

MAPPING STRATEGIC GROWTH





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Ascott Residence Trust (Ascott Reit) marked another year of strategic growth with the acquisitions of four prime properties in Germany, Singapore and the United States, enhancing and diversifying our global portfolio of quality assets. These strategic acquisitions have deepened Ascott Reit's presence in the key gateway cities. Our income stability is further enhanced with the additions of Ascott Orchard Singapore, Citadines City Centre Frankfurt and Citadines Michel Hamburg which are operating under master lease arrangements. We firmly believe in delivering only the best to our guests. With a commitment to be a "home away from home", we continue to create moments that touch our guests' lives and strive to be the choice serviced residence. We remain committed to delivering stable and sustainable returns to our Unitholders through strategic investments in key gateway cities and portfolio reconstitution, as well as maintaining a balanced portfolio underpinned by both growth and stable income.

VISION

To be the premier serviced residence real estate investment trust with quality assets in key global cities.

MISSION

To deliver stable and sustainable returns to Unitholders.

CORPORATE PROFILE

Ascott Residence Trust (Ascott Reit) was 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.

Ascott Reit's asset size has increased fivefold to S\$5.5 billion since it was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in March 2006. Ascott Reit's international portfolio comprises 75 properties with 11,861 units in 38 cities across 14 countries in Asia Pacific, Europe and the United States of America¹. Ascott Reit was awarded "Best Hospitality REIT - Platinum" in the Asia Pacific Best of the Breeds REITs Awards™ 2017.

Ascott Reit's serviced residences are mostly operating under the Ascott, Citadines and Somerset brands. They are mainly located in key gateway cities such as Barcelona, Berlin, Brussels, Frankfurt, Guangzhou, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, London, Manila, Melbourne, Munich, New York, Paris, Perth, Shanghai, Singapore and Tokyo.

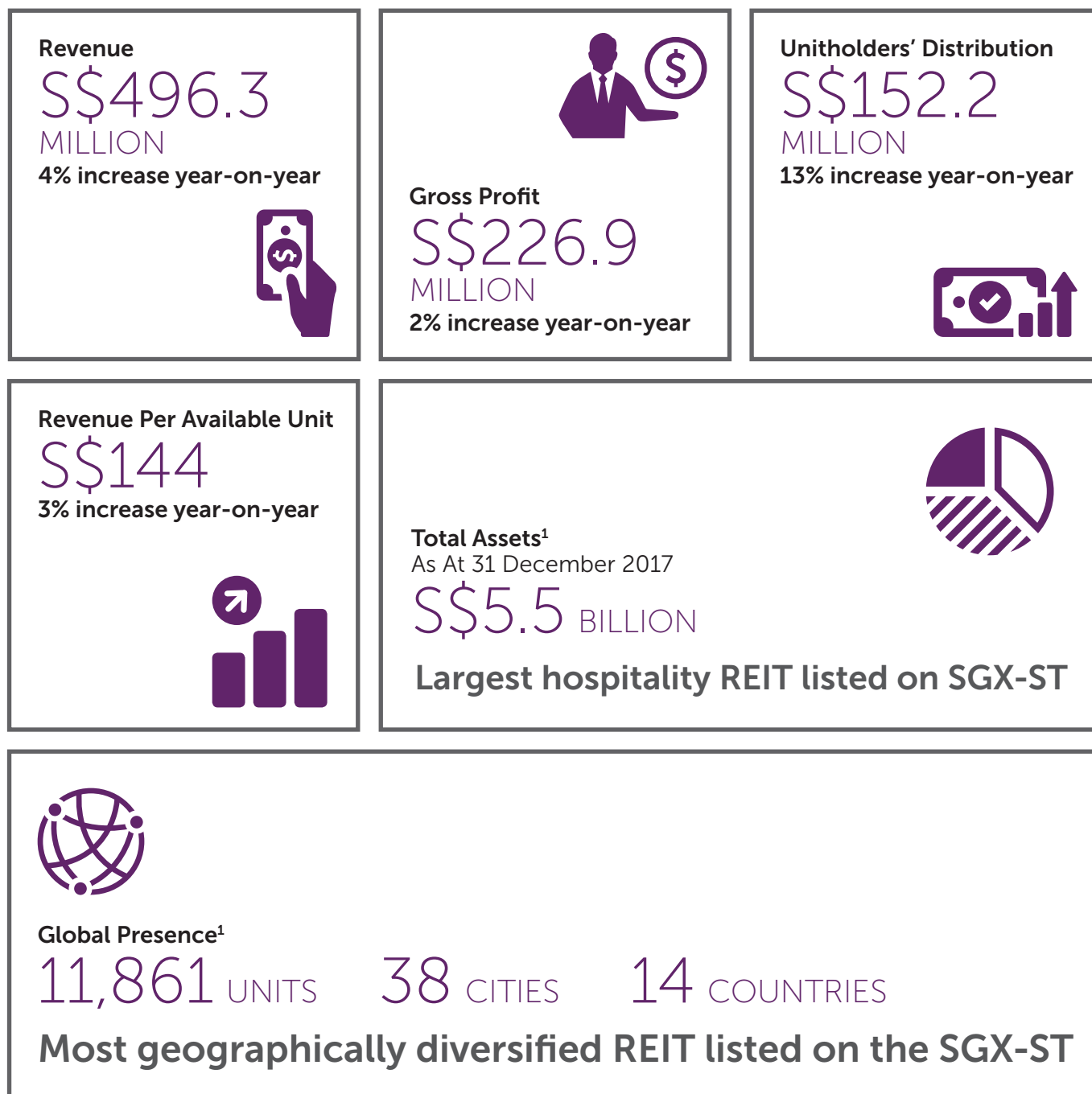
Ascott Reit is managed by Ascott Residence Trust Management Limited (Manager or ARTML), a wholly owned subsidiary of The Ascott Limited and an indirect wholly owned subsidiary of CapitaLand Limited, one of Asia's largest real estate companies.

