Somerset Heping Shenyang	80 Taiyuan North Street, Heping District, Shenyang 110000	Leasehold	40 years	28 years	29 years	79,851	83,398	3.0	3.1
Somerset Grand Central Dalian	128-2 Jinma Road, Dalian Development Area, Dalian 116600	Leasehold	50 years	38 years	39 years	103,305	106,994	3.9	4.0
Citadines Zhuankou Wuhan	159 Dongfeng Avenue (Xianglong Business Centre Zone C) Wuhan Economic and Technological Development Zone, Wuhan 430056	Leasehold	40 years	25 years	26 years	43,981	45,580	1.7	1.7
Balance carried forward						1,503,461	1,746,177	56.8	65.0

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						1,503,461	1,746,177	56.8	65.0
Indonesia									
Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230	Leasehold	26 years	5 years	6 years	62,184	60,670	2.4	2.3
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav 1, Jakarta 12940	Leasehold	30 years	6 years	7 years	38,562	38,020	1.5	1.4
Japan									
Somerset Azabu East Tokyo	1-9-11, Higashi Azabu, Minato-ku, Tokyo 106-0044	Freehold	Not applicable	Not applicable	Not applicable	43,133	43,189	1.6	1.6
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 1600022	Freehold	Not applicable	Not applicable	Not applicable	110,182	110,520	4.2	4.1
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiru, Shimogyo-ku, Kyoto 600-8105	Freehold	Not applicable	Not applicable	Not applicable	58,004	59,411	2.2	2.2
Balance carried forward						1,815,526	2,057,987	68.7	76.6

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						1,815,526	2,057,987	68.7	76.6
<i>Japan (continued)</i>									
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032	Freehold	Not applicable	Not applicable	Not applicable	37,351	37,475	1.4	1.4
Actus Hakata V-Tower	3-15-10, Hakata Ekimae, Hakata-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	43,852	43,991	1.7	1.6
Big Palace Kita 14jo	4-1-6, Kita 14jo Nishi, Kita-ku, Sapporo	Freehold	Not applicable	Not applicable	Not applicable	18,325	18,422	0.7	0.7
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	7,248	7,248	0.3	0.3
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	5,424	5,418	0.2	0.2
Balance carried forward						1,927,726	2,170,541	73.0	80.8

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						1,927,726	2,170,541	73.0	80.8
Japan (continued)									
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	4,494	4,545	0.2	0.2
Infini Garden	3-2-2,3,4,5 KashiTeriha, Higashi-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	80,567	80,831	3.0	3.0
Citadines Central Shinjuku Tokyo	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo 1600021	Freehold	Not applicable	Not applicable	Not applicable	130,194	130,398	4.9	4.8
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	18,760	17,938	0.7	0.7
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	20,669	19,998	0.8	0.7
Balance carried forward						2,182,410	2,424,251	82.6	90.2

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						2,182,410	2,424,251	82.6	90.2
Japan (continued)									
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	17,250	16,604	0.7	0.6
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	37,557	37,569	1.4	1.4
Malaysia									
Somerset Ampang Kuala Lumpur	187, Jalan Ampang 50450, Kuala Lumpur	Freehold	Not applicable	Not applicable	Not applicable	51,455	52,821	1.9	2.0
Balance carried forward						2,288,672	2,531,245	86.6	94.2

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						2,288,672	2,531,245	86.6	94.2
The Philippines									
Ascott Makati	Glorietta 4, Ayala Center, Makati City 1224	Leasehold	48 years	26 years	27 years	117,441	120,136	4.4	4.5
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229	Freehold	Not applicable	Not applicable	Not applicable	14,812	14,660	0.6	0.5
The United States of America									
Element New York Times Square West	311 West 39th Street, New York, New York 10018	Leasehold	99 years	94 years	95 years	229,208	226,118	8.7	8.4
Sheraton Tribeca New York Hotel	370 Canal Street, New York, New York 10013	Leasehold	99 years	94 years	95 years	224,132	216,452	8.5	8.1
DoubleTree by Hilton Hotel New York – Times Square South ⁽⁴⁾	341 West 36th Street, New York, New York 10018	Freehold	Not applicable	Not applicable	Not applicable	148,909	146,501	5.6	5.5
Balance carried forward						3,023,174	3,255,112	114.4	121.2

(4) On 16 August 2017, the Group acquired the DoubleTree by Hilton Hotel New York – Times Square South property from CM-36 LLC, an unrelated third party. The valuation was based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						3,023,174	3,255,112	114.4	121.2
Vietnam									
Somerset Grand Hanoi	49, Hai Ba Trung Street, Hanoi	Leasehold	45 years	19 years	20 years	119,871	110,813	4.5	4.1
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Cau Giay, Hanoi	Leasehold	36 years	23 years	24 years	42,277	44,495	1.6	1.7
Somerset West Lake Hanoi	254D Thuy Khue Road, Hanoi	Leasehold	49 years	23 years	24 years	13,368	13,610	0.5	0.5
Somerset Chancellor Court Ho Chi Minh City	21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City	Leasehold	48 years	23 years	24 years	54,786	57,495	2.1	2.1
Somerset Ho Chi Minh City	8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City	Leasehold	45 years	21 years	22 years	46,633	52,708	1.8	2.0
Balance carried forward						3,300,109	3,534,233	124.9	131.6

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						3,300,109	3,534,233	124.9	131.6
France									
Citadines City Centre Lille ⁽¹⁾	Avenue Willy Brandt - Euralille, 59777 Lille	Freehold	Not applicable	Not applicable	Not applicable	14,832	16,814	0.6	0.6
Citadines City Centre Grenoble ⁽¹⁾	9-11, rue de Strasbourg 38000 Grenoble	Freehold	Not applicable	Not applicable	Not applicable	8,899	11,850	0.3	0.4
La Clef Louvre Paris ⁽¹⁾	8, rue de Richelieu, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	46,760	45,557	1.8	1.7
Citadines Trocadéro Paris ⁽¹⁾	29 bis, rue Saint-Didier, 75116 Paris	Freehold	Not applicable	Not applicable	Not applicable	42,974	45,965	1.6	1.7
Citadines Presqu'île Lyon ⁽¹⁾	2 rue Thomassin, 69002 Lyon	Freehold	Not applicable	Not applicable	Not applicable	22,326	22,738	0.8	0.8
Citadines Place d'Italie Paris ⁽¹⁾	18, place d'Italie, 75013 Paris	Freehold	Not applicable	Not applicable	Not applicable	50,586	51,241	1.9	1.9
Balance carried forward						3,486,486	3,728,398	131.9	138.7

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						3,486,486	3,728,398	131.9	138.7
France (continued)									
Citadines Montmartre Paris ⁽¹⁾	16, avenue Rachel, 75018 Paris	Freehold	Not applicable	Not applicable	Not applicable	37,002	36,509	1.4	1.4
Citadines Tour Eiffel Paris ⁽¹⁾	132, Boulevard de Grenelle, 75015 Paris	Freehold	Not applicable	Not applicable	Not applicable	74,817	72,570	2.8	2.7
Citadines Antigone Montpellier ⁽¹⁾	588, boulevard d'Antigone, 34000 Montpellier	Freehold	Not applicable	Not applicable	Not applicable	16,237	15,533	0.6	0.6
Citadines Castellane Marseille ^{(1) (5)}	60, rue du Rouet, 13006 Marseille	Freehold	20 years	1 year	2 years	12,959	12,170	0.5	0.5
Citadines Austerlitz Paris ^{(1) (5)}	27, rue Esquirol, 75013 Paris	Freehold	20 years	1 year	2 years	11,085	10,729	0.4	0.4
Citadines République Paris ^{(1) (5)}	75 bis, avenue Parmentier, 75011 Paris	Freehold	20 years	1 year	2 years	22,639	22,898	0.9	0.9
Balance carried forward						3,661,225	3,898,807	138.5	145.2

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.

(5) As at 31 December 2018, these four (2017: five) freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						3,661,225	3,898,807	138.5	145.2
<i>France (continued)</i>									
Citadines Maine Montparnasse Paris ⁽¹⁾⁽⁵⁾	67, avenue du Maine, 75014 Paris	Freehold	20 years	1 year	2 years	23,732	24,019	0.9	0.9
Citadines Prado Chanot Marseille ⁽¹⁾	9-11, boulevard de Louvain, 13008 Marseille	Freehold	Not applicable	Not applicable	Not applicable	9,836	9,768	0.4	0.4
Citadines Croisette Cannes ⁽¹⁾	1, rue le Poussin, 06400 Cannes	Freehold	Not applicable	Not applicable	Not applicable	7,494	7,526	0.3	0.3
Citadines Didot Montparnasse Paris ⁽¹⁾	94, rue Didot, 75014 Paris	Freehold	Not applicable	Not applicable	1 year	21,858	22,418	0.8	0.8
Citadines Les Halles Paris ⁽¹⁾	4, rue des Innocents, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	90,086	91,434	3.4	3.4
Balance carried forward						3,814,231	4,053,972	144.3	151.0

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.

(5) As at 31 December 2018, these four (2017: five) freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						3,814,231	4,053,972	144.3	151.0
The United Kingdom									
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH	Freehold	Not applicable	Not applicable	Not applicable	75,732	74,226	2.9	2.8
Citadines Trafalgar Square London	18/21 Northumberland Avenue, London WC2N 5EA	Freehold	Not applicable	Not applicable	Not applicable	175,191	164,912	6.6	6.1
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL	Freehold	Not applicable	Not applicable	Not applicable	72,292	72,813	2.7	2.7
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF	Freehold	Not applicable	Not applicable	Not applicable	157,845	156,346	6.0	5.8
Balance carried forward						4,295,291	4,522,269	162.5	168.4

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease	At Valuation		Percentage of	
					2018 \$'000	2017 \$'000	2018 %	2017 %
Balance brought forward					4,295,291	4,522,269	162.5	168.4
Belgium								
Citadines Sainte-Catherine Brussels	51, quai au Bois à Brûler, 1000 Brussels	Freehold	Not applicable	Not applicable	32,670	31,707	1.2	1.2
Citadines Toison d'Or Brussels	61-63, avenue de la Toison d'Or, 1060 Brussels	Freehold	Not applicable	Not applicable	30,306	29,119	1.1	1.1
Germany								
Citadines Kurfürstendamm Berlin ⁽¹⁾	Olivaer Platz 1, 10707 Berlin-Wilmersdorf	Freehold	Not applicable	Not applicable	22,404	21,361	0.9	0.8
Citadines Arnulfpark Munich ⁽¹⁾	Arnulfstrasse 51, 80636 München	Freehold	Not applicable	Not applicable	36,963	38,167	1.4	1.4
The Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg	Freehold	Not applicable	Not applicable	76,034	77,022	2.9	2.9
Citadines City Centre Frankfurt ⁽¹⁾⁽⁶⁾	Europa-Allee 23, 60327 Frankfurt am Main	Freehold	Not applicable	Not applicable	64,013	65,653	2.4	2.4
Citadines Michel Hamburg ⁽¹⁾⁽⁶⁾	Ludwig-Erhard-Straße 7, 20459 Hamburg	Leasehold	99 years	92 years	49,961	51,241	1.9	1.9
Balance carried forward					4,607,642	4,836,539	174.3	180.1

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.

(6) On 2 May 2017, the Group completed the acquisition of two serviced residence properties in Germany from Ascott Holdings (Europe) N.V., a related corporation. The valuations were based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
						\$'000	\$'000	%	%
Balance brought forward						4,607,642	4,836,539	174.3	180.1
Spain									
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	Freehold	Not applicable	Not applicable	Not applicable	71,653	71,861	2.7	2.7
Portfolio of serviced residence properties									
Other assets and liabilities (net)						4,679,295	4,908,400	177.0	182.8
Net assets of Group						(1,548,386)	(1,736,717)	(58.6)	(64.7)
Perpetual securities						3,130,909	3,171,683	118.4	118.1
Non-controlling interests						(397,127)	(397,127)	(15.0)	(14.8)
Unitholders' funds						<u>2,644,051</u>	<u>2,685,129</u>	<u>100.0</u>	<u>100.0</u>

No secondary segment has been presented as the Group invests predominantly in serviced residences and rental housing properties.

On 31 December 2018, Citadines Mount Sophia Property Singapore, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku Tokyo, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Element New York Times Square West, Sheraton Tribeca New York Hotel, DoubleTree by Hilton Hotel New York – Times Square South, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City and Somerset Ho Chi Minh City were pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

On 31 December 2017, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku Tokyo, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Element New York Times Square West, Sheraton Tribeca New York Hotel, DoubleTree by Hilton Hotel New York – Times Square South, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City and Somerset Ho Chi Minh City were pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

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

PORTFOLIO STATEMENTS

As at 31 December 2018

Trust	Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds		
					2018	2017	2018	2017	2018	2017	
								\$'000	\$'000	%	%
Serviced residence properties											
Singapore											
	Somerset Liang Court Property Singapore	177B, River Valley Road, Singapore 179032	Leasehold	97 years	58 years	59 years		209,550	208,809	11.0	10.8
	Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	86 years	87 years		131,138	131,087	6.9	6.8
	Ascott Raffles Place Singapore ^{(1) (2)}	2 Finlayson Green, Singapore 049247	Leasehold	999 years	872 years - 874 years	873 years - 875 years		-	213,439	-	11.0
	Ascott Orchard Singapore ^{(1) (3)}	11 Cairnhill Road, Singapore 229724	Leasehold	99 years	94 years	95 years		398,505	396,821	21.0	20.5
Portfolio of serviced residence properties											
Other assets and liabilities (net)											
Net assets of Trust											
Perpetual securities											
Unitholders' funds											
								739,193	950,156	38.9	49.1
								1,554,674	1,381,078	82.0	71.4
								2,293,867	2,331,234	120.9	120.5
								(397,127)	(397,127)	(20.9)	(20.5)
								1,896,740	1,934,107	100.0	100.0

(1) As at 31 December 2018, these two (2017: two) serviced residence properties are leased to related corporations under master lease arrangements.

(2) Ascott Raffles Place Singapore has been reclassified to "Assets held for Sale" (Note 13), pursuant to the planned divestment of the property as at 31 December 2018.

(3) On 10 October 2017, the Trust acquired Ascott Orchard Singapore from related corporations, CH Commercial Pte. Ltd. and CH Residential Pte. Ltd.. The valuation was based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

No secondary segment has been presented as the Trust invests predominantly in serviced residence properties.

On 31 December 2018, Citadines Mount Sophia Property Singapore was pledged as security to the bank for banking facility granted to the Trust (see Note 15).

On 31 December 2017, Citadines Mount Sophia Property Singapore and Ascott Raffles Place Singapore were pledged as securities to banks for banking facilities granted to the Trust (see Note 15).

On 31 December 2018 and 31 December 2017, the Manager engaged independent valuers, Colliers International, to carry out valuations of the Group's serviced residences and rental housing properties.

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations included plant and equipment located in the serviced residences and rental housing properties. The valuations adopted in the portfolio table above were adjusted for values ascribed to plant and equipment.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 \$'000	2017 \$'000
Cash flows from operating activities			
Total return for the year before income tax		195,382	274,444
Adjustments for:			
Depreciation of plant and equipment		12,744	13,250
Operating lease expense recognised on a straight-line basis		3,104	3,499
Finance costs		47,116	46,668
Finance income		(1,194)	(1,581)
Foreign exchange loss/(gain) – unrealised		8,988	(2,441)
Loss on disposal of plant and equipment		134	235
Manager's management fees paid/payable in Units		17,505	16,051
Net change in fair value of serviced residence properties and assets held for sale		(35,499)	(85,640)
Net change in fair value of financial derivatives		–	(1,121)
Profit from divestments		(3,211)	(20,844)
Assets written off		364	621
Impairment loss/write-off of trade and other receivables		43	527
Share of results of associate (net of tax)		21	38
Operating income before working capital changes		245,497	243,706
Changes in working capital:			
Inventories		(118)	(22)
Trade and other receivables		(2,231)	(25,340)
Trade and other payables		3,272	(16,803)
Cash generated from operations		246,420	201,541
Income tax paid		(19,753)	(20,202)
Net cash from operating activities		226,667	181,339
Cash flows from investing activities			
Acquisition of serviced residence properties, net of cash acquired	35	–	(627,963)
Capital expenditure on serviced residence properties		(13,334)	(12,577)
Acquisition of serviced residence property under development		(65,045)	–
Deposits received from divestment of subsidiaries/ serviced residence property		5,000	104,909
Proceeds from disposal of assets held for sale	29	90,175	7,394
Payment of transaction costs for disposal of assets held for sale	29	(4,670)	–
Proceeds from divestment of serviced residence properties		–	150,088
Interest received		1,194	1,581
Proceeds from sale of plant and equipment		255	58
Purchase of plant and equipment		(14,247)	(13,665)
Net cash used in investing activities		(672)	(390,175)
Balance carried forward		225,995	(208,836)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group	
		2018 \$'000	2017 \$'000
Balance brought forward		225,995	(208,836)
Cash flows from financing activities			
Distributions to Unitholders		(149,116)	(144,629)
Distributions to perpetual securities holders		(19,200)	(19,200)
Dividends paid to non-controlling interests		(3,464)	(2,948)
Interest paid		(43,413)	(46,554)
Payment of finance lease		(2,931)	(3,165)
Proceeds from borrowings and issue of medium term notes		472,719	680,988
Proceeds from issue of Units		–	442,671
Payment of transaction costs on issue of Units		–	(4,840)
Payment of transaction costs on borrowings		(500)	–
Repayment of borrowings and medium term notes		(507,721)	(574,516)
Change in restricted cash deposits for bank facilities		(239)	(205)
Net cash (used in)/from financing activities		(253,865)	327,602
Net (decrease)/increase in cash and cash equivalents		(27,870)	118,766
Cash and cash equivalents at 1 January		255,253	141,187
Effect of exchange rate changes on balances held in foreign currency		(1,867)	(2,197)
Cash and cash equivalents reclassified to assets held for sale		–	(2,503)
Cash and cash equivalents at 31 December		225,516	255,253

Significant non-cash transactions

A total of 15,352,904 (2017: 13,688,341) Units were issued or will be issued as payment of the Manager's management fees amounting to \$17,505,000 (2017: \$16,051,000) in respect of the year ended 31 December 2018.