1 Including Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these two properties in China on 5 January 2018.

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2017 HIGHLIGHTS



1 Including Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these two properties in China on 5 January 2018.

FINANCIAL HIGHLIGHTS

For the Financial Year	2013	2014	2015	2016	2017
Gross Revenue (S\$ million)	316.6	357.2	421.1	475.6	496.3
Gross Profit (S\$ million)	161.2	180.2	204.6	222.4	226.9
Unitholders' Distribution (S\$ million)	114.8	125.6	123.3	135.0	152.2
Distribution Per Unit (DPU) (cents)	8.40	8.20	7.99	8.27	7.09
Distribution Yield ¹ (%)	6.94	6.46	6.71	7.32	5.81
DPU (adjusted for Rights Issue) ² (cents)	8.15	7.96	7.75	8.03	7.09
DPU (adjusted for one-off items and Rights Issue) (cents)	7.19	7.61	8.06	7.59	7.99

Balance Sheet As at 31 December	2013	2014	2015	2016	2017
Total Assets (S\$ million)	3,582.0	4,121.9	4,724.6	4,791.3	5,493.1
Unitholders' Funds (S\$ million)	2,093.1	2,106.1	2,189.7	2,200.6	2,685.1
Total Borrowings (S\$ million)	1,197.1	1,550.9	1,815.2	1,862.6	1,945.4

Financial Ratios As at 31 December	2013	2014	2015	2016	2017
Net Asset Value (NAV) Per Unit (S\$)	1.37	1.37	1.41	1.33	1.25
Aggregate Leverage (%)	34.0	38.5	39.3	39.8	36.2
Interest Cover Ratio ³ (times)	4.0	4.3	4.1	4.3	4.7
Management Expense Ratio ⁴ (%)	1.0	1.1	1.2	1.3	1.2
Financial Derivatives as a Percentage of NAV ⁵ (%)	0.5	0.7	0.5	0.5	0.3

Others As at 31 December	2013	2014	2015	2016	2017
Market Capitalisation ¹ (S\$ million)	1,842.2	1,949.5	1,843.0	1,868.4	2,622.6
Number of Units in Issue (million)	1,522.5	1,535.0	1,548.7	1,653.5	2,149.7

1 Based on the closing unit price of S\$1.21 on 31 December 2013, S\$1.27 on 31 December 2014, S\$1.19 on 31 December 2015, S\$1.13 on 31 December 2016 and S\$1.22 on 31 December 2017.