During the financial year ended 31 December 2017, 836,645 Units were issued to the Manager as payment of the acquisition fee amounting to \$984,000 in relation to the completion of the acquisition of serviced residence properties.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 26 February 2019.

1 GENERAL

Ascott Residence Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 19 January 2006 (as amended) (the "Trust Deed") between Ascott Residence Trust Management Limited (the "Manager") and DBS Trustee 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 (collectively, the "Group") 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") and was included under the Central Provident Fund ("CPF") Investment Scheme on 31 March 2006.

The principal activities of the Trust and its subsidiaries are those relating to investment in real estate and real estate related assets which are income-producing and which are used or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world.

For financial reporting purposes, the Group is regarded as a subsidiary of The Ascott Limited ("TAL"). Accordingly, the ultimate holding company is CapitaLand Limited. The immediate and ultimate holding companies are incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Group and the Group's interest in its associate.

The Group has entered into several service agreements in relation to management of the Trust and its property operations. The fee structures for these services are as follows:

(i) Trustee's fees

Pursuant to Clause 16.2 of the Trust Deed, the Trustee's fee shall not exceed 0.1% per annum of the value of the assets of the Group ("Deposited Property"), subject to a minimum of \$10,000 per month, excluding out-of-pocket expenses and goods and services tax which is borne by the Trust. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed. The Trustee's fees are payable monthly in arrears.

(ii) Manager's fees

Management fees

The Manager is entitled under Clauses 15.1.1 and 15.1.2 of the Trust Deed to the following management fees:

- (a) a base fee of 0.3% per annum of the property values; and
- (b) an annual performance fee of:
 - base performance fee of 4.0% per annum of the Group's share of gross profit for each financial year; and
 - in the event that the Group's share of gross profit increases by more than 6.0% annually, an outperformance fee of 1.0% of the difference between the Group's share of that financial year's gross profit and 106% of the Group's share of the preceding year's gross profit.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (continued)

(ii) Manager's fees (continued)

Management fees (continued)

The base management fees payable in cash and in the form of Units shall be payable quarterly in arrears. Performance fees shall be payable once a year, after the end of the financial year. When management fees are payable in Units, the issue prices will be determined based on the volume weighted average traded price per Unit for all trades done on SGX-ST in the ordinary course of trading for 5 business days immediately preceding the respective date of issue of the new Units, or where the Manager believes such market price is not a fair reflection of the market price of a Unit, such amount as determined by the Trustee at its discretion (after consultation with a stockbroker appointed by the Trustee) upon request by the Manager to review the market price of a Unit, as being the fair market price of a Unit.

Acquisition fee

Pursuant to Clause 15.2.1 of the Trust Deed, the Manager is entitled to receive the following acquisition fees:

- (a) an acquisition fee of 1.0% of the Enterprise Value of any real estate or real estate related asset acquired directly or indirectly by the Trust, prorated if applicable to the proportion of the Trust's interest; and
- (b) in the event that there is payment to third party agents or brokers in connection with the acquisition, such payment shall be paid out of the Deposited Property, provided that the Manager shall charge an acquisition fee of 0.5% instead of 1.0%.

Where assets acquired by the Trust are shares in a company whose primary purpose is to hold/ own real estate (directly or indirectly), Enterprise Value shall mean the sum of the equity value and the total debt attributable to the shares being acquired by the Trust and where the asset acquired by the Trust is a property, Enterprise Value shall mean the value of the property.

The Manager may opt to receive such acquisition fee in the form of cash or Units or a combination of cash and Units as it may determine.

In the event that the Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Units to be issued by the Trust at the market price.

Divestment fee

The Manager is entitled under Clause 15.2.1 of the Trust Deed to receive a divestment fee of 0.5% of the Enterprise Value of any real estate or real estate related asset disposed directly or indirectly by the Trust, prorated if applicable to the proportion of the Trust's interest.

The divestment fee is payable to the Manager in the form of cash. In the event that the Manager receives a divestment fee in connection with a transaction with a related party, any such divestment fee shall be paid in the form of Units to be issued by the Trust at the market price.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (continued)

(iii) Fees under serviced residence management agreements

The serviced residence management fee for each property is agreed between the Group and the relevant serviced residence management company as follows:

- (a) each property (with the exception of properties located in Belgium, Spain and United Kingdom) is charged:
 - basic management fees of between 2.0% and 3.0% per annum of the total revenue of each property; and
 - incentive management fees of up to 11.0% per annum of gross operating profit of each property; and
- (b) each property located in Belgium, Spain and United Kingdom is charged:
 - basic management fees of 3.0% per annum of the total revenue and up to 13.0% per annum of net operating profit ("NOP") of each property; and
 - incentive management fees of 50% of any excess NOP achieved above the NOP hurdle of certain properties.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 "*Reporting Framework for Unit Trusts*" issued by the Institute of Singapore Chartered Accountants, and the applicable requirements of the Code on Collective Investment Schemes (the "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 ("FRSs").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as disclosed in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore Dollars, which is the Trust's functional currency. All financial information presented in Singapore Dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the 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.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Notes 3.3 and 4 – classification of serviced residence properties
- Notes 3.1 and 35 – accounting for acquisition of serviced residence properties and subsidiaries

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 34 – determination of fair value of serviced residence properties.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Significant fair value measurements, including Level 3 fair values, will be reported directly to the Chief Executive Officer ("CEO") of the Manager.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as valuation of investment property by external valuers, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

The valuation of significant assets and their financial impact are discussed by the Audit Committee and Board of Directors of the Manager.

When measuring the fair value of an asset or a liability, the Group uses observable market 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).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

NOTES TO THE FINANCIAL STATEMENTS

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 January 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.

3.1 Basis of consolidation

(i) Property acquisition and business combination

Where a property is acquired, via corporate acquisitions or otherwise, the Manager considers whether the acquisition represents an acquisition of a business or an acquisition of an asset. An acquisition is accounted for as a business combination when an integrated set of activities is acquired, in addition to the property.

In determining whether an integrated set of activities is acquired, the Manager considers whether significant processes, such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business.

Where an acquisition does not represent an acquisition of a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

(ii) 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 these 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 this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as transactions with owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the Statement of Total Return. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the Statement of Total Return. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the income, expenses and equity movements of the associates, after adjustments to align the accounting policies of the associates with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, 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 associate's operations or has made payments on behalf of the associate.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Accounting for subsidiaries and associate by the Trust

Investments in subsidiaries and associate are stated in the Trust's Statement of Financial Position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to the functional currency at the exchange rate prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from translation are recognised in the Statement of Total Return, except for differences arising from the translation of monetary items that in substance form part of the Group's net investment in a foreign operation, financial liabilities designated as hedges of net investment in a foreign operation (see Note 3.2 (iv)) or qualifying cash flow hedges, to the extent such hedges are effective, which are recognised in Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore Dollars at exchange rates at the dates of the transactions. Fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in Unitholders' funds, and presented in the foreign currency translation reserve. However, if the foreign operation is not a 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 transferred to total return as part of the profit or loss on disposal. When the Group disposes of only part of its interest 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 an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is transferred to total return.

(iii) Net investment in a foreign operation

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 are considered to form part of a net investment in a foreign operation. These are recognised in Unitholders' funds and are presented in the foreign currency translation reserve.

(iv) Hedge of net investment in foreign operation

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) to certain foreign investments.

In the Trust's financial statements, foreign currency differences arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the Statement of Total Return. On consolidation, such differences are recognised in the foreign currency translation reserve in Unitholders' funds, to the extent that the hedge is effective. 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 cumulative amount in the foreign currency translation reserve is transferred to the Statement of Total Return as part of the gain or loss on disposal.

3.3 Serviced residence properties

Serviced residence properties comprise serviced residences, rental housing properties and other hospitality assets which are held either to earn rental or for capital appreciation or both. Certain of the Group's serviced residence properties acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Serviced residence properties accounted for as investment properties are initially recognised at cost, including transaction costs, and subsequently at fair value with any change therein recognised in the total return. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Fair value is determined in accordance with the Trust Deed, which requires the serviced residence properties to be valued by independent registered valuers in the following events:

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Serviced residence properties (continued)

- at least once in each period of 12 months following the acquisition of each parcel of real estate property; and
- for acquisition and disposal of real estate property as required by the CIS Code issued by MAS.

Any increase or decrease on revaluation is credited or charged to the Statement of Total Return as a net change in fair value of the serviced residence properties.

Any gain or loss on disposal of a serviced residence property (calculated as the difference between net proceeds from disposal and the carrying amount of the property) is recognised in the Statement of Total Return.

3.4 Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Certain of the Group's plant and equipment acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset if it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use. Depreciation on plant and equipment is recognised in the Statement of Total Return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment as follows:

Renovation	– 8 to 12 years
Motor vehicles	– 5 years
Office equipment, computers and furniture	– 3 to 8 years

Assets under construction are stated at cost and are not depreciated. Expenditure relating to assets under construction (including borrowing costs) are capitalised when incurred. Depreciation will commence when the development is completed and ready to use.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting date, and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments

(i) Non-derivative financial assets – Policy applicable from 1 January 2018

Classification and measurement

The Group classifies its financial assets as financial assets at amortised costs.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

At initial recognition

A financial asset is recognised if the Group becomes a party to the contractual provisions of the financial asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through total return, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through total return are expensed in the Statement of Total Return.

At subsequent measurement

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into loans and receivables category. A financial asset is recognised if the Group becomes a party to the contractual provision of the financial asset.

Loans and receivables

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

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the Statement of Cash Flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

(iii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through total return) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

(iii) Non-derivative financial liabilities (continued)

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprised loans and borrowings, and trade and other payables (excluding advance rental and liability for employee benefits).

(iv) Derecognition

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through total return. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) cash flow hedge; or (b) net investment hedge.

On initial designation of the derivative as the hedging instrument, the Group formally documents the economic relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total return.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statement of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 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 foreign exchange rates and 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 the hedging reserve in Unitholders' funds. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

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

Cash flow hedges (continued)

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amounts recognised in the hedged reserve is included in the initial cost of the non-financial item.

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, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to Statement of Total Return in the same period or periods as the hedged expected future cash flows affect total return.

Net investment hedge

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in the foreign currency translation reserve in Unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in the Statement of Total Return. The amount recognised in the foreign currency translation reserve is reclassified to the Statement of Total Return as a reclassification adjustment on disposal of the foreign operation.

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.

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

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of FRS 109. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets under FRS 109.

(vii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Trust that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount of loss allowance. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

(vii) Intra-group financial guarantees (continued)

Prior to 1 January 2018, for subsequent measurement, the financial guarantees were measured at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities.

(viii) Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs directly attributable to the issue of Units are recognised as a deduction from Unitholders' funds.

(ix) Perpetual securities

The perpetual securities do not have a maturity date and distribution payment is optional at the discretion of the Trust. As the Trust does not have a contractual obligation to repay the principal nor make any distributions, perpetual securities are classified as Unitholders' funds.

Any distributions made are directly debited from Unitholders' funds. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

3.6 Impairment

(i) Financial assets

Policy applicable from 1 January 2018

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and financial guarantee contracts. For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies the general approach of 12-month ECL at initial recognition for all other financial assets and financial guarantee contracts.

Policy applicable before 1 January 2018

A financial asset not carried at fair value through total return, including an interest in an associate, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could 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 would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant financial assets are assessed for specific impairment on an individual basis. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has incurred but not yet identified. The remaining financial assets that are not individually significant are collectively assessed for impairment by grouping together such instruments with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment (continued)

(i) Financial assets (continued)

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

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 original effective interest rate. Losses are recognised in the Statement of Total Return and reflected as an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through total return.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than serviced residence properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related 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 their 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the Statement of Total Return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of the assets in the CGU on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Inventories

Inventories comprise principally food and beverage and other serviced residence and rental property related consumable stocks. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Assets held for sale

Non-current assets comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with applicable FRSs. Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Statement of Total Return. Gains are not recognised in excess of any cumulative impairment loss.

3.9 Employee benefits

(i) Defined contribution plans

Contributions to post-employment benefits under defined contribution plans are recognised as an expense in the Statement of Total Return in the period during which the related services are rendered by employees.

(ii) Short-term employee benefits

All short-term employee benefits, including accumulated compensated absences, are measured on an undiscounted basis and are recognised in the period in which the employees render their services.

A provision is recognised for the amount expected to be paid under cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11 Leases

(i) When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

(ii) When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Total Return on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease payments made. Contingent rentals are charged to the Statement of Total Return in the accounting period in which they are incurred.

(iii) When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in serviced residence properties (see Note 3.3).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Revenue

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised 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 income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Hospitality income

Hospitality income from serviced residence operations is recognised on an accrual basis, upon rendering of the relevant services. Hospitality income includes fees from usage of the business centres and laundry facilities, recoveries from guests for utilities including telephone charges, income earned from the sales of food and beverages, recoveries of shortfall of net operating profit or earnings before net interest expenses, tax, depreciation and amortisation, service and maintenance fees, recoveries of property taxes and maintenance costs from tenants and fees for managing public areas as well as other miscellaneous income.

(iii) Car park income

For car parks which are leased to an external operator, car park income is recognised on a straight-line basis over the term of the lease. For other car parks, car park income is recognised on an accrual basis.

(iv) Dividend income

Dividend 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.

3.13 Expenses

(i) Direct expenses

Direct expenses consist of serviced residence management fees, property taxes, staff costs and other property outgoings in relation to serviced residence properties where such expenses are the responsibility of the Group.

(ii) Trustee's fees

The Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(i).

(iii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(ii).

(iv) Serviced residence management fees

The serviced residence management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(iii).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Finance income and finance costs

Finance income comprises interest income and is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings, and amortisation of loans and borrowings related costs. Finance costs are recognised in the Statement of Total Return using the effective interest method.

3.15 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Total Return except to the extent that it relates to a business combination, or items recognised directly in Unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference 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 reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, 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 to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest 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. This assessment 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Income tax (continued)

The Inland Revenue Authority of Singapore (the “IRAS”) has issued a tax ruling on the income tax treatment of the Trust. Subject to compliance with the terms and conditions of the tax ruling, the Trust is not subject to tax on the taxable income of the Trust. Instead, the distributions made by the Trust out of such taxable income are distributed free of tax deducted at source to individual Unitholders and qualifying Unitholders. Qualifying Unitholders are companies incorporated and tax resident in Singapore, Singapore branches of foreign companies that have obtained waiver from the IRAS from tax deducted at source in respect of the distributions from the Trust, and bodies of persons registered or constituted in Singapore. This treatment is known as the tax transparency treatment.

The Trustee will deduct tax at the reduced rate of 10% from distributions made out of the Trust’s taxable income that is not taxed at the Trust’s level to beneficial Unitholders who are qualifying foreign non-individual investors. A qualifying foreign non-individual investor is one who is not a resident of Singapore for income tax purposes, and does not have a permanent establishment in Singapore. Where the non-individual investor carries on any operation in Singapore through a permanent establishment in Singapore, the funds used by that person to acquire the Units cannot be obtained from that operation to qualify for the reduced tax rate.

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.

Distribution policy

The Trust will distribute at least 90% of its taxable income, other than gains from the sale of real estate properties that are determined by the IRAS to be trading gains, and net overseas income.

Net overseas income refers to the net profits (excluding any gains from the sale of property or shares, as the case may be) after applicable taxes and adjustment for non-cash items such as depreciation, derived by the Trust from its properties located outside Singapore.

Distributions are made on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions declared within 60 days of the end of each distribution period. Distributions, when paid, will be in Singapore Dollars.

3.16 Earnings per Unit

The Group presents basic and diluted earnings per Unit (“EPU”) data for its units. Basic EPU is calculated by dividing the total return attributable to Unitholders of the Group by the weighted average number of Units outstanding during the period. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues 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 Manager’s CEO to make decisions about resources to be allocated to the segment and to 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 finance costs, trust expenses and income tax expense.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Segment reporting (continued)

Segment capital expenditure is the total costs incurred on serviced residence properties, and plant and equipment during the year.

3.18 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning on or after 1 January 2019:

Applicable to 2019 financial statements

- 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 Negative Compensation* (Amendments to FRS 109)
- *Previously Held Interest in a Joint Operation* (Amendments to FRS 103 and FRS 111)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19)

Applicable to 2021 financial statements

- FRS 117 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to FRS 110 and FRS 28).

The Group has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. 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

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 15 *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 January 2019, with early adoption permitted.

The Group and the Trust plan to apply FRS 116 initially on 1 January 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 retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Trust plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 New standards and interpretations not adopted (continued)

FRS 116 (continued)

i. The Group and the Trust as lessee

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

The Group and the Trust expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Lease payments that are increased to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group expects an increase in ROU assets and lease liabilities of \$298.2 million as at 1 January 2019.

The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with change in fair value for ROU assets and interest expense on lease liabilities.

The Group does not expect the adoption of FRS 116 to impact their ability to comply with the Aggregate Leverage limit described in Note 17.

ii. 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 or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

NOTES TO THE FINANCIAL STATEMENTS

4 SERVICED RESIDENCE PROPERTIES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At 1 January	4,908,400	4,504,416	950,156	553,002
Acquisition of serviced residence properties and subsidiaries (Note 35)	–	644,278	–	394,856
Capital expenditure	13,334	13,561	222	447
Divestments of serviced residence properties	–	(129,969)	–	–
Net change in fair value of serviced residence properties	35,499	10,785	2,146	1,621
Disposal of assets	(1,912)	–	–	–
Assets written off	(364)	(621)	–	–
Transfer to assets and liabilities held for sale (Note 13)	(213,334)	(116,975)	(213,334)	–
Transfer from plant and equipment (Note 6)	197	11,157	3	230
Translation difference	(62,525)	(28,232)	–	–
At 31 December	4,679,295	4,908,400	739,193	950,156

Certain serviced residence properties of the Group with an aggregate carrying value of \$1,954,579,000 (2017: \$2,270,974,000) are pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

The Group assessed the classification of its serviced residence properties as investment properties or plant and equipment based on its business model, taking into consideration the quantum of other income derived from ancillary services rendered relative to total revenue and employment of external property managers to operate the serviced residence properties, amongst other factors.

The Group held interest in four (2017: five) serviced residence properties in France under finance lease arrangements. Under each of these finance lease arrangements, the Group may acquire legal title to the relevant property by exercising its option to purchase the property (a) prior to the expiry of the finance lease by, among others, providing six months' notice to the finance company and making prepayment for the outstanding rentals due to the finance company, or (b) at the expiry of the finance lease by making a nominal payment of \$1 to the finance company. Upon the exercise of the option by serving the six months' notice, the legal title will, in accordance with the finance lease arrangements, be delivered to the Group. At 31 December 2018, the carrying value of these serviced residence properties was \$70,415,000 (2017: \$92,234,000).

The serviced residence properties of the Trust with an aggregate carrying value of \$131,138,000 (2017: \$344,526,000) are pledged as securities to banks for banking facilities granted to the Trust (see Note 15).

During the year, the Group carried out asset enhancement initiatives on certain serviced residence properties. As a result of such asset enhancement initiatives, assets no longer in use amounting to \$364,000 (2017: \$621,000) were written off.

5 OTHER NON-CURRENT ASSETS

Other non-current assets comprise cost of acquisition of 60-year leasehold land for the lyf-one north site, capitalised costs relating to the site and interest incurred on the acquisition of leasehold land. The site was handed over to the Trust in January 2019.

NOTES TO THE FINANCIAL STATEMENTS

6 PLANT AND EQUIPMENT

	Renovation \$'000	Motor vehicles \$'000	Office equipment, computers and furniture \$'000	Assets under construction \$'000	Total \$'000
Group					
Cost					
At 1 January 2017	9,210	360	95,088	2,101	106,759
Acquisition of serviced residence properties and subsidiaries (Note 35)	–	–	10,703	–	10,703
Additions	895	–	12,108	662	13,665
Disposals/written off	–	–	(3,002)	–	(3,002)
Transfer to serviced residence properties (Note 4)	–	–	(10,557)	(600)	(11,157)
Transfer to assets and liabilities held for sale (Note 13)	–	(38)	(2,967)	–	(3,005)
Reclassifications	1,070	–	307	(1,377)	–
Translation difference	(362)	(5)	(1,235)	(186)	(1,788)
At 31 December 2017	10,813	317	100,445	600	112,175
At 1 January 2018	10,813	317	100,445	600	112,175
Additions	1,973	159	11,716	428	14,276
Disposals/written off	(3)	(12)	(2,320)	(191)	(2,526)
Transfer to serviced residence properties (Note 4)	–	–	(31)	(166)	(197)
Transfer to assets and liabilities held for sale (Note 13)	–	–	(5,919)	–	(5,919)
Translation difference	(158)	19	(2,608)	(235)	(2,982)
At 31 December 2018	12,625	483	101,283	436	114,827
Accumulated depreciation					
At 1 January 2017	6,951	143	47,857	–	54,951
Charge for the year	747	180	12,323	–	13,250
Disposals/written off	–	–	(2,709)	–	(2,709)
Transfer to assets and liabilities held for sale (Note 13)	–	(37)	(2,190)	–	(2,227)
Translation difference	(255)	1	(604)	–	(858)
At 31 December 2017	7,443	287	54,677	–	62,407

NOTES TO THE FINANCIAL STATEMENTS

6 PLANT AND EQUIPMENT (continued)

	Renovation \$'000	Motor vehicles \$'000	Office equipment, computers and furniture \$'000	Assets under construction \$'000	Total \$'000
Group (continued)					
Accumulated depreciation (continued)					
At 1 January 2018	7,443	287	54,677	–	62,407
Charge for the year	731	82	11,931	–	12,744
Disposals/written off	(3)	(12)	(2,122)	–	(2,137)
Transfer to assets and liabilities held for sale (Note 13)	–	–	(4,253)	–	(4,253)
Translation difference	(84)	19	(2,433)	–	(2,498)
At 31 December 2018	8,087	376	57,800	–	66,263
Carrying amounts					
At 1 January 2017	2,259	217	47,231	2,101	51,808
At 31 December 2017	3,370	30	45,768	600	49,768
At 31 December 2018	4,538	107	43,483	436	48,564
Trust					
Cost					
At 1 January 2017			18,117	–	18,117
Acquisition of serviced residence property			10,144	–	10,144
Additions			1,296	231	1,527
Disposals/written off			(669)	–	(669)
Transfer to serviced residence properties (Note 4)			(2)	(228)	(230)
At 31 December 2017			28,886	3	28,889
At 1 January 2018			28,886	3	28,889
Additions			1,243	–	1,243
Disposals/written off			(638)	–	(638)
Transfer to serviced residence properties (Note 4)			–	(3)	(3)
Transfer to assets held for sale (Note 13)			(5,919)	–	(5,919)
At 31 December 2018			23,572	–	23,572
Accumulated depreciation					
At 1 January 2017			14,119	–	14,119
Charge for the year			1,569	–	1,569
Disposals/written off			(643)	–	(643)
At 31 December 2017			15,045	–	15,045

NOTES TO THE FINANCIAL STATEMENTS

6 PLANT AND EQUIPMENT (continued)

	Office equipment, computers and furniture \$'000	Assets under construction \$'000	Total \$'000
Trust (continued)			
Accumulated depreciation (continued)			
At 1 January 2018	15,045	–	15,045
Charge for the year	2,597	–	2,597
Disposals/written off	(624)	–	(624)
Transfer to assets held for sale (Note 13)	(4,253)	–	(4,253)
At 31 December 2018	<u>12,765</u>	<u>–</u>	<u>12,765</u>
Carrying amounts			
At 1 January 2017	3,998	–	3,998
At 31 December 2017	<u>13,841</u>	<u>3</u>	<u>13,844</u>
At 31 December 2018	<u>10,807</u>	<u>–</u>	<u>10,807</u>

7 SUBSIDIARIES

	Trust	
	2018 \$'000	2017 \$'000
Unquoted equity shares, at cost	356,357	356,357
Allowance for impairment loss	(79,811)	(15,468)
	<u>276,546</u>	<u>340,889</u>

In 2018, the Trust recognised an impairment loss of \$64,343,000 on its investment in certain subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to unfavourable exchange rates and payment of dividends to the Trust upon divestment of the two China properties. In 2017, the Trust reversed an impairment of \$7,058,000 on its investment in certain subsidiaries due to an increase in the value of the underlying net assets attributed mainly to favourable exchange rates. The Trust assessed the recoverable amount of its investment in subsidiaries based on the higher of the value in use calculation using cash flow projection or the fair value of the net assets as at the reporting date. The fair value measurement was estimated based on net assets as the assets held by the subsidiaries comprise mainly investment properties measured at fair value and categorised under Level 3 in the fair value hierarchy.

(a) Details of the significant subsidiaries directly held by the Trust are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group	
		2018 %	2017 %
Ascott REIT MTN Pte. Ltd.	Singapore	100	100
Ascott REIT MTN (Euro) Pte. Ltd.	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

7 SUBSIDIARIES (continued)

(b) Other significant subsidiaries in the Group are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group	
		2018 %	2017 %
Ascott REIT Seven Campbelltown Trust ^(a)	Australia	100	100
Ascott REIT Eight Mascot Trust ^(a)	Australia	100	100
Ascott REIT Nine SOP Trust ^(a)	Australia	100	100
Citadines Melbourne on Bourke Unit Trust ^(a)	Australia	100	100
Citadines St Georges Terrace (Perth) Unit Trust ^(a)	Australia	100	100
Citadines (Xi'an) Property Co., Ltd. ^{(a), (c)}	China	–	100
Gain Mark Properties (Shanghai) Ltd. ^{(a), (c)}	China	–	100
Guangzhou Hai Yi Property Development Company ^(a)	China	100	100
Shanghai Xin Wei Property Development Co., Ltd. ^(a)	China	100	100
Somerset Heping (Shenyang) Property Co., Ltd. ^(a)	China	100	100
Suzhou Chong Rui Xin Shi Ji Real Estate Co., Ltd. ^(a)	China	100	100
Tianjin Consco Property Development Co., Ltd. ^(a)	China	100	100
Wangze (Dalian) Enterprise Co., Limited ^(a)	China	100	100
Wuhan Citadines Property Development Co., Ltd. ^(a)	China	100	100
Orville SAS ^(a)	France	100	100
Citadines Munich Arnulfpark GmbH & Co. KG ^(a)	Germany	100	100
Citadines Europaviertel (Frankfurt) GmbH & Co., KG ^(a)	Germany	93	93
Citadines Hamburg Michel GmbH & Co., KG ^(a)	Germany	93	93
PT Bumi Perkasa Andhika ^(a)	Indonesia	100	100
PT Ciputra Liang Court ^(a)	Indonesia	57	57
ARC-CapitaLand Three TMK ^(a)	Japan	100	100
ARC-CapitaLand Four TMK ^(a)	Japan	100	100
Ascott REIT Six TMK ^(a)	Japan	100	100
Citadines Kyoto Gojo TMK ^(a)	Japan	100	100
Citadines Shinjuku TMK ^(a)	Japan	100	100
Infini Garden TMK ^(a)	Japan	100	100
Somerset Azabu East TMK ^(a)	Japan	100	100
Somerset Roppongi TMK ^(a)	Japan	100	100
Zenith Residences Tokyo Tokutei Mokuteki Kaisha ^(a)	Japan	100	100
Ascott REIT (Jersey) Limited ^(b)	United Kingdom/ Jersey	100	100
Somerset Ampang (Malaysia) Sdn. Bhd. ^(a)	Malaysia	100	100
Ascott Baumwall (Hamburg) BV ^(a)	Netherlands	100	100
Ascott Hospitality Holdings Philippines, Inc ^(a)	Philippines	100	100
Ascott Makati, Inc ^(a)	Philippines	100	100
SQ Resources, Inc ^(a)	Philippines	63	63
SN Resources, Inc ^(a)	Philippines	97	97
SM Ascott LLC ^(a)	United States of America	100	100
Tribeca Ascott LLC ^(a)	United States of America	100	100

NOTES TO THE FINANCIAL STATEMENTS

7 SUBSIDIARIES (continued)

(b) Other significant subsidiaries in the Group are as follows (continued):

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group	
		2018 %	2017 %
Barrydale SM LLC ^(a)	United States of America	100	100
Hanoi Tower Center Company Limited ^(a)	Vietnam	76	76
Mekong-Hacota Joint Venture Company Limited ^(a)	Vietnam	63	64
Saigon Office and Serviced Apartment Company Limited ^(a)	Vietnam	67	67
Somerset Hoa Binh Joint Venture Company Limited ^(a)	Vietnam	90	90
West Lake Development Company Limited ^(a)	Vietnam	70	70

All significant subsidiaries are audited by KPMG LLP Singapore except for the following:

^(a) Audited by other member firms of KPMG International.

^(b) Not required to be audited by laws of country of incorporation.

^(c) On 3 July 2017, the Group entered into two sale and purchase agreements to divest the interests in its wholly-owned subsidiaries, Citadines (Xi'an) Property Co., Ltd. and Gain Mark Properties (Shanghai) Ltd.. The divestments were completed on 5 January 2018.

8 NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests ("NCI") and operate serviced residence properties.

Name	Principal place of business/ Country of incorporation	Ownership interests held by NCI	
		2018 %	2017 %
PT Ciputra Liang Court	Indonesia	42.6	42.6
Hanoi Tower Center Company Limited	Vietnam	24.0	24.0
Mekong-Hacota Joint Venture Company Limited	Vietnam	37.0	36.2
Saigon Office and Serviced Apartment Company Limited	Vietnam	33.0	33.0
Somerset Hoa Binh Joint Venture Company Limited	Vietnam	10.0	10.0
West Lake Development Company Limited	Vietnam	30.0	30.0

The Group's interests in its subsidiaries in Vietnam are held under the terms of joint venture arrangements with unrelated third parties. Under the terms of these joint venture arrangements, the net profits of each of the subsidiaries in Vietnam, after the fulfillment of certain statutory financial obligations and the payment of other amounts due, are to be distributed to the shareholders of these subsidiaries in certain proportions during different periods in accordance with the terms of the relevant joint venture arrangements and/or the applicable investment licence under which these subsidiaries operate.

Under the investment licence of Hanoi Tower Center Company Limited, Burton Engineering Pte Ltd is entitled to 76%, 70% and 50% of the distributed profits for each year during the first 25 years, the following ten years and the subsequent ten years, respectively, from the commencement of operations of Hanoi Tower Center Company Limited. From 9 February 2018, profits attributable to NCI of Hanoi Tower Center Company Limited increased from 24% to 30%.

NOTES TO THE FINANCIAL STATEMENTS

8 NON-CONTROLLING INTERESTS (continued)

The following summarises the financial information of each of the Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with FRSS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	PT Ciputra Liang Court \$'000	Hanoi Tower Center Company Limited \$'000	Mekong- Hacota Joint Venture Company Limited \$'000	Saigon Office and Serviced Apartment Company Limited \$'000	Somerset Hoa Binh Joint Venture Company Limited \$'000	West Lake Development Company Limited \$'000	Other individually immaterial subsidiaries \$'000	Total \$'000
2018								
Revenue	6,694	14,924	8,430	8,851	5,768	2,586		
(Loss)/Profit	(2,522)	14,618	(1,925)	3,101	106	499		
Attributable to NCI:								
– Profit	(1,074)	4,340	(696)	1,023	11	150	494	4,248
Non-current assets	44,377	124,408	47,008	58,440	42,158	14,743		
Current assets	3,117	2,638	2,224	9,403	1,260	183		
Non-current liabilities	(994)	(16,831)	(6,418)	(9,709)	–	–		
Current liabilities	(3,675)	(4,521)	(1,250)	(2,255)	(11,342)	(4,176)		
Net assets	42,825	105,694	41,564	55,879	32,076	10,750		
Net assets attributable to NCI	18,231	26,199	15,387	18,440	3,208	3,225	5,041	89,731
Cash flows from operating activities	924	8,474	3,641	3,892	1,899	805		
Cash flows used in investing activities	(3,117)	(2,778)	(242)	(504)	(136)	(119)		
Cash flows used in financing activities	–	(6,249)	(3,684)	(4,434)	(3,086)	(1,142)		
Net decrease in cash and cash equivalents	(2,193)	(553)	(285)	(1,046)	(1,323)	(456)		
Dividends paid to NCI	–	(1,253)	(709)	(1,097)	(127)	(101)		

NOTES TO THE FINANCIAL STATEMENTS

8 NON-CONTROLLING INTERESTS (continued)

	PT Ciputra Liang Court \$'000	Hanoi Tower Center Company Limited \$'000	Mekong- Hacota Joint Venture Company Limited \$'000	Saigon Office and Serviced Apartment Company Limited \$'000	Somersets Hoa Binh Joint Venture Company Limited \$'000	West Lake Development Company Limited \$'000	Other individually immaterial subsidiaries \$'000	Total \$'000
2017								
Revenue	7,662	15,675	8,723	9,223	6,955	2,871		2,871
Profit	964	9,775	7,833	4,418	2,464	880		880
Attributable to NCI:								
– Profit	410	2,346	2,766	1,458	246	264	763	8,253
Non-current assets	43,835	113,527	53,006	60,649	44,303	14,975		
Current assets	4,997	3,537	2,517	10,759	2,494	717		
Non-current liabilities	–	(14,346)	(7,801)	(11,934)	–	–		
Current liabilities	(4,150)	(4,986)	(1,500)	(2,481)	(12,845)	(4,945)		
Net assets	44,682	97,732	46,222	56,993	33,952	10,747		
Net assets attributable to NCI	19,021	23,456	16,714	18,808	3,395	3,224	4,809	89,427
Cash flows from operating activities	2,512	7,862	4,424	4,402	3,198	1,111		
Cash flows (used in)/from investing activities	(938)	(483)	(1,284)	276	(64)	6		
Cash flows used in financing activities	–	(9,258)	(1,199)	(4,656)	(2,970)	(917)		
Net increase/(decrease) in cash and cash equivalents	1,574	(1,879)	1,941	22	164	200		
Dividends paid to NCI	–	(1,172)	(330)	(1,145)	(123)	(24)		

NOTES TO THE FINANCIAL STATEMENTS

9 ASSOCIATE

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Unquoted equity shares, at cost	*	*	*	*
Less: Share of associate post acquisition revenue reserve	(544)	(523)	–	–
Loan receivable	3,837	3,768	3,837	3,768
Less: Allowance for impairment loss	(253)	(253)	(775)	(775)
	3,040	2,992	3,062	2,993

* Less than \$1,000

The loan to associate is unsecured, interest-free and repayable on demand with a notice period of twelve months. The loan to associate is not expected to be recalled in the next twelve months.

Movement in allowance for impairment loss is as follows:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At 1 January	253	–	775	–
Charge for the year	–	253	–	775
At 31 December	253	253	775	775

During the year ended 31 December 2018, there was no additional allowance for impairment loss arising from the loan receivable as the ECL is not material. During the year ended 31 December 2017, an allowance for impairment loss of \$253,000 and \$775,000 was recognised for the Group's and Trust's loan to associate, respectively. The recoverable amount for the loan to associate was estimated based on the higher of the value in use calculation using cash flow projection or the fair value of the net assets of associate at the reporting date. The fair value measurement was estimated based on net assets of the associate with maturity of less than one year.