2 The figures have been restated for the underwritten and renounceable Rights Issue, through which 481,688,010 units were issued on 11 April 2017.

3 Refers to EBITDA (earnings before net interest expense, tax, depreciation and amortisation) before change in fair value of financial derivatives, change in fair value of serviced residence properties and assets held for sale, and foreign exchange differences over net interest expense.

4 Refers to the expenses of Ascott Residence Trust and its subsidiaries (Group) (excluding direct expenses, foreign exchange differences, net interest expense, change in fair value of financial derivatives, change in fair value of serviced residence properties and assets held for sale, assets written off and income tax expense).

5 Financial derivatives refer to the cross currency interest rate swaps, foreign currency forward contracts and interest rate swaps which the Group has entered into.

MESSAGE TO UNITHOLDERS



TAN BENG HAI, BOB
Chairman

BEH SIEW KIM
Chief Executive Officer

Dear Unitholders,

2017 saw Ascott Residence Trust (Ascott Reit) enhancing its portfolio with the acquisitions of four prime properties in key gateway cities. This has strengthened Ascott Reit's position as a leading global serviced residence real estate investment trust (REIT) with the most geographically diversified portfolio and the largest hospitality REIT listed on SGX-ST¹. Since our listing in 2006, Ascott Reit's total asset value has grown to S\$5.5 billion, comprising 11,861 apartment units in 75 properties as at 31 December 2017². Our properties span 38 cities across 14 countries in Asia Pacific, Europe and the United States².

ENHANCING VALUE OF OUR PORTFOLIO

In 2017, Ascott Reit acquired four properties amounting to S\$648.3 million in the key gateway cities of Frankfurt, Hamburg, New York and Singapore.

We acquired our third prime property in Manhattan New York, named DoubleTree by Hilton Hotel New York – Times Square South. The freehold property is strategically located in Midtown Manhattan near Times Square, a confluence of major commercial and tourist districts, and an iconic symbol of the city. This expansion strengthened Ascott Reit's presence in the resilient hospitality market of New York City, thereby enhancing the stability of our portfolio.

Ascott Orchard Singapore is another key addition to our portfolio of serviced residences. Situated in the heart of the world-renowned Orchard Road shopping belt in Singapore, the property is surrounded by an abundance of

retail and dining options and enjoys proximity to premium medical facilities. The property is a few minutes' walk from the Orchard and Somerset Mass Rapid Transit stations and about a 10-minute drive to the Central Business District.

We also made our maiden foray into the city of Frankfurt in Germany with the acquisition of Citadines City Centre Frankfurt. The freehold property is located in Europaviertel, across the renowned Messe Frankfurt Trade Fair area and close to major transportation hubs as well as commercial and retail buildings. In addition, we acquired our second property in Hamburg – Citadines Michel Hamburg. Centrally located in Hamburg's business district and city centre, the property is also located close to HafenCity, a newly developed commercial district.

Ascott Orchard Singapore, Citadines City Centre Frankfurt and Citadines Michel Hamburg are operating under master lease arrangements, further enhancing our income stability.

As part of our portfolio reconstitution to optimise returns to Unitholders, Ascott Reit divested 18 rental housing properties in Tokyo, Japan, and recognised a net gain of S\$20.1 million. The divestment of two serviced residences in Shanghai and Xi'an of China for S\$198.0 million was completed on 5 January 2018 at 69% above the valuation of the properties as at 31 December 2016, with a net gain of S\$51.6 million. As part of our commitment to deliver stable returns to our Unitholders, we distributed part of the divestment gains of S\$6.5 million in February 2018.

¹ By asset size and market capitalisation.

² Including Citadines Bijun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these two properties in China on 5 January 2018.

DELIVERING STABLE RETURNS

Ascott Reit continued to deliver a stable set of results for the financial year ended 31 December 2017 (FY 2017). This reflects the resilience of our extended-stay business model coupled with a geographically diversified portfolio underpinned by master leases and serviced residences on management contracts with minimum guaranteed income.