Details of the associate are as follows:

Company name	East Australia Trading Company Limited
Nature of relationship with the Group	Investment holding company held by the Group
Country of incorporation	Hong Kong
Ownership interest/Voting rights held	40% (2017: 40%)

The associate is immaterial to the Group. A member firm of KPMG International is the auditor of the associate. In 2018 and 2017, the Group did not receive any dividends from the associate.

The following table summarises the financial information for the Group's interest in the associate, based on the amounts reported in the Group's consolidated financial statements:

	2018 \$'000	2017 \$'000
Loss after taxation	(21)	(38)

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL DERIVATIVES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Financial derivative assets				
Non-current				
Interest rate swaps	6,486	5,079	71	–
Cross currency interest rate swaps	1,808	2,090	1,808	2,090
	<u>8,294</u>	<u>7,169</u>	<u>1,879</u>	<u>2,090</u>
Financial derivative liabilities				
Non-current				
Interest rate swaps	(1,636)	(4,085)	(55)	(1,695)
Cross currency interest rate swaps	(5,214)	(11,875)	(5,214)	(11,875)
	<u>(6,850)</u>	<u>(15,960)</u>	<u>(5,269)</u>	<u>(13,570)</u>
Current				
Interest rate swaps	(280)	(165)	(191)	(121)

During the year, the Group entered into cross currency interest rate swaps to swap fixed rate SGD loans of \$100.0 million for fixed rate EUR obligations. The SGD loans, which together with the cross currency interest rate swaps arrangements, have been used to hedge the Group's foreign exchange rate risk on the net investment in the subsidiaries in Europe. The hedge relationships for which hedge accounting have been adopted are effective in the financial year ended 31 December 2018.

The Group did not enter into any additional financial derivative contracts during the financial year ended 31 December 2017.

At the reporting date, the notional principal amounts of the financial instruments were as follows:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest rate swaps	640,741	701,686	160,784	198,066
Cross currency interest rate swaps	489,724	388,476	489,724	388,476
	<u>1,130,465</u>	<u>1,090,162</u>	<u>650,508</u>	<u>586,542</u>

NOTES TO THE FINANCIAL STATEMENTS

11 DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) are as follows:

Group	At 1 January 2017 \$'000	Credited/ (Charged) to Statement of Total Return (Note 26) \$'000	Translation differences \$'000	At 31 December 2017 \$'000	Credited/ (Charged) to Statement of Total Return (Note 26) \$'000	Disposal of subsidiaries \$'000	Translation differences \$'000	At 31 December 2018 \$'000
Deferred tax assets								
Unutilised capital allowances	130	(73)	2	59	(45)	-	1	15
Unutilised tax losses	4,481	899	(102)	5,278	(3,331)	-	(102)	1,845
Provisions and accruals	152	57	(8)	201	11	-	(4)	208
Unrealised foreign exchange loss – trade	1,128	(841)	(55)	232	2,022	-	(13)	2,241
	5,891	42	(163)	5,770	(1,343)	-	(118)	4,309
Deferred tax liabilities								
Serviced residence properties	(82,428)	(25,227)	625	(107,030)	(21,260)	13,669	2,406	(112,215)
Provisions	(1,721)	1,618	(11)	(114)	114	-	-	-
Plant and equipment	(9,929)	(1,481)	(657)	(12,067)	6,204	-	213	(5,650)
	(94,078)	(25,090)	(43)	(119,211)	(14,942)	13,669	2,619	(117,865)
Net deferred tax (liabilities)/assets	(88,187)	(25,048)	(206)	(113,441)	(16,285)⁽¹⁾	13,669	2,501	(113,556)

(1) Includes pre-acquisition deferred tax liabilities of subsidiary of \$2,090,000.

NOTES TO THE FINANCIAL STATEMENTS

11 DEFERRED TAX (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the Statement of Financial Position as follows:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Deferred tax assets	4,309	5,770	–	–
Deferred tax liabilities	(117,865)	(119,211)	–	–

As at 31 December 2018, deferred tax liabilities amounting to \$3,825,000 (2017: \$4,257,000) had not been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which 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.

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Tax losses	55,356	56,176	–	–
Deductible temporary differences	4,391	4,441	–	–
	59,747	60,617	–	–

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. The deductible temporary differences do not expire under the current tax legislation.

Unrecognised tax losses brought forward of the Group amounting to \$4,455,000 (2017: \$7,629,000) expired during the year. In addition, \$4,173,000 (2017: \$6,731,000) of the losses brought forward were utilised to set off against current year's taxable profit. In 2018, unrecognised tax losses arising from divestment of subsidiaries amounted to \$3,982,000. The remaining balance of \$43,566,000 (2017: \$39,398,000) and unrecognised tax losses arising during the year of \$11,790,000 (2017: \$16,778,000) have been carried forward. Tax losses that have been carried forward and are subject to expiration as follows:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Expiry dates	39,129	43,536	–	–
– Within 1 to 5 years	16,227	12,640	–	–
– After 5 years	55,356	56,176	–	–

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER RECEIVABLES

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables		17,663	16,381	1,000	1,282
Impairment loss	30	(282)	(394)	–	–
		17,381	15,987	1,000	1,282
Non-trade amounts due from subsidiaries		–	–	2,364,176	2,413,547
Impairment loss	30	–	–	(69,527)	(48,637)
		–	–	2,294,649	2,364,910
Amounts due from related parties:					
– trade		14,955	8,522	306	276
– non-trade		144	139	–	–
Deposits		1,934	4,304	56	39
Other receivables		11,972	12,359	3,347	2,670
Impairment loss		(4)	(5)	–	–
		11,968	12,354	3,347	2,670
		46,382	41,306	2,299,358	2,369,177
Prepayments		10,537	25,267	109	87
		56,919	66,573	2,299,467	2,369,264

The non-trade amounts due from subsidiaries pertain to amounts lent to subsidiaries to satisfy long term funding requirements. The non-trade amounts due from related parties mainly pertain to payments made on behalf of these entities. Non-trade amounts due from subsidiaries and related parties are unsecured, interest-free and repayable on demand.

13 ASSETS AND LIABILITIES HELD FOR SALE

	Note	Group and Trust	
		2018 \$'000	2017 \$'000
Ascott Raffles Place Singapore	(a), 34(a)(ii)		
– Serviced residence properties		213,334	–
– Plant and equipment		1,666	–
		215,000	–
	Note	Group	
		2018 \$'000	2017 \$'000
The disposal group	(b)		
– Serviced residence properties		–	191,020
– Plant and equipment		–	778
– Trade and other receivables		–	519
– Cash and cash equivalents		–	2,503
Assets held for sale		–	194,820

NOTES TO THE FINANCIAL STATEMENTS

13 ASSETS AND LIABILITIES HELD FOR SALE (continued)

	Note	Group	
		2018 \$'000	2017 \$'000
The disposal group	(b)		
– Trade and other payables		–	1,065
Liabilities held for sale		–	1,065

(a) An independent property consultant was engaged to conduct a marketing exercise for the divestment of Ascott Raffles Place Singapore (“ARPS”) in 2018. Pursuant to the planned divestment of ARPS, the serviced residence property and plant and equipment relating to ARPS was reclassified to assets held for sale as at 31 December 2018. The Group received an initial deposit of \$5.0 million from the buyer in 2018. As at 31 December 2018, Ascott Raffles Place Singapore, with its carrying value of \$215.0 million, was pledged as security for banking facility granted to the Trust. The sale and purchase agreement was signed on 9 January 2019, and the divestment is expected to complete on 9 May 2019.

(b) On 3 July 2017, the Group entered into two sale and purchase agreements with Shanghai Zhengxin Enterprise Management Co., Ltd, an unrelated third party, to divest the interests in its wholly-owned subsidiaries, Citadines (Xi’an) Property Co., Ltd. and Gain Mark Properties (Shanghai) Ltd. (collectively, known as the “disposal group”). The sale price was agreed on a willing buyer willing seller basis taking into account the agreed aggregate value of the properties of RMB980 million, being 69% above the valuation of the properties as at 31 December 2016 which was appraised based on the discounted cash flow approach. The divestments were completed on 5 January 2018 and the group received final proceeds of \$99.1 million and recognised additional gain on disposal of assets classified as held for sale (net of tax) of \$3.2 million.

The Group announced on 18 October 2013 that it had launched the strata sale of the 81 individual units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing). In 2017, the remaining 5 units were divested. Based on the contracted sale price, the fair value less costs to sell was \$6,669,000. Accordingly, a fair value gain of \$120,000 was recognised in net change in fair value in the Statement of Total Return. In addition, 40 car park lots in the property were disposed at net proceeds of \$725,000, which was recognised within profit from divestments.

14 CASH AND CASH EQUIVALENTS

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash at bank and in hand		160,335	145,589	11,251	9,098
Fixed deposits with financial institutions		67,512	111,756	28,861	3,500
Cash and cash equivalents		227,847	257,345	40,112	12,598
Restricted bank deposits	(a)	(2,331)	(2,092)	–	–
Cash and cash equivalents in the Consolidated Statement of Cash Flows		225,516	255,253	40,112	12,598

As at 31 December 2018, the interest rates per annum for cash and cash equivalents of the Group and the Trust ranged from 0% to 5.3% (2017: 0% to 5.1%) and 0% to 2.4% (2017: 0% to 1.1%) respectively.

(a) These are bank balances of certain subsidiaries pledged as collateral for certain borrowings.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current liabilities				
Secured bank loans	842,472	918,946	214,792	210,261
Unsecured bank loans	216,005	141,521	209,638	141,521
Medium term notes	776,839	620,098	–	–
Finance lease liabilities	–	541	–	–
	<u>1,835,316</u>	<u>1,681,106</u>	<u>424,430</u>	<u>351,782</u>
Current liabilities				
Intra-group financial guarantees	–	–	827	1,201
Secured bank loans	69,116	23,574	–	–
Unsecured bank loans	494 ⁽¹⁾	77,187	–	77,187
Medium term notes	–	160,566	–	–
Finance lease liabilities	527	2,940	–	–
	<u>70,137</u>	<u>264,267</u>	<u>827</u>	<u>78,388</u>
	<u>1,905,453</u>	<u>1,945,373</u>	<u>425,257</u>	<u>430,170</u>

(1) Relate to scheduled repayments.

Finance lease liabilities

The Group had obligations under finance leases that are payable as follows:

	31 December 2018		
	Principal \$'000	Interest \$'000	Payments \$'000
Repayable:			
Within 1 year	527	–	527
	<u>527</u>	<u>–</u>	<u>527</u>
	31 December 2017		
	Principal \$'000	Interest \$'000	Payments \$'000
Repayable:			
Within 1 year	2,940	19	2,959
After 1 year but within 5 years	541	–	541
	<u>3,481</u>	<u>19</u>	<u>3,500</u>

The Group's secured bank loans are secured on certain serviced residence properties (Note 4 and Note 13), pledge of shares of certain subsidiaries, pledge over certain bank deposits (Note 14), assignment of rental proceeds from the properties, assignment of insurance policies on the properties, and corporate guarantee from the Trust.

The Trust's secured bank loans are secured on certain serviced residence properties (Note 4 and Note 13), pledge of shares of certain subsidiaries, assignment of rental proceeds from the properties, and assignment of insurance policies on the properties.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES (continued)

On 9 September 2009, a subsidiary, Ascott REIT MTN Pte. Ltd., launched a \$1.0 billion Multi-currency Medium Term Note Programme ("MTN Programme"). Under this MTN Programme, Ascott REIT MTN Pte. Ltd. may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed or floating interest rate notes with aggregate principal amounts of \$1.0 billion.

On 30 November 2011, a subsidiary, Ascott REIT MTN (Euro) Pte. Ltd., established a US\$2.0 billion Euro-Medium Term Note Programme ("EMTN Programme"). Under this EMTN Programme, Ascott REIT MTN (Euro) Pte. Ltd. may, subject to any applicable legal or regulatory restrictions, from time to time issue fixed or floating interest rate notes in series or tranches in Euro, Sterling Pound, US Dollar, Singapore Dollar, Chinese Renminbi or any other currency agreed between Ascott REIT MTN (Euro) Pte. Ltd. and the relevant dealer of the programme.

As at 31 December 2018, notes issued by the Group comprises:

- under the MTN Programme:
 - (i) \$420.0 million (2017: \$420.0 million) of fixed rate notes maturing between 2022 and 2024; and
 - (ii) JPY19.3 billion (2017: JPY19.3 billion) of fixed rate notes maturing between 2020 and 2025.
- under the EMTN Programme:
 - (i) EUR80.0 million (2017: EUR80.0 million) of fixed rate notes maturing in 2024.

The weighted average effective interest rates per annum relating to bank loans and medium term notes at the reporting date for the Group and Trust are 2.75% (2017: 2.44%) and 2.23% (2017: 1.52%) respectively.

Included in the Group's and the Trust's bank loans and medium term notes is an amount of \$9,512,000 (2017: \$12,788,000) and \$2,448,000 (2017: \$3,002,000) respectively, relating to unamortised transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
Group					
2018					
Medium term notes	EUR	2.75	2024	124,902	124,499
Medium term notes	SGD	3.52 – 4.21	2022 – 2024	420,000	419,216
Medium term notes	JPY	0.97 – 1.65	2020 – 2025	233,144	233,124
Secured fixed rate loan	JPY	0.44	2024	37,447	36,963
Secured floating rate loans	EUR	0.98	2021	87,646	87,222
Secured floating rate loans	GBP	2.19	2021	9,988	9,939
Secured floating rate loans	JPY	0.24 – 1.30	2019 – 2024	252,472	251,240
Secured floating rate loans	RMB	4.66 – 4.90	2020 – 2026	30,008	30,008
Secured floating rate loans	SGD	3.02	2021	13,308	13,244
Secured floating rate loans	USD	3.54 – 5.75	2019 – 2023	487,867	482,972
Unsecured floating rate loans	GBP	1.67 – 2.69	2020 – 2023	163,972	163,183
Unsecured floating rate loans	RMB	5.70	2023	6,861	6,861 ⁽¹⁾
Unsecured floating rate loans	SGD	3.43	2021	46,823	46,455
Finance leases	EUR	1.25	2019	527	527
				<u>1,914,965</u>	<u>1,905,453</u>
2017					
Medium term notes	EUR	2.75	2024	128,103	127,632
Medium term notes	SGD	4.00 – 4.30	2018 – 2024	420,000	419,116
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	233,916	233,916
Secured fixed rate loan	JPY	0.44	2024	37,572	37,035
Secured floating rate loans	EUR	0.97 – 1.30	2021	97,931	97,206
Secured floating rate loans	GBP	1.83	2021	10,215	10,139
Secured floating rate loans	JPY	0.16 – 1.30	2019 – 2024	265,541	263,529
Secured floating rate loans	RMB	4.66 – 4.90	2018 – 2026	54,602	54,599
Secured floating rate loans	USD	2.46 – 4.73	2018 – 2023	486,868	480,012
Unsecured floating rate loans	EUR	0.90 – 1.65	2018 – 2022	124,116	123,501
Unsecured floating rate loans	GBP	1.45 – 2.28	2018 – 2021	95,816	95,207
Finance leases	EUR	1.25	2018 – 2019	3,481	3,481
				<u>1,958,161</u>	<u>1,945,373</u>
Trust					
2018					
Secured floating rate loans	EUR	0.98	2021	87,646	87,222
Secured floating rate loans	GBP	2.19	2021	9,988	9,939
Secured floating rate loans	JPY	1.30	2021	35,417	35,246
Secured floating rate loans	SGD	3.02	2021	13,308	13,244
Secured floating rate loan	USD	3.54	2023	69,724	69,141
Unsecured floating rate loans	GBP	1.67 – 2.69	2020 – 2023	163,972	163,183
Unsecured floating rate loans	SGD	3.43	2021	46,823	46,455
				<u>426,878</u>	<u>424,430</u>

(1) Include scheduled repayment of \$494,000 in 2019.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES (continued)

Terms and debt repayment schedule (continued)

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
Trust					
2017					
Secured floating rate loans	EUR	0.97 – 1.30	2021	97,931	97,206
Secured floating rate loans	GBP	1.83	2021	10,215	10,139
Secured floating rate loans	JPY	1.30	2021	35,417	35,155
Secured floating rate loan	USD	2.46	2023	68,476	67,761
Unsecured floating rate loans	EUR	0.90 – 1.65	2018 – 2022	124,116	123,501
Unsecured floating rate loans	GBP	1.45 – 2.28	2018 – 2021	95,816	95,207
				<u>431,971</u>	<u>428,969</u>

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Trust to banks in respect of various banking facilities amounting to \$39,116,000 (2017: \$43,714,000) granted to subsidiaries which expire in 2020, 2021 and 2022. The earliest period that the guarantees could be called is within one year (2017: one year) from the reporting date.

At the reporting date, the Trust does not consider it probable that a claim will be made against the Trust under the guarantees.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2017 \$'000	Financing cash flows ⁽¹⁾ \$'000	Finance costs \$'000	Foreign exchange movement \$'000	At 31 December 2017 \$'000
Group					
Bank loans	1,080,854	106,472	4,111	(30,209)	1,161,228
Medium term notes	775,409	–	259	4,996	780,664
Finance lease	6,369	(3,165)	58	219	3,481
	At 1 January 2018 \$'000	Financing cash flows ⁽¹⁾ \$'000	Finance costs \$'000	Foreign exchange movement \$'000	At 31 December 2018 \$'000
Group					
Bank loans	1,161,228	(35,387)	3,575	(1,329)	1,128,087
Medium term notes	780,664	(115)	263	(3,973)	776,839
Finance lease	3,481	(2,931)	19	(42)	527

(1) Net of proceeds from bank loans and medium term notes and payment of transactions costs on bank loans and medium term notes.