Ascott Reit's revenue in FY 2017 reached S\$496.3 million, while gross profit was S\$226.9 million, a 4% and 2% year-on-year increase respectively. The robust performance in FY 2017 was largely attributed to the strategic acquisitions during the year, as well as stronger operating performance from existing properties.

Unitholders' distribution for FY 2017 was S\$152.2 million, a 13% increase year-on-year while Distribution Per Unit (DPU) reached 7.09 cents, translating to a distribution yield of 5.8% based on Ascott Reit's unit price of S\$1.22 as at 31 December 2017. DPU would have increased 5% against the previous year (FY 2016) after adjusting for divestment gain; rights issue in April 2017 to part fund the acquisitions of Ascott Orchard Singapore, Citadines City Centre Frankfurt and Citadines Michel Hamburg; equity placement in March 2016 to fund the acquisition of Sheraton Tribeca New York Hotel in the United States; and one-off realised exchange gains.

As at 31 December 2017, Ascott Reit's investment properties were valued at S\$4,908.4 million by independent valuers, resulting in a surplus of S\$9.8 million against the previous year's valuation. This was mainly due to higher valuations from properties in Germany, the United Kingdom and Vietnam.

AUGMENTING VALUE THROUGH ACTIVE ASSET MANAGEMENT

We continued to proactively manage Ascott Reit's portfolio by identifying properties to undergo Asset Enhancement Initiatives (AEI) to provide a better customer experience.

In 2017, we completed the refurbishment of four properties in the Philippines, Singapore, the United Kingdom and Vietnam, while several of our properties are undergoing AEI.

The completion of the final phase of AEI for Somerset Ho Chi Minh City and Somerset Millennium Makati brought about improvements in the Average Daily Rates (ADR) by approximately 23% and 14% respectively.

At Citadines Barbican London, the apartments were refurbished last year and a food and beverage retailer, Sourced Market, which specialises in artisanal produce,

opened at the property. This resulted in an ADR uplift of approximately 10%.

Citadines Mount Sophia Singapore's lobby and breakfast lounge were also refurbished.

The AEI at Citadines Arnulfpark Munich, Citadines Trocadéro Paris, Sheraton Tribeca New York Hotel and Somerset Grand Hanoi, as well as the second phase of AEI for Ascott Makati are currently ongoing and on track for completion in 2018, while Element New York Times Square West and Somerset Grand Citra Jakarta are expected to begin AEI in 2018.

DISCIPLINED AND PRUDENT CAPITAL MANAGEMENT

Ascott Reit adopts a disciplined and prudent approach towards capital and risk management. We continue to strengthen Ascott Reit's balance sheet and ensure financial flexibility. As at 31 December 2017, Ascott Reit's total borrowings was S\$1,945.4 million¹, while gearing ratio was 36.2%. Cost of borrowings and average term to maturity were maintained at 2.4% per annum and 4.1 years respectively while interest cover improved to 4.7 times.

Ascott Reit was assigned a first-time long-term issuer default rating of "BBB" by Fitch Ratings with a stable outlook on 25 September 2017, attesting to our commitment towards a stable and healthy financial profile. The resilience of our diversified portfolio across geographies and economic cycles is one of the driving factors behind the credit rating.

In March 2017, Ascott Reit successfully raised gross proceeds of S\$442.7 million through a rights issue. The proceeds were used to partially fund the acquisitions of Ascott Orchard Singapore, Citadines City Centre Frankfurt and Citadines Michel Hamburg. The rights issue was 1.8 times oversubscribed and we would like to thank our Unitholders for your support.

We adopt a proactive and disciplined approach when managing our interest rates and foreign currency exposures. As at 31 December 2017, approximately 81% of our total borrowings were secured on fixed interest rates. This mitigates the impact and provides certainty in a rising interest rate environment. For our foreign currency risk management, we adopt a natural hedging strategy to the extent possible by borrowing in the currency of the underlying asset. Distribution income derived in British Pound, Euro and Japanese Yen were largely hedged and on a portfolio basis, the impact of exchange rate movement on gross profit for FY 2017 was -0.5%. We will continue to manage our interest rate and foreign currency risks to optimise the returns to Unitholders.