NOTES TO THE FINANCIAL STATEMENTS

16 TRADE AND OTHER PAYABLES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade payables and accrued operating expenses	66,303	64,703	13,384	12,779
Amounts due to:				
– associate (non-trade)	1,883	1,891	–	–
– subsidiaries (non-trade)				
– interest-free	–	–	121,354	113,717
– interest-bearing	–	–	778,046	782,019
– related parties				
– trade	17,231	10,953	1,686	1,048
– non-trade	313	127	40	7
– loan (interest-bearing)	4,086	4,051	–	–
– the Manager	3,470	3,471	3,470	3,471
– the Trustee	147	175	147	175
– non-controlling interests (non-trade)	825	935	–	–
Interest payable	9,199	8,626	2,669	2,184
Deposits received from divestment of serviced residence property/subsidiaries	5,000	104,909	5,000	–
Rental deposits and advance rental	32,795	37,228	1,221	1,339
	<u>141,252</u>	<u>237,069</u>	<u>927,017</u>	<u>916,739</u>

Non-trade amounts due to subsidiaries pertain to receipts received on behalf and are unsecured and repayable on demand. The interest-bearing amounts due to subsidiaries bore interest rates ranging from 0.97% to 4.21% (2017: 1.17% to 4.30%) per annum.

The non-trade amounts due to related parties mainly pertain to payments made on behalf of the Group and are unsecured, interest-free and repayable on demand. The effective interest rate for the interest-bearing loan to related parties is 3.46% (2017: 3.41%) per annum.

The non-trade amounts due to non-controlling interests mainly pertain to interest-bearing loans extended to the Group with an effective interest rate of 4.00% (2017 : 2.86%) per annum.

17 UNITHOLDERS' FUNDS

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.

Capital reserve

The subsidiaries incorporated in China are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of China, to a general reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The capital reserve of the subsidiary can be used to make good previous years' losses, if any, and may be converted to paid-in capital of the subsidiary in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

NOTES TO THE FINANCIAL STATEMENTS

17 UNITHOLDERS' FUNDS (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to forecast hedged transactions.

Capital management

The Manager reviews the Group's and the Trust's capital structure regularly, which the Group defines as total Unitholders' funds (excluding non-controlling interests) and the level of distribution to Unitholders. The Group uses a combination of debt and equity to fund acquisition and asset enhancement projects.

The objectives of the Manager are to:

- a. maintain a strong balance sheet by adopting and maintaining a target gearing range;
- b. secure diversified funding sources from financial institutions and/or capital markets;
- c. adopt a proactive interest rate management strategy to manage risks related to interest rate fluctuations; and
- d. manage the foreign currency exposure of income and capital values of overseas assets through hedging, where appropriate.

The Manager seeks to maintain a combination of debt and equity in order to balance the cost of capital and the returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted complies with the requirements.

The Group is subject to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's Deposited Property.

As at the reporting date, the Group has a credit rating of BBB from Fitch Ratings (2017: Baa3 from Moody's and BBB from Fitch Ratings). The Aggregate Leverage of the Group as at 31 December 2018 was 36.7% (2017: 36.2%) of the Group's Deposited Property. This complied with the Aggregate Leverage limit.

There were no changes in the Group's approach to capital management during the year.

18 UNITS IN ISSUE AND PERPETUAL SECURITIES

(a) Units in issue

	Group and Trust	
	2018	2017
	Number of Units '000	Number of Units '000
At 1 January	2,149,688	1,653,471
Issue of new Units:		
– Rights Issue	–	481,688
– As Manager's management fees paid in Units	14,904	13,692
– As Manager's acquisition fees paid in Units	–	837
At 31 December	2,164,592	2,149,688

NOTES TO THE FINANCIAL STATEMENTS

18 UNITS IN ISSUE AND PERPETUAL SECURITIES (continued)

(a) Units in issue (continued)

During the financial year ended 31 December 2018, the Trust issued Units as follows:

- (a) 14,903,726 Units were issued at issue prices ranging from \$1.0573 to \$1.1928 per Unit, amounting to \$17,021,000 as payment of the Manager's base management fees for the period from 1 October 2017 to 30 September 2018 and Manager's base performance fees for the period from 1 January 2017 to 31 December 2017.

During the financial year ended 31 December 2017, the Trust issued Units as follows:

- (a) On 11 April 2017, the Trust issued 481,688,010 Units at an issue price of \$0.919 per Unit amounting to \$442,671,000 by way of a rights issue to existing Unitholders.
- (b) 13,692,633 Units were issued at issue prices ranging from \$1.0931 to \$1.1987 per Unit, amounting to \$15,732,000 as payment of the Manager's base management fees for the period from 1 October 2016 to 30 September 2017 and Manager's base performance fees for the period from 1 January 2016 to 31 December 2016.
- (c) On 21 July 2017, the Trust issued 836,645 Units at an issue price of \$1.1757 per Unit as payment of the acquisition fee amounting to \$984,000 in relation to the completion of the acquisition of an effective interest of 93% in two serviced residence properties in Germany.

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the Units held;
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;
- Attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and
- One vote per Unit.

The restrictions of a Unitholder include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A Unitholder has no right to request the Manager to redeem his Units while the Units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Units in the Trust. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

NOTES TO THE FINANCIAL STATEMENTS

18 UNITS IN ISSUE AND PERPETUAL SECURITIES (continued)

(b) Perpetual securities

On 30 June 2015, the Trust issued \$250.0 million of fixed rate perpetual securities with an initial distribution rate of 4.68% per annum with the first distribution rate reset falling on 30 June 2020 and subsequent resets occurring every five years thereafter.

On 27 October 2014, the Trust issued \$150.0 million of fixed rate perpetual securities with an initial distribution rate of 5.0% per annum with the first distribution rate reset falling on 27 October 2019 and subsequent resets occurring every five years thereafter.

The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution will be payable semi-annually at the discretion of the Trust and will be non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank *pari passu* with the holders of preferred Units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.
- The Trust shall not declare or pay any distributions to the Unitholders, or make redemptions, unless the Trust declares or pays any distributions to the holders of the perpetual securities.

These perpetual securities are classified as equity instruments and recorded within the Statements of Movements in Unitholders' Funds. The \$397,127,000 (2017: \$397,127,000) presented on the Statements of Financial Position represents the \$400,000,000 (2017: \$400,000,000) perpetual securities net of issue costs and include total return attributable to perpetual securities holders from issue date.

19 GROSS REVENUE

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Gross rental income	494,295	477,873	46,523	34,389
Hospitality income	18,287	16,846	109	108
Car park income	1,691	1,569	–	–
	514,273	496,288	46,632	34,497

NOTES TO THE FINANCIAL STATEMENTS

20 DIRECT EXPENSES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Operations and maintenance expenses	47,721	46,651	3,347	3,129
Staff costs	54,578	51,570	2,618	2,338
Serviced residence management fees	24,651	26,504	1,895	1,876
Property tax	28,650	26,197	2,164	1,892
Depreciation of plant and equipment	12,744	13,250	2,597	1,569
Marketing and selling expenses	30,580	26,537	994	719
Administrative and general expenses	38,020	41,265	3,262	2,761
Operating lease expense	20,233	20,820	–	–
Other direct expenses	17,736	16,576	715	837
	274,913	269,370	17,592	15,121

Included in the Group's and Trust's staff costs are contributions to defined contribution plans of \$5,365,000 (2017: \$5,449,000) and \$187,000 (2017: \$243,000) respectively.

21 FINANCE INCOME AND COSTS

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Finance income				
Bank deposits	1,194	1,581	256	245
Finance costs				
Amortisation of transaction costs	(3,838)	(4,370)	(899)	(1,387)
Interest on bank loans	(50,477)	(45,458)	(6,487)	(4,038)
Cash flow hedges, reclassified from hedging reserve	(800)	(3,680)	(1,647)	(1,921)
Cross currency interest rate swaps ⁽¹⁾	9,042	8,239	9,042	8,239
Interest on amounts due to subsidiaries	–	–	(24,673)	(24,625)
Others	(1,043)	(1,399)	(625)	(928)
	(47,116)	(46,668)	(25,289)	(24,660)

(1) Interest income arising from cross currency interest rate swaps are classified within finance costs as these financial derivatives were entered into by the Group as cash flow hedging instruments for certain bank loans.

22 MANAGER'S MANAGEMENT FEES

Manager's management fees of the Group and the Trust include base management fees of \$14,589,000 (2017: \$13,755,000) and base performance fees of \$9,311,000 (2017: \$8,603,000).

A total of 15,352,904 (2017: 13,688,341) Units were issued or will be issued as payment of the Manager's management fees amounting to \$17,505,000 (2017: \$16,051,000) in respect of the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

23 PROFESSIONAL FEES

Professional fees of the Group and the Trust include valuation fees of \$467,000 (2017: \$483,000).

24 NET INCOME

The following items have been included in arriving at net income for the year:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-audit fees paid to ⁽¹⁾ :				
- other auditors	60	86	-	-
Loss on disposal of plant and equipment	134	235	10	19
Impairment of subsidiaries recognised/(reversed)	-	-	64,343 ⁽²⁾	(7,058)
Impairment loss on non-trade amount due from associate	-	253	-	775
Impairment loss on trade and other receivables (reversed)/recognised	(11)	150	20,890 ⁽³⁾	(2,826)
Write-off of trade and other receivables	54	124	3	4

(1) Total non-audit fees amounted to \$60,000 (2017: \$244,000). In 2017, non-audit fees of \$81,000 has been capitalised as capital expenditure and \$77,000 has been included in issue expenses.

(2) The Trust recognised an impairment loss on its investment in certain subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to unfavourable exchange rates and payment of dividends to the Trust upon divestment of the two China properties.

(3) The Trust recognised an impairment loss on its non-trade amounts due from subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to lower valuation of certain serviced residence properties and unfavourable exchange rates.

25 PROFIT FROM DIVESTMENTS

On 26 April 2017, the Group divested the trust beneficiary interest of 18 rental housing properties in Tokyo, Japan under Zenith Residences Tokyo Tokutei Mokuteki Kaisha for a consideration of \$150,088,000. The disposed rental housing properties contributed a net operating gain of \$1,498,000 from 1 January 2017 to the date of disposal.

In 2017, the Group completed its divestment of 40 car park lots in Fortune Garden Apartments in Beijing for a consideration of \$725,000.

On 5 January 2018, the Group completed the divestment of its wholly-owned subsidiaries, Citadines (Xi'an) Property Co., Ltd. and Gain Mark Properties (Shanghai) Ltd. for total consideration of \$204.0 million. The disposed subsidiaries contributed a net operating gain of \$54,000 from 1 January 2018 to the date of disposal.

	Group	
	2018 \$'000	2017 \$'000
Gain on divestment of subsidiaries	3,211	-
Gain on divestment of rental housing properties	-	20,119
Gain on divestment of car park lots	-	725
Profit from divestments	3,211	20,844

NOTES TO THE FINANCIAL STATEMENTS

26 INCOME TAX EXPENSE

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current tax expense				
Current year	24,822	20,811	–	–
(Over)/under provided in prior years	(708)	222	–	–
Withholding tax	3,142	5,863	–	–
	27,256	26,896	–	–
Deferred tax expense				
Origination and reversal of temporary differences	16,228	25,094	–	–
Under/(over) provided in prior years	57	(46)	–	–
	16,285 ⁽¹⁾	25,048	–	–
Income tax expense	43,541	51,944	–	–

(1) Includes pre-acquisition deferred tax liabilities of subsidiary of \$(2,090,000).

Reconciliation of effective tax rate

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Total return before income tax	195,382	274,444	111,652	82,653
Income tax using the Singapore tax rate of 17% (2017: 17%)	33,215	46,655	18,981	14,051
Effect of different tax rates in foreign jurisdictions	18,289	27,196	–	–
Tax rebate/relief/exemption	(44)	(42)	(37,128)	(20,091)
Income not subject to tax	(45,803)	(58,626)	(1,476)	(324)
Tax benefits not recognised	3,906	5,902	–	–
Expenses not deductible for tax purposes	35,748	28,074	22,975	8,079
Utilisation of previously unrecognised tax losses	(909)	(1,539)	–	–
Tax transparency	(3,352)	(1,715)	(3,352)	(1,715)
(Over)/under provision in prior years	(651)	176	–	–
Withholding tax	3,142	5,863	–	–
	43,541	51,944	–	–

No income tax effects have been recognised for those items recognised directly in Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

27 EARNINGS PER UNIT

Basic earnings per Unit

The calculation of basic earnings per Unit for the Group and Trust was based on the total return for the year attributable to Unitholders and a weighted average number of Units outstanding:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Total return attributable to Unitholders/perpetual securities holders	147,593	214,247	111,652	82,653
Less: Total return attributable to perpetual securities holders	(19,200)	(19,200)	(19,200)	(19,200)
Total return attributable to Unitholders	128,393	195,047	92,452	63,453

	Group and Trust	
	2018 Number of Units '000	2017 Number of Units '000
Issued Units at the beginning of the year	2,149,688	1,653,471
Effect of issue of new Units:		
- As Rights Issue	-	399,525
- As Manager's management fees paid in Units	9,767	9,389
- As Manager's acquisition fees paid in Units	-	376
Weighted average number of Units outstanding during the year	2,159,455	2,062,761

Diluted earnings per Unit

The calculation of diluted earnings per Unit for the Group and Trust was based on the total return for the year attributable to Unitholders and a weighted average number of Units outstanding after adjustment for the effects of all dilutive potential Units.

Prior to 1 January 2016, the Manager's management fees (comprising base and performance fees) are issued within 60 days from the end of each quarter. With effect from 1 January 2016, due to revisions to the CIS Code, performance fee (including performance fee payable in Units) shall be paid once a year, after the end of the financial year.

	Group and Trust	
	2018 Number of Units '000	2017 Number of Units '000
Weighted average number of Units used in calculation of basic earnings per Unit	2,159,455	2,062,761
Weighted average number of unissued Units for base and performance fees	13,831	11,487
Weighted average number of Units outstanding (diluted) during the year	2,173,286	2,074,248

NOTES TO THE FINANCIAL STATEMENTS

28 ISSUE EXPENSES

	Group and Trust	
	2018	2017
	\$'000	\$'000
Underwriting fees and selling commissions	–	3,708
Professional fees	–	442
Other expenses	–	690
	–	4,840
These expenses were deducted directly against: Unitholders' funds	–	4,840

29 DISPOSAL OF SUBSIDIARIES

The list of subsidiaries disposed during the year ended 31 December 2018 is as follows:

Name of subsidiaries	Date of disposal	Equity interest disposed %
Citadines (Xi'an) Property Co., Ltd.	January 2018	100
Gain Mark Properties (Shanghai) Ltd.	January 2018	100

Effect of disposal

The cash flows relating to assets and liabilities classified as held for sale disposed during the year ended 31 December 2018 are provided below:

The disposal group	Recognised values on disposal \$'000
Serviced residence properties	192,330
Trade and other receivables	59
Cash and cash equivalents	3,767
Trade and other payables	(112)
Other liabilities	(4,306)
Net assets disposed	191,738
Transfer from foreign currency translation reserve to Statement of Total Return	135
Gain on disposal	3,211
Deposit received recognised in prior year	(104,909)
Cash flow on disposal of assets and liabilities classified as assets held for sale	90,175
Less: Transaction costs	(4,670)
Net cash flow on disposal of assets and liabilities classified as assets held for sale	85,505

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. There were no changes in the Group's approach to financial risk management during the year.

Risk management framework

Risk management is integral to the whole business of the Group. 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 that 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 Audit Committee oversees how management 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. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Exposure to credit risk

Trade receivables

The Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the serviced residence management companies before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

As at 31 December 2018 and 31 December 2017, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statements of Financial Position.

Concentration of credit risk relating to trade receivables is limited due to the Group's varied tenants and a credit policy of collecting rental deposits on certain leases. These tenants are from a wide range of nationalities and are engaged in a wide spectrum of business activities.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore	1,000	1,282	1,000	1,282
Australia	1,384	1,536	–	–
China	1,678	2,107	–	–
Europe (excluding United Kingdom)	1,725	1,007	–	–
Indonesia	566	420	–	–
Japan	3,034	2,125	–	–
Malaysia	323	480	–	–
Philippines	2,277	2,009	–	–
United Kingdom	2,769	2,564	–	–
United States of America	1,918	1,782	–	–
Vietnam	707	675	–	–
	17,381	15,987	1,000	1,282

The movement in impairment losses in respect of trade and other receivables during the year is as follows:

	Group 2018 \$'000	Trust 2018 \$'000
At 1 January 2018 under FRS 109	399	48,637
Impairment losses (reversed)/recognised	(11)	20,890
Utilised during the year	(90)	–
Translation difference	(12)	–
At 31 December 2018	286	69,527

Based on historical default rates, the Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables and other receivables not past due. These receivables relate to customers that have a good credit record with the Group and/or rental deposits held.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Impairment losses

Expected credit loss assessment for customers as at 1 January and 31 December 2018

The credit quality of trade receivables is assessed based on credit policies established by the Group. Trade and other receivables with high credit risk will be identified and monitored by the respective property. The Group's credit risk exposure in relation to trade receivables as at 31 December 2018 are set out in the provision matrix as follows:

	Current \$'000	Past due			Total \$'000
		Within 30 days \$'000	30 to 60 days \$'000	More than 60 days \$'000	
Group					
Expected loss rate	–	–	4.55%	19.60%	
Trade receivables	11,053	4,226	1,231	1,153	17,663
Loss allowance	–	–	56	226	282

No ageing analysis of other receivables is presented as the majority of the outstanding balances as at 31 December 2018 is current.

The Trust's credit risk exposure to trade receivables as at 31 December 2018 is immaterial.