¹ Net of unamortised transaction costs.

MESSAGE TO UNITHOLDERS

CONTRIBUTING TO THE COMMUNITY

At Ascott Reit, we strongly believe in doing our part and giving back to the society. In May 2017, close to 80 CapitaLand staff volunteers, including staff from Ascott Reit's properties, embarked on an International Volunteer Expedition to construct the CapitaLand-Ascott GK Eco Village in Batangas City of the Philippines. In partnership with local non-governmental organisation, Gawad Kalinga and together with the local villagers, the staff volunteers assisted in building houses to meet the shelter needs of 20 underprivileged families and their children. With the support from CapitaLand's philanthropic arm, CapitaLand Hope Foundation, our Philippines team also donated a sum of PHP3 million towards building the houses.

Besides adopting environmentally sustainable initiatives, Ascott Reit's serviced residences also participated in the annual Earth Hour event where all non-essential and exterior lightings were switched off for extended hours throughout the night. Guests at the properties were also encouraged to adopt environmentally-friendly practices.

ACCOLADES WORLDWIDE

Ascott Reit won the "Best Hospitality REIT – Platinum Award" in the Asia Pacific Best of the Breeds REITs Awards™ 2017. Ascott Reit was also ranked sixth among 42 trusts in the Singapore Governance and Transparency Index 2017 in the REIT and Business Trust category, a testament to our strong efforts to ensure accountability and transparency in our business practices and corporate governance.

Four of our properties, Citadines Michel Hamburg, Citadines Sainte-Catherine Brussels, Citadines Shinjuku Tokyo and Somerset Grand Hanoi, were also conferred the "Leading Serviced Apartments" awards for their respective countries at the World Travel Awards™ 2017. Ascott Raffles Place Singapore was accorded the prestigious title of "Best Serviced Residence in Asia Pacific" at the Business Traveller Asia-Pacific Awards 2017 while Ascott Orchard Singapore garnered "Best Serviced Residence Property" at the Travel Weekly Asia Readers' Choice Awards 2017. Five properties under Ascott Reit, namely Ascott Raffles Place Singapore, Citadines Karasuma-Gojo Kyoto, La Clef Louvre Paris, Somerset Grand Hanoi and Somerset Ho Chi Minh City, were also conferred the Travellers' Choice Award 2017 by TripAdvisor. These awards affirm the sustained and consistent quality of our properties.

LOOKING AHEAD

The International Monetary Fund has forecasted global economic growth to sustain at 3.9% in 2018, heralding a recovery of the global economy. It is noted that while demand is expected to remain resilient in Japan and Manhattan, United States, room supply is projected to increase steadily in the near future, potentially exerting downward pressure on rates. Nevertheless, we believe our properties will continue to deliver resilient performance in the long-term.

Ascott Reit remains committed to deliver steady returns to Unitholders through its portfolio of diversified and quality assets.

BOARD ACKNOWLEDGEMENTS

In April 2017, Mr Tay Boon Hwee, Ronald, stepped down as Chief Executive Officer and Executive Director, and relinquished his role as a member of the Corporate Disclosure Committee and Executive Committee of Ascott Residence Trust Management Limited (ARTML), the Manager of Ascott Reit. We would like to express our sincere appreciation to Mr Tay for his unwavering dedication and significant contributions in shaping Ascott Reit's successes, and we wish him well in his new role as the Chief Executive Officer of CapitaLand Singapore, Malaysia and Indonesia.

We are pleased to announce the appointment of Mr Lim Cho Pin Andrew Geoffrey as Non-Executive Non-Independent Director of ARTML. He is appointed as a member of the Audit Committee as well as the Executive Committee with effect from 1 January 2018. With his extensive experience and expertise, we believe he will contribute significantly to the Board.

We would also like to thank all our serviced residence guests, Unitholders and business partners for their continued support and confidence in Ascott Reit. Last but not least, we would like to express our deepest gratitude to all our staff and the Board of Directors for their tireless commitment and guidance.

Tan Beng Hai, Bob
Chairman

Beh Siew Kim
Chief Executive Officer

2 March 2018

致信托单位 持有人之信函

尊敬的信托单位持有人，

雅诗阁公寓信托于2017年以收购的四项坐落在一线城市的优质物业，提升了自身的投资组合。这也进一步的巩固其作为在新加坡交易所上市的信托基金内，资产组合地域分布最广和规模最大的酒店服务房地产信托基金¹。从上市至今，雅诗阁公寓信托的总资产已增长至55亿新元，截至2017年12月31日，旗下共有11,861个公寓单位，75项物业，遍布亚太地区、欧洲和美国的14个国家，38座城市²。

提高投资组合的价值

2017年，雅诗阁公寓信托投资总额6.483亿新元收购了位于法兰克福、汉堡、纽约和新加坡的四项物业。

我们在纽约曼哈顿收购了第三项高品质物业——纽约时代广场南希尔顿逸林酒店 (DoubleTree by Hilton Hotel New York – Times Square South)。这项永久产权物业位于纽约标志性的曼哈顿市中心，邻近时代广场——纽约市的地标建筑及主要的商业和旅游区交汇处。此次的扩张加强了雅诗阁公寓信托在高韧性的纽约市酒店服务业市场的位置，从而加强了投资组合的稳定性。

新加坡雅诗阁乌节服务公寓 (Ascott Orchard Singapore) 是我们服务公寓投资组合新增的另一个主要项目。该公寓位于新加坡世界闻名的乌节路购物街，周边汇聚各大零售商店和餐厅以及高端的医疗设施。步行几分钟即可到达乌节路或索美塞地铁站，开车10分钟即可抵达中央商务区。

我们既首次进军德国法兰克福市场，收购了法兰克福馨乐庭City Centre服务公寓 (Citadines City Centre Frankfurt)。这项永久产权物业位于欧洲著名的Europaviertel，邻近法兰克福展览交易会区，附近有主要的交通枢纽及商业和零售业建筑。此外，我们在汉堡收购了第二项物业——汉堡馨乐庭Michel服务公寓 (Citadines Michel Hamburg)。这项物业位于汉堡商业区和市中心，周边有新建的海港城商业区。

新加坡雅诗阁乌节服务公寓、法兰克福馨乐庭City Centre服务公寓和汉堡馨乐庭Michel服务公寓均依据主租约进行经营，进一步提高了雅诗阁公寓信托收入的稳定性。

以优化信托单位持有人的收益所进行的投资组合调整，我们在日本东京脱售了18项租赁住宅物业，净收益为2,010万新元。雅诗阁公寓信托以高于2016年12月31日物业估值69%的价格，在中国上海和西安脱售两项服务公寓，共计1.98亿新元，2018年1月5日完成了脱售，净收益为5,160万新元。以承诺为信托单位持有人提供稳健的收益回报，我们在于2018年2月的脱售收益中派发了650万新元。

提供稳定回报

截至2017年12月31日，雅诗阁公寓信托于2017财政年度 (2017财年) 继续保持稳健的业绩。这反映了我们的长住服务公寓营业模式和地域多元化投资组合以及由主租约和最低收入保证的管理合同结合的韧性。

在2017财年，雅诗阁公寓信托收入达到4.963亿新元，毛利达2.269亿新元，收入和毛利分别同比增长4%和2%。2017财年稳健的经营业绩主要归功于本年度进行的战略收购，以及现有物业的强劲表现。

在2017财年，向信托单位持有人派息1.522亿新元，同比增长13%，每单位派息为7.09新分，以2017年12月31日闭市价1.22新元计算，派息率为5.8%。若不包括2017年4月调整脱售收益和单位认购权发行，以便给新加坡雅诗阁乌节服务公寓、法兰克福馨乐庭City Centre服务公寓和汉堡馨乐庭Michel服务公寓的收购提供资金、2016年3月进行的私募为我们收购位于美国的纽约翠贝卡喜来登酒店 (Sheraton Tribeca New York Hotel) 提供资金、并一次性的外汇收益，与2016财年相比，每单位派息将增长5%。

截至2017年12月31日，经独立估值师评估，雅诗阁公寓信托的投资物业价值为49.084亿新元，相对于上一年的估值，有980万新元的盈余。主要增长是因德国、英国和越南的物业获得较高的估值。