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of trade receivables was assessed based on the incurred loss impairment model. The ageing of trade receivables at the reporting date is as follows:

	Group		Trust	
	Gross 2017 \$'000	Impairment losses 2017 \$'000	Gross 2017 \$'000	Impairment losses 2017 \$'000
Not past due	9,294	–	972	–
Past due 0 - 30 days	4,717	–	204	–
Past due 30 - 60 days	1,205	–	35	–
Past due more than 60 days	1,165	(394)	71	–
	16,381	(394)	1,282	–

The movement in impairment losses in respect of trade and other receivables is as follows:

	Group 2017 \$'000	Trust 2017 \$'000
At 1 January 2017 under FRS 39	234	51,463
Impairment losses recognised/(reversed)	150	(2,826)
Translation difference	15	–
At 31 December 2017	399	48,637

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Based on historical default rates, the Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables and other receivables not past due. These receivables relate to customers that have a good credit record with the Group and/or rental deposits held.

Non-trade amounts due from subsidiaries and amounts due from related parties

Expected credit losses associated with the non-trade amounts due from subsidiaries and amounts due from related parties are assessed from estimated cash flows recoverable from the subsidiary and related parties based on the review of their financial strength (i.e. fair value of underlying net assets) and cash flow projections of their operations as at the reporting date.

The Trust recognised an impairment loss of \$69,527,000 (2017: \$48,637,000) on its non-trade amounts due from subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to lower valuation of certain serviced residence properties and unfavourable exchange rates.

Financial derivatives

The financial derivatives are entered into with bank and financial institution counterparties, which are regulated.

Cash and cash equivalents

The Group and the Trust held cash and cash equivalents of \$227,847,000 and \$40,112,000 respectively at 31 December 2018 (2017: \$257,345,000 and \$12,598,000 respectively). The cash and cash equivalents are held with banks and financial institution counterparties which are rated AA- to BBB-, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 1-day 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 amount of the allowance on cash and cash equivalents was negligible.

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. Typically, 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 management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 December 2018, the Group has unutilised credit facilities of approximately \$320.3 million (2017: \$304.0 million) expiring between February 2019 and November 2023 (2017: February 2018 and November 2023), that can be drawn down to meet short-term financing needs.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

In addition, the Group has put in place a \$1.0 billion MTN Programme, under which notes of \$653.1 million (2017: \$653.9 million) have been issued as at 31 December 2018. In 2011, the Group established a US\$2.0 billion EMTN Programme, under which notes of \$124.9 million (2017: \$128.1 million) have been issued as at 31 December 2018.

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
Group					
2018					
Non-derivative financial liabilities					
Floating rate loans	1,091,124	(1,179,431)	(98,808)	(1,071,017)	(9,606)
Fixed rate loans	36,963	(38,319)	(166)	(664)	(37,489)
Fixed rate notes	776,839	(883,774)	(23,235)	(549,762)	(310,777)
Finance lease liabilities	527	(527)	(527)	–	–
Trade and other payables ⁽¹⁾	139,782	(139,782)	(139,782)	–	–
	<u>2,045,235</u>	<u>(2,241,833)</u>	<u>(262,518)</u>	<u>(1,621,443)</u>	<u>(357,872)</u>
Derivative financial instruments					
Interest rate swaps					
– assets	(6,486)	7,128	3,315	3,813	–
– liabilities	1,916	(2,357)	(1,157)	(1,200)	–
Cross currency interest rate swaps					
– assets	(1,808)	21,927	4,466	17,461	–
– liabilities	5,214	21,465	6,743	16,336	(1,614)
	<u>(1,164)</u>	<u>48,163</u>	<u>13,367</u>	<u>36,410</u>	<u>(1,614)</u>
	<u>2,044,071</u>	<u>(2,193,670)</u>	<u>(249,151)</u>	<u>(1,585,033)</u>	<u>(359,486)</u>

(1) Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
2017					
Non-derivative financial liabilities					
Floating rate loans	1,124,193	(1,217,688)	(122,576)	(1,004,200)	(90,912)
Fixed rate loans	37,035	(38,627)	(169)	(676)	(37,782)
Fixed rate notes	780,664	(891,530)	(184,705)	(445,690)	(261,135)
Finance lease liabilities	3,481	(3,500)	(2,959)	(541)	–
Trade and other payables ⁽¹⁾	232,470	(232,470)	(232,470)	–	–
	<u>2,177,843</u>	<u>(2,383,815)</u>	<u>(542,879)</u>	<u>(1,451,107)</u>	<u>(389,829)</u>
Derivative financial instruments					
Interest rate swaps					
– assets	(5,079)	5,244	543	4,701	–
– liabilities	4,250	(4,690)	(2,577)	(2,113)	–
Cross currency interest rate swaps					
– assets	(2,090)	12,307	1,850	9,091	1,366
– liabilities	11,875	19,504	6,599	15,432	(2,527)
	<u>8,956</u>	<u>32,365</u>	<u>6,415</u>	<u>27,111</u>	<u>(1,161)</u>
	<u>2,186,799</u>	<u>(2,351,450)</u>	<u>(536,464)</u>	<u>(1,423,996)</u>	<u>(390,990)</u>

(1) Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
Trust					
2018					
Non-derivative financial liabilities					
Floating rate loans	424,430	(459,596)	(9,567)	(450,029)	–
Trade and other payables ⁽¹⁾	926,342	(926,342)	(926,342)	–	–
	<u>1,350,772</u>	<u>(1,385,938)</u>	<u>(935,909)</u>	<u>(450,029)</u>	<u>–</u>
Derivative financial instruments					
Interest rate swaps					
– assets	(71)	80	15	65	–
– liabilities	246	(405)	(378)	(27)	–
Cross currency interest rate swaps					
– assets	(1,808)	21,927	4,466	17,461	–
– liabilities	5,214	21,465	6,743	16,336	(1,614)
	<u>3,581</u>	<u>43,067</u>	<u>10,846</u>	<u>33,835</u>	<u>(1,614)</u>
	<u>1,354,353</u>	<u>(1,342,871)</u>	<u>(925,063)</u>	<u>(416,194)</u>	<u>(1,614)</u>
2017					
Non-derivative financial liabilities					
Floating rate loans	428,969	(455,949)	(83,078)	(302,890)	(69,981)
Trade and other payables ⁽¹⁾	916,010	(916,010)	(916,010)	–	–
	<u>1,344,979</u>	<u>(1,371,959)</u>	<u>(999,088)</u>	<u>(302,890)</u>	<u>(69,981)</u>
Derivative financial instruments					
Interest rate swaps					
– liabilities	1,816	(1,988)	(1,663)	(325)	–
Cross currency interest rate swaps					
– assets	(2,090)	12,307	1,850	9,091	1,366
– liabilities	11,875	19,504	6,599	15,432	(2,527)
	<u>11,601</u>	<u>29,823</u>	<u>6,786</u>	<u>24,198</u>	<u>(1,161)</u>
	<u>1,356,580</u>	<u>(1,342,136)</u>	<u>(992,302)</u>	<u>(278,692)</u>	<u>(71,142)</u>

(1) Excluding advance rental and liability for employee benefits.

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

30 FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and 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 on risk. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

Foreign currency risk

The Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk are Singapore Dollar, Australian Dollar, Chinese Renminbi, Euro, Sterling Pound, Hong Kong Dollar, Indonesian Rupiah, Japanese Yen, Malaysian Ringgit, Philippine Peso, US Dollar and Vietnamese Dong.

In order to manage the foreign currency risk, the Manager adopts foreign currency risk management strategies that include:

- entering into foreign currency forward contracts to hedge the foreign currency income from the overseas assets;
- the use of certain foreign currency denominated borrowings to match the capital values of the overseas assets as a natural hedge, whenever possible; and
- the use of certain foreign currency denominated borrowings, which include bank loans and medium term notes, and cross currency interest rate swaps to hedge against the currency risk arising from the Group's net investments in certain subsidiaries in Europe and Japan.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

The Group's and Trust's exposures to foreign currencies risk were as follows based on notional amounts:

Group	Singapore Dollar \$'000	Australian Dollar \$'000	Chinese Renminbi \$'000	Euro \$'000	Sterling Pound \$'000	Hong Kong Dollar \$'000	Indonesian Rupiah \$'000	Japanese Yen \$'000	Malaysian Ringgit \$'000	Philippine Peso \$'000	US Dollar \$'000	Vietnamese Dong \$'000	Total foreign currencies \$'000
31 December 2018													
Loan receivables – intra-group and associate	29,500	122,275	–	361,033	165,830	–	–	61,000	30,786	–	70,459	–	840,883
Trade and other receivables ⁽¹⁾	4,220	1,505	3,146	18,227	3,487	–	1,454	4,088	419	5,508	3,012	1,316	46,382
Intra-group receivables	634,531	242,087	48,025	519,631	353,135	(23)	–	280,668	9,943	3,503	707,925	–	2,799,425
Cash and cash equivalents	31,034	12,105	23,099	22,314	21,126	1	4,718	46,240	982	8,431	44,290	13,507	227,847
Loan payables – intra-group	(29,500)	(122,275)	–	(361,033)	(165,830)	–	–	(61,000)	(30,786)	–	(66,875)	–	(837,299)
Trade and other payables ⁽²⁾	(18,705)	(4,562)	(19,988)	(24,272)	(6,466)	(13,594)	(3,767)	(10,818)	(798)	(6,088)	(7,765)	(6,501)	(123,324)
Intra-group payables	(634,531)	(242,087)	(48,025)	(519,631)	(353,135)	23	–	(280,668)	(9,943)	(3,503)	(707,925)	–	(2,799,425)
Financial liabilities	(476,879)	–	(36,869)	(212,672)	(173,960)	–	–	(521,518)	–	–	(483,555)	–	(1,905,453)
Gross currency exposure	(460,330)	9,048	(30,612)	(196,403)	(155,813)	(13,593)	2,405	(482,008)	603	7,851	(440,434)	8,322	(1,750,964)
Add/(less): Net exposure denominated in the respective entities' functional currencies	–	–	–	–	–	–	–	–	–	–	–	–	–
Add: Loan designated for net investment hedge	420,390	130,080	(7,230)	526,546	161,659	10	–	275,072	40,098	(7,285)	436,901	(8,322)	1,967,919
Add: Cross currency interest rate swap	–	–	–	212,548	173,960	–	–	268,562	–	–	–	–	655,070
Add/(less): Loan payables/ receivables ⁽³⁾	29,500	(122,275)	–	(361,033)	(165,830)	–	–	(61,000)	(30,786)	–	(29,347)	–	(740,771)
Net exposure	(10,440)	16,853	(37,842)	181,658	13,976	(13,583)	2,405	626	9,915	566	36,844	–	200,978

(1) Excluding prepayments.

(2) Excluding advance rental and liability for employee benefits.

(3) Forms part of the Group's net investment in foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Group	Singapore Dollar \$'000	Australian Dollar \$'000	Chinese Renminbi \$'000	Euro \$'000	Sterling Pound \$'000	Hong Kong Dollar \$'000	Indonesian Rupiah \$'000	Japanese Yen \$'000	Malaysian Ringgit \$'000	Philippine Peso \$'000	US Dollar \$'000	Vietnamese Dong \$'000	Total foreign currencies \$'000
31 December 2017													
Loan receivables – intra-group and associate	29,500	134,387	-	370,079	171,940	-	-	62,772	31,442	-	68,670	-	868,790
Trade and other receivables ⁽¹⁾	3,920	1,642	4,100	11,009	3,926	-	1,513	2,743	573	7,717	3,084	1,079	41,306
Intra-group receivables	630,754	250,209	89,538	585,720	370,859	(32)	-	250,282	9,950	3,411	731,440	-	2,922,131
Cash and cash equivalents	7,964	4,763	87,221	21,227	17,828	1	5,326	48,730	1,423	8,753	38,408	15,701	257,345
Loan payables – intra-group	(29,500)	(134,387)	-	(370,079)	(171,940)	-	-	(62,772)	(31,442)	-	(65,678)	-	(865,798)
Trade and other payables ⁽²⁾	(112,140)	(4,456)	(28,325)	(22,916)	(5,797)	(13,387)	(4,258)	(10,913)	(822)	(6,249)	(4,381)	(6,960)	(220,604)
Intra-group payables	(630,754)	(250,209)	(89,538)	(585,720)	(370,859)	32	-	(250,282)	(9,950)	(3,411)	(731,440)	-	(2,922,131)
Financial liabilities	(416,113)	-	(54,599)	(353,159)	(106,031)	-	-	(534,742)	-	-	(480,729)	-	(1,945,373)
Gross currency exposure	(516,369)	1,949	8,397	(343,839)	(90,074)	(13,386)	2,581	(494,182)	1,174	10,221	(440,626)	9,820	(1,864,334)
Add/(less): Net exposure denominated in the respective entities' functional currencies	432,092	144,393	(88,638)	548,543	161,586	3	-	286,075	40,189	(9,790)	430,203	(9,820)	1,934,836
Add: Loan designated for net investment hedge	-	-	-	350,150	106,031	-	-	269,333	-	-	-	-	725,514
Add: Cross currency interest rate swap	-	-	-	-	-	-	-	-	-	-	68,476	-	68,476
Add/(less): Loan payables/(receivables) ⁽³⁾	29,500	(134,387)	-	(370,079)	(171,940)	-	-	(62,772)	(31,442)	-	(28,294)	-	(769,414)
Net exposure	(54,777)	11,955	(80,241)	184,775	5,603	(13,383)	2,581	(1,546)	9,921	431	29,759	-	95,078

(1) Excluding prepayments.

(2) Excluding advance rental and liability for employee benefits.

(3) Forms part of the Group's net investment in foreign operation.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' statements of financial position measured in the respective functional currencies, translated into Singapore dollars at the exchange rate at the reporting date for presentation purposes.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	Singapore Dollar \$'000	Australian Dollar \$'000	Chinese Renminbi \$'000	Euro \$'000	Sterling Pound \$'000	Hong Kong Dollar \$'000	Japanese Yen \$'000	Philippine Peso \$'000	US Dollar \$'000	Total foreign currencies \$'000
Trust										
31 December 2018										
Loan receivables – associate	–	–	–	–	–	–	–	–	3,062	3,062
Trade and other receivables ⁽¹⁾	4,209	–	–	–	–	–	–	–	500	4,709
Intra-group receivables	624,055	225,272	18,162	340,825	293,041	(23)	177,666	2,911	612,740	2,294,649
Cash and cash equivalents	31,011	39	–	4,360	1,511	–	2,099	–	1,092	40,112
Trade and other payables ⁽²⁾	(15,242)	–	(9,152)	(1,600)	(312)	–	(61)	–	(575)	(26,942)
Intra-group payables	(355,431)	(19,576)	–	(125,025)	–	–	(312,883)	–	(86,485)	(899,400)
Financial liabilities	(57,683)	–	–	(87,646)	(173,960)	–	(35,417)	–	(69,724)	(424,430)
Gross currency exposure	230,919	205,735	9,010	130,914	120,280	(23)	(168,596)	2,911	460,610	991,760
Less: Net exposure denominated in the respective entities' functional currencies	(230,919)	–	–	–	–	–	–	–	–	(230,919)
Less: Loan receivables – associate	–	–	–	–	–	–	–	–	(3,062)	(3,062)
Net exposure	–	205,735	9,010	130,914	120,280	(23)	(168,596)	2,911	457,548	757,779

(1) Excluding prepayments and intra-group receivables.

(2) Excluding advance rental, liability for employee benefits and intra-group payables.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	Singapore Dollar \$'000	Australian Dollar \$'000	Chinese Renminbi \$'000	Euro \$'000	Sterling Pound \$'000	Hong Kong Dollar \$'000	Japanese Yen \$'000	Philippine Peso \$'000	US Dollar \$'000	Total foreign currencies \$'000
Trust										
31 December 2017										
Loan receivables – associate	–	–	–	–	–	–	–	–	2,993	2,993
Trade and other receivables ⁽¹⁾	3,920	–	–	15	–	–	–	–	332	4,267
Intra-group receivables	576,001	237,999	18,761	402,722	308,681	(32)	176,304	2,979	641,495	2,364,910
Cash and cash equivalents	7,942	14	–	3,363	332	–	11	–	936	12,598
Trade and other payables ⁽²⁾	(8,619)	–	(9,454)	(1,585)	(195)	–	(59)	–	(362)	(20,274)
Intra-group payables	(364,622)	(16,422)	–	(128,229)	–	–	(303,334)	–	(83,129)	(895,736)
Financial liabilities	3,002	–	–	(222,047)	(106,031)	–	(35,417)	–	(68,476)	(428,969)
Gross currency exposure	217,624	221,591	9,307	54,239	202,787	(32)	(162,495)	2,979	493,789	1,039,789
Less: Net exposure denominated in the respective entities' functional currencies	(217,624)	–	–	–	–	–	–	–	–	(217,624)
Less: Loan receivables – associate	–	–	–	–	–	–	–	–	(2,993)	(2,993)
Net exposure	–	221,591	9,307	54,239	202,787	(32)	(162,495)	2,979	490,796	819,172

(1) Excluding prepayments and intra-group receivables.

(2) Excluding advance rental, liability for employee benefits and intra-group payables.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's Statement of Total Return in response to a 10% increase in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities. The sensitivity analysis includes balances in group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	Statement of Total Return	
	2018 \$'000	2017 \$'000
Group		
Singapore Dollar ⁽¹⁾	(1,044)	(5,478)
Australian Dollar ⁽²⁾	1,685	1,196
Chinese Renminbi ⁽²⁾	(3,784)	(8,024)
Euro ⁽²⁾	18,166	18,478
Sterling Pound ⁽²⁾	1,398	560
Hong Kong Dollar ⁽²⁾	(1,358)	(1,338)
Indonesian Rupiah ⁽³⁾	241	258
Japanese Yen ⁽⁴⁾	63	(155)
Malaysian Ringgit ⁽²⁾	992	992
Philippine Peso ⁽²⁾	57	43
US Dollar ⁽⁵⁾	3,684	2,976
Trust		
Australian Dollar ⁽²⁾	20,574	22,159
Chinese Renminbi ⁽²⁾	901	931
Euro ⁽²⁾	13,091	5,424
Sterling Pound ⁽²⁾	12,028	20,279
Hong Kong Dollar ⁽²⁾	(2)	(3)
Japanese Yen ⁽²⁾	(16,860)	(16,250)
Philippine Peso ⁽²⁾	291	298
US Dollar ⁽²⁾	45,755	49,080

⁽¹⁾ As compared to functional currencies of Chinese Renminbi and US Dollar.