通过积极的资产管理扩大价值

我们不间断地积极管理雅诗阁公寓信托的投资组合，以此辨认需要实施资产提升计划 (AEI) 的物业，以提供更好的客户体验。

2017年，我们已翻新了位于菲律宾、新加坡、英国和越南的四项物业，同时我们的多项物业也正在实施资产提升计划。

胡志明市盛捷服务公寓 (Somerset Ho Chi Minh City) 和马卡蒂盛捷Millennium服务公寓 (Somerset Millennium Makati) 的资产提升计划已完成最后阶段，日均租金 (ADR) 分别提高大约23%和14%。

去年已翻新伦敦馨乐庭Barbican服务公寓 (Citadines Barbican London)，日均租金因此增长了大约10%。专门从事手工生产的餐饮零售商Sourced Market在物业内也正式开业。

我们也翻新了新加坡馨乐庭索菲亚山服务公寓 (Citadines Mount Sophia Singapore) 的大堂和早餐休息室。

慕尼黑馨乐庭Arnulfpark服务公寓 (Citadines Arnulfpark Munich)、巴黎馨乐庭Trocadéro服务公寓 (Citadines Trocadéro Paris)、纽约翠贝卡喜来登酒店和河内盛捷Grand服务公寓 (Somerset Grand Hanoi) 的资产提升计划，以及马卡蒂雅诗阁服务公寓 (Ascott Makati) 的资产提升计划的第二阶段，目前均进展顺利，并将于2018年完成，纽约时代广场西源宿酒店 (Element New York Times Square West) 和雅加达盛捷Grand Citra阁服务公寓 (Somerset Grand Citra Jakarta) 预计将于2018年启动资产提升计划。

1 按照资产规模和总市值计算。

2 包括上海馨乐庭碧云服务公寓 (Citadines Biyun Shanghai) 和西安馨乐庭高新服务公寓 (Citadines Gaoxin Xi'an)。雅诗阁公寓信托于2018年1月5日完成脱售。

致信托单位 持有人之信函

严谨审慎的资本管理

雅诗阁公寓信托继续对资本及风险管理采取严谨审慎的方法，不断加强资产负债表，确保财务灵活性。截至2017年12月31日，雅诗阁公寓信托的总贷款金额为19.454亿新元¹，资产负债比率为36.2%。有效借贷成本维持在2.4%，平均还贷期限保持在4.1年，利息偿付率提高至4.7倍。

2017年9月25日，惠誉国际评级机构授予雅诗阁公寓信托的首次长期发行人违约评级为“BBB”级，未来预期稳定，这也证明了我们提供稳定健康的财务状况的承诺。我们跨越地域和经济周期的多元化投资组合的韧性，是我们获得这评级的主要原因。

2017年3月，雅诗阁公寓信托通过单位认购权发行，成功地筹得4.427亿新元。部分收益为新加坡雅诗阁乌节服务公寓、法兰克福馨乐庭City Centre服务公寓和汉堡馨乐庭Michel服务公寓提供收购资金。单位认购权发行被超额认购1.8倍，我们非常感谢信托单位持有人的大力支持。

我们采用积极审慎的方式管理利率和外汇风险。截至2017年12月31日，约81%的总贷款为固定利率。此举在利率上升的环境中提供了确定性，并减少利率上升的影响力。在外汇风险管理方面，我们采用自然套期保值，尽可能以资产货币进行贷款。我们也对大部分的信托单位持有人派息的英镑、欧元和日元进行套期保值。在2017财年，以投资组合汇率变动对毛利的的影响为-0.5%。我们将继续管理利率和外汇风险，优化信托单位持有人的收益。

社会贡献

在雅诗阁公寓信托，我们坚信我们应尽一份力回馈社会。2017年5月，将近80位凯德集团员工志愿者，包括雅诗阁公寓信托物业的员工，启动了国际志愿者活动，在菲律宾八打雁市建造凯德-雅诗阁GK生态村。同当地的非政府机构，Gawad Kalinga，员工志愿者与当地村民一起，解决了20户贫困家庭及其子女的基本住房需求。我们的菲律宾团队在凯德置地旗下的慈善机构——凯德希望基金的支持下，已为搭建房屋捐款300万菲律宾比索。