⁽²⁾ As compared to functional currency of Singapore Dollar.

⁽³⁾ As compared to functional currencies of Singapore Dollar and US Dollar.

⁽⁴⁾ As compared to functional currencies of Singapore Dollar and Chinese Renminbi.

⁽⁵⁾ As compared to functional currencies of Singapore Dollar, Chinese Renminbi, Philippine Peso, Hong Kong Dollar and Vietnamese Dong.

A decrease in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities would have had the equal but opposite effect on the above currencies to the amounts shown above. The analysis assumed that all other variables, in particular interest rates, remain constant and does not take into account the translation related risk, associated tax effects and share of non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. The Group adopts a policy of ensuring that up to 80% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. The Group applies a hedge ratio of 1:1.

The Group classifies these interest rate swaps as cash flow hedges which were effective during the year.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group		Trust	
	Carrying amount 2018 \$'000	2017 \$'000	Carrying amount 2018 \$'000	2017 \$'000
Fixed rate instruments				
Financial liabilities	(813,802)	(817,699)	–	–
Variable rate instruments				
Financial liabilities	(1,091,651)	(1,127,674)	(424,430)	(428,969)

To manage its exposure to interest rate movements on its variable rate financial liabilities, the Group enters into interest rate swaps and a cross currency interest rate swap to swap floating USD interest for fixed JPY interest. As at 31 December 2018, the Group and Trust held these financial instruments with a total notional principal amount of \$710.5 million (2017: \$770.2 million) and \$230.5 million (2017: \$266.5 million) respectively, to provide fixed rate funding.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through total return, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect the Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rate at the reporting date would increase/(decrease) Unitholders' funds and Statement of Total Return by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Statement of Total Return		Unitholders' funds	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
Group				
31 December 2018				
Variable rate financial liabilities	(10,995)	10,995	–	–
Interest rate swaps/Cross currency interest rate swap	7,105	(7,105)	1,730	(1,730)
Cash flow sensitivity (net)	(3,890)	3,890	1,730	(1,730)
31 December 2017				
Variable rate financial liabilities	(11,386)	11,386	–	–
Interest rate swaps/Cross currency interest rate swap	7,702	(7,702)	1,474	(1,474)
Cash flow sensitivity (net)	(3,684)	3,684	1,474	(1,474)
Trust				
31 December 2018				
Variable rate financial liabilities	(4,269)	4,269	–	–
Interest rate swaps/Cross currency interest rate swap	2,305	(2,305)	242	(242)
Cash flow sensitivity (net)	(1,964)	1,964	242	(242)
31 December 2017				
Variable rate financial liabilities	(4,320)	4,320	–	–
Interest rate swaps/Cross currency interest rate swap	2,665	(2,665)	356	(356)
Cash flow sensitivity (net)	(1,655)	1,655	356	(356)

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting

At 31 December 2018, the Group and the Trust held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Carrying amount		Changes in fair value used for calculating hedge ineffectiveness			Hedge ineffectiveness recognised in Statement of Total Return \$'000	Weighted average hedge rate	Maturity date
	Contractual notional amount \$'000	Assets/ (Liabilities) \$'000	Financial Statement line item	Hedging instrument \$'000	Hedged item \$'000			
Group								
Cash flow hedges								
Interest rate risk								
– Interest rate swaps to hedge floating rate borrowings	640,741	4,570	Derivative financial instruments	2,912	(2,912)	–	1.13%	2019 – 2022
– Cross currency interest rate swaps to hedge floating rate borrowings	69,724	754	Derivative financial instruments	531	(531)	–	3.31%	2023
Net investment hedges								
Foreign exchange risk								
– Borrowings to hedge net investments in foreign operations	–	(653,215)	Borrowings	9,551	(9,551)	–	–	2020 – 2025
– Cross currency interest rate swaps to hedge net investments in foreign operations	420,000	(4,160)	Derivative financial instruments	4,600	(4,600)	–	JPY80.89:\$1 EUR1.53:\$1	2022 – 2024

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

	Carrying amount		Changes in fair value used for calculating hedge ineffectiveness			Hedge ineffectiveness recognised in Statement of Total Return \$'000	Weighted average hedge rate	Maturity date
	Contractual notional amount \$'000	Assets/ (Liabilities) \$'000	Financial Statement line item	Hedging instrument \$'000	Hedged item \$'000			

Trust

Cash flow hedges

Interest rate risk								
- Interest rate swaps to hedge floating rate borrowings	160,784	(175)	Derivative financial instruments	96	(96)	-	0.89%	2019 – 2020

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

The following table provides a reconciliation by risk category of components of Unitholders' Funds resulting from cash flow hedge accounting.

	2018 Hedging reserve \$'000
Group	
Balance as at 1 January	(1,240)
Cash flow hedges	
Change in fair value	
Interest rate risk	3,443
Amounts reclassified to Statement of Total Return	
Interest rate risk	800
Balance as at 31 December	<u>3,003</u>
Trust	
Balance as at 1 January	(3,275)
Cash flow hedges	
Change in fair value	
Interest rate risk	96
Amounts reclassified to Statement of Total Return	
Interest rate risk	1,647
Balance as at 31 December	<u>(1,532)</u>

Net investment hedge

A foreign currency exposure arises from the Group's net investment in its subsidiaries in Europe and Japan that has a EUR, GBP and JPY functional currency respectively. The risk arises from the fluctuation in spot exchange rates between the EUR, GBP, JPY and the SGD, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedges are the risk of a weakening EUR, GBP and JPY against the SGD that will result in a reduction in the carrying amount of the Group's net investment in its subsidiaries in Europe and Japan.

Part of the Group's net investments in certain subsidiaries in Europe and Japan are hedged through the use of EUR, GBP and JPY denominated borrowings and cross currency interest rate swaps. The Group entered into cross currency interest rate swaps to swap fixed rate SGD loans for fixed rate EUR obligations. The SGD loans, which together with the cross currency interest rate swap arrangement, have been used to hedge the Group's foreign currency risk on the net investment in the subsidiaries in Europe.

The Group also entered into a cross currency interest rate swap to swap floating rate USD loan for fixed rate JPY obligations. The USD loan, which together with the cross currency interest rate swap arrangement, have been used to hedge the Group's foreign currency risk on the net investment in the subsidiaries in Japan. The swap of the floating USD interest for fixed JPY interest is designated as a cash flow hedge.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

Net investment hedge (continued)

As at the reporting date, the carrying amount of these EUR, GBP and JPY denominated borrowings was \$653,215,000 (2017: \$727,756,000) and the fair value of the borrowings was \$656,631,000 (2017: \$722,430,000). As at the reporting date, the fair value of the cross currency interest rate swaps was \$3,406,000 (2017: \$9,785,000). The net investment hedges were effective during the year. The Group's investments in other subsidiaries are not hedged.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency and amount. The Group assess the effectiveness of each hedging relationship by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's Statement of Financial Position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statement of Financial Position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the Statement of Financial Position.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("ISDA") Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or 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.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

	Gross amount of recognised financial assets/ (liabilities)	Gross amount of recognised financial assets/ (liabilities) offset in the Statement of Financial Position	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position	Related amount not offset in the Statement of Financial Position	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
31 December 2018					
Financial assets					
Interest rate swaps	6,486	–	6,486	–	6,486
Cross currency interest rate swaps	1,808	–	1,808	–	1,808
Trade and other receivables	11,534	(11,534)	–	–	–
Financial liabilities					
Interest rate swaps	(1,916)	–	(1,916)	–	(1,916)
Cross currency interest rate swaps	(5,214)	–	(5,214)	–	(5,214)
Trade and other payables	(13,417)	11,534	(1,883)	–	(1,883)
31 December 2017					
Financial assets					
Interest rate swaps	5,079	–	5,079	–	5,079
Cross currency interest rate swaps	2,090	–	2,090	–	2,090
Trade and other receivables	11,328	(11,328)	–	–	–
Financial liabilities					
Interest rate swaps	(4,250)	–	(4,250)	–	(4,250)
Cross currency interest rate swaps	(11,875)	–	(11,875)	–	(11,875)
Trade and other payables	(13,219)	11,328	(1,891)	–	(1,891)

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement (continued)

	Gross amount of recognised financial assets/ (liabilities)	Gross amount of recognised financial assets/ (liabilities) offset in the Statement of Financial Position	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position	Related amount not offset in the Statement of Financial Position	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000
Trust					
31 December 2018					
Financial assets					
Interest rate swaps	71	–	71	–	71
Cross currency interest rate swaps	1,808	–	1,808	–	1,808
Financial liabilities					
Interest rate swaps	(246)	–	(246)	–	(246)
Cross currency interest rate swaps	(5,214)	–	(5,214)	–	(5,214)
31 December 2017					
Financial assets					
Cross currency interest rate swaps	2,090	–	2,090	–	2,090
Financial liabilities					
Interest rate swaps	(1,816)	–	(1,816)	–	(1,816)
Cross currency interest rate swaps	(11,875)	–	(11,875)	–	(11,875)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the Statements of Financial Position that are disclosed in the above tables are measured in the Statements of Financial Position on the following basis:

- cross currency interest rate swaps and interest rate swaps – fair value; and
- trade and other receivables and trade and other payables – amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

31 RELATED PARTIES

In the normal course of the operations of the Trust, the Manager's management fees and the Trustee's fees have been paid or are payable to the Manager and the Trustee, respectively.

During the financial year, other than those disclosed elsewhere in the financial statements, there were the following significant related party transactions, which were carried out in the normal course of business on arm's length commercial terms:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Acquisition fees paid/payable to the Manager	–	2,423	–	–
Divestment fees paid/payable to the Manager	1,021	802	–	–
Interest paid/payable to a related corporation	139	87	–	–
Rental income received/receivable from related corporations	(2,046)	(412)	(213)	(86)
Rental income received/receivable from master lease arrangements with related corporations	(63,783)	(50,184)	(21,869)	(10,752)
Serviced residence management fees paid/payable to related corporations	21,843	22,141	1,895	1,876
Service fee paid/payable to related corporations	17,391	17,048	2,141	1,775

32 FINANCIAL RATIOS

	Group	
	2018 %	2017 %
Ratio of expenses to average net asset value ⁽¹⁾		
– including performance component of Manager's management fees	1.01	1.06
– excluding performance component of Manager's management fees	0.71	0.76
Portfolio turnover rate ⁽²⁾	–	0.25

(1) The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, borrowing costs and foreign exchange gains/(losses).

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying serviced residence properties of the Group expressed as a percentage of weighted average net asset value.

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS

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 the different economic environments in which they operate in. For each of the reportable segments, the CEO of the Manager reviews internal management reports on a monthly basis, at minimum, for strategic decision making, performance assessment and resource allocation purpose.

Performance measurement based on segment gross profit and non-financial assets as well as financial assets attributable to each segment is used as the Manager believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance costs, corporate assets and expenses, and income tax expense. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Information regarding the Group's reportable segments is presented in the following tables.

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

Information about reportable segments

Geographical segments

The Group's business is investing in serviced residence properties.

	Singapore \$'000	Australia \$'000	Belgium \$'000	China \$'000	France \$'000	Germany \$'000	Indonesia \$'000	Subtotal \$'000
Year ended 31 December 2018								
Gross rental income	46,523	33,755	13,459	52,602	33,346	14,953	14,957	209,595
Other income	109	1,677	1,376	1,563	2,421	656	573	8,375
Gross revenue	46,632	35,432	14,835	54,165	35,767	15,609	15,530	217,970
Direct expenses	(17,604)	(16,576)	(10,422)	(33,386)	(2,722)	(1,284)	(9,792)	(91,786)
Segment gross profit	29,028	18,856	4,413	20,779	33,045	14,325	5,738	126,184
Net change in fair value of serviced residence properties and assets held for sale	2,146	(283)	3,495	1,551	7,304	2,586	(2,625)	14,174

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan \$'000	Malaysia \$'000	Philippines \$'000	Spain \$'000	United Kingdom \$'000	United States of America \$'000	Vietnam \$'000	Subtotal \$'000	Total \$'000
Year ended 31 December 2018									
Gross rental income	50,174	4,961	21,250	8,282	52,620	108,705	38,708	284,700	494,295
Other income	5,428	35	1,159	374	1,023	1,733	1,851	11,603	19,978
Gross revenue	55,602	4,996	22,409	8,656	53,643	110,438	40,559	296,303	514,273
Direct expenses	(24,985)	(3,563)	(16,120)	(4,550)	(30,596)	(84,320)	(18,993)	(183,127)	(274,913)
Segment gross profit	30,617	1,433	6,289	4,106	23,047	26,118	21,566	113,176	239,360
Net change in fair value of serviced residence properties and assets held for sale	682	(1,394)	(3,592)	1,614	22,358	(882)	2,539	21,325	35,499
Finance income									1,194
Finance costs									(47,116)
Profit from divestments									3,211
Unallocated net expense									(36,766)
Reportable segment profit before income tax									195,382
Income tax expense									(43,541)
Total return for the year									151,841

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

*Information about reportable segments (continued)**Geographical segments (continued)*

	Singapore \$'000	Australia \$'000	Belgium \$'000	China \$'000	France \$'000	Germany \$'000	Indonesia \$'000	Subtotal \$'000
Year ended 31 December 2017								
Gross rental income	34,389	35,359	11,762	59,069	33,057	12,084	16,068	201,788
Other income	108	1,401	1,351	1,771	2,665	527	728	8,551
Gross revenue	34,497	36,760	13,113	60,840	35,722	12,611	16,796	210,339
Direct expenses	(15,126)	(17,412)	(8,930)	(39,589)	(3,018)	(1,076)	(10,870)	(96,021)
Segment gross profit	19,371	19,348	4,183	21,251	32,704	11,535	5,926	114,318
Net change in fair value of serviced residence properties and assets held for sale	1,621	(2,851)	848	73,331	(17,011)	14,798	(437)	70,299

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan \$'000	Malaysia \$'000	Philippines \$'000	Spain \$'000	United Kingdom \$'000	United States of America \$'000	Vietnam \$'000	Subtotal \$'000	Total \$'000
Year ended 31 December 2017									
Gross rental income	53,267	5,362	22,389	8,215	48,704	96,306	41,842	276,085	477,873
Other income	4,835	43	1,453	348	711	869	1,605	9,864	18,415
Gross revenue	58,102	5,405	23,842	8,563	49,415	97,175	43,447	285,949	496,288
Direct expenses	(26,186)	(3,660)	(16,386)	(4,409)	(27,455)	(75,556)	(19,697)	(173,349)	(269,370)
Segment gross profit	31,916	1,745	7,456	4,154	21,960	21,619	23,750	112,600	226,918
Net change in fair value of serviced residence properties and assets held for sale	393	(636)	(2,431)	(529)	8,039	2,016	8,489	15,341	85,640

Finance income	1,581
Finance costs	(46,668)
Profit from divestments	20,844
Unallocated net expense	(13,871)
Reportable segment profit before income tax	274,444
Income tax expense	(51,944)
Total return for the year	222,500

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

*Information about reportable segments (continued)**Geographical segments (continued)*

	Singapore \$'000	Australia \$'000	Belgium \$'000	China \$'000	France \$'000	Germany \$'000	Indonesia \$'000	Subtotal \$'000
2018								
Assets and liabilities								
Reportable segment assets	1,077,344	282,970	66,501	530,471	544,536	257,474	110,778	2,870,074
Reportable segment liabilities	93,527	7,840	52,277	130,161	414,871	190,988	10,051	899,715
Other Segmental Information								
Capital expenditure:								
– serviced residence properties	222	68	248	57	–	67	2,764	3,426
– plant and equipment	1,243	630	104	1,584	–	–	458	4,019
Depreciation	2,597	388	463	1,883	–	–	713	6,044
2017								
Assets and liabilities								
Reportable segment assets	983,040	290,660	64,725	822,110	536,289	265,399	109,807	3,072,030
Reportable segment liabilities	134,341	6,355	52,012	265,392	426,953	202,496	9,385	1,096,934
Other Segmental Information								
Capital expenditure:								
– serviced residence properties	447	1,651	80	207	–	2,362	603	5,350
– plant and equipment	1,527	226	93	1,587	–	–	515	3,948
Depreciation	1,569	668	425	3,457	–	–	725	6,844

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan \$'000	Malaysia \$'000	Philippines \$'000	Spain \$'000	United Kingdom \$'000	United States of America \$'000	Vietnam \$'000	Subtotal \$'000	Total \$'000
2018									
Assets and liabilities									
Reportable segment assets	682,016	53,305	160,915	75,330	502,627	661,108	303,756	2,439,057	5,309,131
Reportable segment liabilities	606,824	692	20,148	54,565	191,650	359,662	44,966	1,278,507	2,178,222
Other Segmental Information									
Capital expenditure:									
– serviced residence properties	862	–	4,189	7	1,423	3,345	82	9,908	13,334
– plant and equipment	49	203	3,650	22	–	2,195	4,138	10,257	14,276
Depreciation	381	130	1,764	150	1,801	892	1,582	6,700	12,744
2017									
Assets and liabilities									
Reportable segment assets	686,137	55,196	163,767	73,690	496,351	638,002	307,878	2,421,021	5,493,051
Reportable segment liabilities	620,799	727	17,606	56,965	127,160	354,016	47,161	1,224,434	2,321,368
Other Segmental Information									
Capital expenditure:									
– serviced residence properties	384	–	2,192	–	834	3,527	1,274	8,211	13,561
– plant and equipment	141	86	1,735	539	5,196	1,264	756	9,717	13,665
Depreciation	501	81	1,593	189	2,000	835	1,207	6,406	13,250

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

Major customers

Revenue from related corporations accounted for approximately \$63,783,000 (2017: \$50,184,000) of the gross revenue of the Group. Such revenue is attributable to the France segment, Germany segment and Singapore segment.

34 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Determining 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 and processes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Serviced residence properties

The Group's serviced residence property portfolio is valued by independent valuers every six months. Independent valuations are also carried out on occurrence of acquisitions. The fair values are based on open market values, 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 wherein the parties had each acted knowledgeably and without compulsion. The valuers have considered the discounted cash flow method in arriving at the open market value as at the reporting date. 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 serviced residence properties include market-corroborated discount rate and terminal capitalisation rate.

The valuation of the Group's serviced residence property is discussed with the Audit Committee and Board of Directors in accordance with the Group's reporting policies.

(ii) Assets and liabilities held for sale

On 31 December 2018, the Group's assets held for sale are valued by independent valuer, using the discounted cash flow method.

On 31 December 2017, the Group's assets and liabilities held for sale are valued as such:

- Serviced residence properties: based on contracted sale price;
- Non-derivative financial liabilities: present value of future principal and interest cash flows;
- Other assets and liabilities: held at carrying amount as they are assumed to approximate their fair value because of their short period to maturity.

(iii) Financial derivatives

The fair values of cross currency interest rate swaps and interest rate swaps are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates or exchange rates, where applicable, for a similar financial instrument at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(a) Determining fair value (continued)

(iv) Non-derivative financial liabilities

The fair value of quoted interest-bearing borrowings is their quoted ask price at the reporting date. Fair value for unquoted interest-bearing borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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	
	2018	2017
	%	%
Interest-bearing borrowings	0.97 – 2.75	1.18 – 2.75

(v) Intra-group financial guarantees

The value of financial guarantees provided by the Trust to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

(vi) Other financial assets and liabilities

The carrying amounts of 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. All other financial assets and liabilities are discounted to determine their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Note	Designated at fair value \$'000	Carrying amount			Fair value			
			Fair value - hedging instruments \$'000	Amortised cost \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
31 December 2018									
Financial assets measured at fair value									
Interest rate swaps	10	-	6,486	-	-	6,486	-	-	6,486
Cross currency interest rate swaps	10	-	1,808	-	-	1,808	-	-	1,808
		-	8,294	-	-	8,294	-	-	8,294
Financial assets not measured at fair value									
Loan to associate	9	-	-	3,584	-	3,584	-	-	3,584
Trade and other receivables ⁽¹⁾	12	-	-	46,382	-	46,382	-	-	46,382
Cash and cash equivalents	14	-	-	227,847	-	227,847	-	-	227,847
		-	-	277,813	-	277,813	-	-	277,813
Financial liabilities measured at fair value									
Interest rate swaps	10	-	(1,916)	-	-	(1,916)	-	-	(1,916)
Cross currency interest rate swaps	10	-	(5,214)	-	-	(5,214)	-	-	(5,214)
		-	(7,130)	-	-	(7,130)	-	-	(7,130)
Financial liabilities not measured at fair value									
Secured bank loans	15	-	-	-	(911,588)	(911,588)	(911,588)	-	(911,588)
Unsecured bank loans	15	-	-	-	(216,499)	(216,499)	(216,499)	-	(216,499)
Medium term notes	15	-	-	-	(776,839)	(776,839)	(776,839)	-	(789,465)
Finance lease liabilities	15	-	-	-	(527)	(527)	(527)	-	(527)
Trade and other payables ⁽²⁾	16	-	-	-	(123,324)	(123,324)	(123,324)	-	(123,324)
		-	-	-	(2,028,777)	(2,028,777)	(2,028,777)	-	(2,028,777)

(1) Excluding prepayments.

(2) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued) (b) Accounting classifications and fair values (continued)

Group	Note	Designated at fair value \$'000	Carrying amount			Fair value			
			Fair value - hedging instruments \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
31 December 2017									
Financial assets measured at fair value									
	10	-	5,079	-	-	-	5,079	-	5,079
	10	-	2,090	-	-	-	2,090	-	2,090
		-	7,169	-	-	-	7,169	-	7,169
Financial assets not measured at fair value									
	12	-	-	41,306	-	-	41,306	-	41,306
	13	-	-	3,022	-	-	3,022	-	3,022
	14	-	-	257,345	-	-	257,345	-	257,345
		-	-	301,673	-	-	301,673	-	301,673
Financial liabilities measured at fair value									
	10	-	(4,250)	-	-	-	(4,250)	-	(4,250)
	10	-	(11,875)	-	-	-	(11,875)	-	(11,875)
		-	(16,125)	-	-	-	(16,125)	-	(16,125)
Financial liabilities not measured at fair value									
	15	-	-	-	(942,520)	-	(942,520)	-	(942,520)
	15	-	-	-	(218,708)	-	(218,708)	-	(218,708)
	15	-	-	-	(780,664)	-	(780,664)	-	(780,664)
	15	-	-	-	(3,481)	-	(3,481)	-	(3,481)
	16	-	-	-	(220,604)	-	(220,604)	-	(220,604)
	13	-	-	-	(1,065)	-	(1,065)	-	(1,065)
		-	-	-	(2,167,042)	-	(2,167,042)	-	(2,167,042)

(1) Excluding prepayments.

(2) Refer to Note 13 for financial assets/liabilities in assets and liabilities held for sale.

(3) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

Trust	Note	Carrying amount				Fair value					
		Designated at fair value \$'000	Fair value - hedging instruments \$'000	Amortised cost \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	
31 December 2018											
Financial assets measured at fair value											
	10	-	71	-	-	-	-	-	71	-	71
	10	1,808	-	-	-	-	-	-	1,808	-	1,808
		1,808	71	-	-	-	-	-	1,879	-	1,879
Financial assets not measured at fair value											
	9	-	-	3,062	-	-	-	-	3,062	-	3,062
	12	-	-	2,299,358	-	-	-	-	2,299,358	-	2,299,358
	14	-	-	40,112	-	-	-	-	40,112	-	40,112
		-	-	2,342,532	-	-	-	-	2,342,532	-	2,342,532
Financial liabilities measured at fair value											
	10	-	(246)	-	-	-	-	-	(246)	-	(246)
	10	(5,214)	-	-	-	-	-	-	(5,214)	-	(5,214)
		(5,214)	(246)	-	-	-	-	-	(5,460)	-	(5,460)
Financial liabilities not measured at fair value											
	15	-	-	-	(214,792)	-	-	-	(214,792)	-	(214,792)
	15	-	-	-	(209,638)	-	-	-	(209,638)	-	(209,638)
	15	-	-	-	(827)	-	-	-	(827)	-	(827)
	16	-	-	-	(926,342)	-	-	-	(926,342)	-	(926,342)
		-	-	-	(1,351,599)	-	-	-	(1,351,599)	-	(1,351,599)

(1) Excluding prepayments.

(2) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued) (b) Accounting classifications and fair values (continued)

Trust	Note	Designated at fair value \$'000	Carrying amount			Fair value						
			Fair value – hedging instruments \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000		
31 December 2017												
Financial assets measured at fair value												
	10	2,090	–	–	–	–	–	–	2,090	–	–	2,090
Financial assets not measured at fair value												
	12	–	–	2,369,177	–	–	2,369,177					
	14	–	–	12,598	–	–	12,598					
		–	–	2,381,775	–	–	2,381,775					
Financial liabilities measured at fair value												
	10	–	(1,816)	–	–	–	(1,816)					(1,816)
	10	(11,875)	–	–	–	–	(11,875)					(11,875)
		(11,875)	(1,816)	–	–	–	(13,691)					(13,691)
Financial liabilities not measured at fair value												
	15	–	–	–	–	(210,261)	(210,261)					(210,261)
	15	–	–	–	–	(218,708)	(218,708)					(218,708)
	15	–	–	–	–	(1,201)	(1,201)					(1,201)
	16	–	–	–	–	(916,010)	(916,010)					(916,010)
		–	–	–	–	(1,346,180)	(1,346,180)					(1,346,180)

(1) Excluding prepayments.

(2) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

The following table shows the carrying amounts and fair values of significant non-financial assets, including their values in the fair value hierarchy.

	Note	Fair value			Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Group					
31 December 2018					
Serviced residence properties	4	-	-	4,679,295	4,679,295
Assets held for sale	13	-	-	215,000	215,000
		-	-	4,894,295	4,894,295
31 December 2017					
Serviced residence properties	4	-	-	4,908,400	4,908,400
Assets held for sale	13	-	-	191,020	191,020
		-	-	5,099,420	5,099,420
Trust					
31 December 2018					
Serviced residence properties	4	-	-	739,193	739,193
Assets held for sale	13	-	-	215,000	215,000
		-	-	954,193	954,193
31 December 2017					
Serviced residence properties	4	-	-	950,156	950,156

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(c) Level 3 fair value measurements

(i) Reconciliation of Level 3 fair value

The following table presents the reconciliation from the beginning balances to the ending balances for Level 3 fair values.

Group	Serviced residence properties \$'000	Assets held for sale \$'000
2017		
Balance at 1 January 2017	4,504,416	6,549
Acquisition of serviced residence properties and subsidiaries	644,278	–
Capital expenditure	13,561	–
Divestments of serviced residence properties	(129,969)	–
Disposal of assets held for sale	–	(6,669)
Reclassifications (to)/from assets held for sale	(116,975)	116,975
Transfer from plant and equipment	11,157	–
Assets written off	(621)	–
Net change in fair value recognised in Statement of Total Return	10,785	74,855
Translation difference	(28,232)	(690)
Balance at 31 December 2017	4,908,400	191,020
2018		
Balance at 1 January 2018	4,908,400	191,020
Capital expenditure	13,334	–
Transfer from plant and equipment	197	1,666
Disposal of assets	(1,912)	–
Disposal of assets held for sale	–	(191,020)
Reclassifications (to)/from assets held for sale	(213,334)	213,334
Assets written off	(364)	–
Net change in fair value recognised in Statement of Total Return	35,499	–
Translation difference	(62,525)	–
Balance at 31 December 2018	4,679,295	215,000

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(c) Level 3 fair value measurements (continued)

(iii) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Serviced residence properties and assets held for sale ⁽¹⁾	<i>Discounted cash flow</i> : The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate and occupancy rate. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	<p>Group</p> <ul style="list-style-type: none"> Discount rate: <ul style="list-style-type: none"> South East Asia and Australia: 5.00% - 11.60% (2017: 5.00% - 11.60%) North Asia: 3.80% - 7.10% (2017: 3.80% - 7.10%) Europe and United States of America: 5.00% - 8.75% (2017: 5.00% - 8.70%) Terminal capitalisation rate: <ul style="list-style-type: none"> South East Asia and Australia: 3.90% - 8.80% (2017: 3.90% - 8.80%) North Asia: 4.30% - 6.10% (2017: 4.30% - 6.10%) Europe and United States of America: 4.00% - 8.50% (2017: 4.50% - 8.50%) <p>Trust</p> <ul style="list-style-type: none"> Discount rate: <ul style="list-style-type: none"> Singapore: 5.00 - 5.10% (2017: 5.10%) Terminal capitalisation rate: <ul style="list-style-type: none"> Singapore: 3.90% - 4.00% (2017: 3.90% - 4.20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the discount rate were lower (higher); or the terminal capitalisation rate were lower (higher).

(1) In relation to ARPS (located in Singapore) as at 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(c) Level 3 fair value measurements (continued)

(ii) *Valuation techniques and significant unobservable inputs (continued)*

Sensitivity analysis for key unobservable inputs

The significant unobservable inputs used in the fair value measurement of the Group's serviced residence properties are discount rate, terminal capitalisation rate and capitalisation rate. Significant decreases in the discount rate, terminal capitalisation rate and capitalisation rate in isolation would result in a significantly higher fair value measurement. Conversely, a significant increase would result in a significantly lower fair value measurement.

(iii) *Transfer between Level 1 and 2*

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and 2 of the fair value hierarchy.

35 ACQUISITION OF SERVICED RESIDENCE PROPERTIES AND NON-CONTROLLING INTERESTS, NET OF CASH MOVEMENTS

On 2 May 2017, the Group acquired the following subsidiaries from a related corporation, Ascott Holdings (Europe) N.V.:

- 93% effective interest in Citadines Michel Hamburg through the acquisition of 94% of the issued shares in Citadines Investments B.V., which holds a 99% interest in Citadines Hamburg Michel GmbH & Co., KG; and
- 93% effective interest in Citadines City Centre Frankfurt through the acquisition of 94% of the issued shares in Citadines (Netherlands) B.V., which holds a 99% interest in Citadines Europaviertel (Frankfurt) GmbH & Co., KG.

On 17 August 2017, the Group acquired the property, DoubleTree by Hilton Hotel New York – Times Square, from an unrelated third party.

On 10 October 2017, the Group acquired the property, Ascott Orchard Singapore, from related corporations, CH Commercial Pte. Ltd. and CH Residential Pte. Ltd..

From the respective acquisition dates to 31 December 2017, the serviced residence properties and subsidiaries contributed profit after tax of \$16,110,000. If the acquisitions had occurred on 1 January 2017, the Manager estimates that the additional contribution to the Group in terms of revenue and profit after tax would have been \$25,513,000 and \$11,524,000 respectively. In determining this amount, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

35 ACQUISITION OF SERVICED RESIDENCE PROPERTIES AND NON-CONTROLLING INTERESTS, NET OF CASH MOVEMENTS (continued)

The cash flows and net assets and liabilities of serviced residence properties and subsidiaries acquired are provided below:

	Recognised values on acquisition 2017 \$'000
Serviced residence properties	644,278
Plant and equipment	10,703
Trade and other receivables	258
Cash and cash equivalents	773
Trade and other payables	(3,907)
Non-controlling interests	(3,119)
Net identifiable assets and liabilities acquired	648,986
Total consideration	(648,986)
Deposit paid in prior year	20,250
Cash of subsidiaries acquired	773
Cash outflow on acquisition of serviced residence properties	(627,963)

Acquisition of serviced residence properties is complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements relating to the acquisitions. The acquisitions during 2017 were accounted for as acquisitions of serviced residence properties based on the assessment by the Manager, after taking into consideration that these acquisitions did not involve acquiring any strategic management function nor the associated processes along with the underlying assets acquired.

36 COMMITMENTS

As at the reporting date, the Group and the Trust had the following commitments:

(a) Capital commitments

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Capital expenditure commitments:				
- contracted but not provided for	7,379	10,629	2,180	-

NOTES TO THE FINANCIAL STATEMENTS

36 COMMITMENTS (continued)

(b) Operating leases as lessor

The Group leases out some of its serviced residence properties on long term arrangements. The leases have initial tenure ranging from two to 20 years, with options to renew for some of the leases. The operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Within 1 year	70,306	72,048	19,657	20,313
After 1 year but within 5 years	142,133	163,447	36,515	56,172
After 5 years	78,791	96,492	–	–
	291,230	331,987	56,172	76,485

(c) Operating leases as lessee

The Group leases the land on which four (2017: three) of the serviced residence properties are constructed. The leases have an initial tenure ranging from 23 to 48 years. The Group also leases the commercial podium under a 33-year master lease in Somerset Olympic Tower Property Tianjin. The operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Future minimum lease payments for the Group on non-cancellable operating leases are as follows:

	Group	
	2018 \$'000	2017 \$'000
Within 1 year	18,313	17,568
After 1 year but within 5 years	79,211	76,085
After 5 years	452,563	470,148
	550,087	563,801

37 SUBSEQUENT EVENTS

On 4 January 2019, the Trust took possession of the land for the development of lyf-one north Singapore.

On 9 January 2019, the Trust entered into a sale and purchase agreement to divest Ascott Raffles Place Singapore, with a carrying amount of \$215.0 million as at 31 December 2018, for an aggregate sale consideration of \$353.3 million. Targeted for completion in May 2019, the sale is expected to generate estimated net proceeds of \$349.0 million to the Group and the Trust.

On 29 January 2019, the Manager declared a distribution of 3.966 cents per Unit amounting to \$85,840,000 in respect of the period from 1 July 2018 to 31 December 2018.

On 11 February 2019, the Trust issued 7,967,518 Units at an issue price of \$1.1814 per Unit to the Manager. These Units were issued to the Manager as payment of the base fee component of the Management Fees (as defined in the Trust Deed) for the period from 1 October 2018 to 31 December 2018 and the performance fee component of the Management Fees for the period from 1 January 2018 to 31 December 2018. The balance of the Management Fees of \$3,494,673 (excluding applicable goods and services tax) was paid in cash.

THE ISSUER

DBS Trustee Limited
(as trustee of Ascott REIT)
12 Marina Boulevard Level 44
Marina Bay Financial Centre Tower 3
Singapore 068912

THE MANAGER

Ascott Residence Trust Management Limited
(in its capacity as manager of Ascott REIT)
No. 168 Robinson Road
#30-01 Capital Tower
Singapore 068912

SOLE LEAD MANAGER AND BOOKRUNNER

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-05 OCBC Centre East
Singapore 049514

REGISTRAR, FISCAL AGENT, TRANSFER AGENT AND CALCULATION AGENT

Deutsche Bank AG, Singapore Branch
One Raffles Quay
#16-00 South Tower
Singapore 048583

AUDITORS

To Ascott REIT

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

TAX ADVISER

To Ascott REIT

EY Corporate Advisors Pte. Ltd.
One Raffles Quay
North Tower Level 18
Singapore 048583

LEGAL ADVISER TO THE ISSUER

Allen & Gledhill LLP
One Marina Boulevard
#28-00
Singapore 018989

**LEGAL ADVISER TO THE SOLE LEAD
MANAGER AND BOOKRUNNER**

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321