雅诗阁公寓信托的服务公寓除了采用环境可持续发展措施，每年还参加地球一小时活动，在晚上熄灭不必要和室外灯光，并延长熄灯时间。我们也鼓励入住物业的宾客保护环境。

全球荣誉称号

雅诗阁公寓信托荣获2017亚太最佳品种房地产投资信托基金奖™ 评选中获颁“最佳酒店类房地产信托基金——白金奖”。在发布的2017年新加坡治理与透明度指数报告中，雅诗阁公寓信托在42间房地产投资信托和商业信托中，排名第6位，这证明了我们为确保业务实践和企业治理与透明度所付出的努力。

我们的四项物业，汉堡馨乐庭Michel服务公寓、布鲁塞尔馨乐庭Sainte-Catherine服务公寓(Citadines Sainte-Catherine

Brussels)、东京馨乐庭Shinjuku服务公寓(Citadines Shinjuku Tokyo)和河内盛捷Grand服务公寓，在2017年度世界旅游奖™ 评选中，分别获得各自国家颁发的“领先的服务公寓”大奖。新加坡雅诗阁来福士服务公寓在2017年度亚太商务旅客奖评选中荣获“亚太最佳服务公寓”这一枚高荣誉奖项。新加坡雅诗阁乌节服务公寓也在2017年度亚洲旅游周刊的读者选择奖评选中获颁“最佳服务公寓”。雅诗阁公寓信托旗下的五项物业被猫途鹰(TripAdvisor)授予了“旅客最佳选择奖2017”，它们分别是新加坡雅诗阁来福士服务公寓、京都馨乐庭Karasuma-Gojo服务公寓(Citadines Karasuma-Gojo Kyoto)、巴黎La Clef罗浮宫服务公寓(La Clef Louvre Paris)、河内盛捷Grand服务公寓和胡志明市盛捷服务公寓。这些奖项对我们的物业始终如一的品质给予了肯定与褒奖。

展望未来

国际货币基金组织预计2018年全球经济增长率将维持在3.9%，这表示全球经济已开始回暖。日本、曼哈顿，美国的住宿需求虽保持稳定，但预计客房供应量会在近期平稳上升，可能会带给房率压力。尽管如此，我们相信我们的物业将保持稳健的长期表现。

雅诗阁公寓信托通过多元化投资组合和优质资产的支持下，将继续为信托单位持有人提供稳健的回报。

董事会声明

2017年4月，郑文辉卸任了雅诗阁公寓信托的经理，雅诗阁公寓信托管理有限公司(ARTML)的首席执行官与执行董事，同时也卸任了企业信息披露委员会和执行委员会的会员。我们谨向郑先生表示诚挚的感谢，感谢他对雅诗阁公寓信托至今作出的不懈努力与重大贡献。祝愿郑先生顺利出任凯德新加坡、马来西亚和印尼的首席执行官。

我们很高兴宣布林卓斌先生被委任为雅诗阁公寓信托管理有限公司的非执行、非独立董事。林先生还被委任为审计委员会和执行委员会的成员，委任于2018年1月1日正式生效。我们相信经验丰富的林先生将为董事会作出巨大的贡献。

我们也要感谢入住雅诗阁公寓信托旗下物业的宾客、信托单位持有人和业务伙伴对雅诗阁公寓信托长久以来给予的信任和支持。最后谨借此机会向全体员工和董事会致以最诚挚的谢意，感谢他们辛勤奉献与指导。

陈明海

主席

马秀琴

首席执行官

2018年3月2日

1 净未摊销之交易成本。

YEAR IN BRIEF 2017

JANUARY

- Ascott Reit achieved Unitholders' distribution of S\$135.0 million and Distribution Per Unit of 8.27 cents for FY 2016.

MARCH

- Ascott Reit announced the acquisition of two quality serviced residences in Germany for S\$94.9 million. The acquisition was completed on 2 May 2017.

APRIL

- Ascott Reit achieved Unitholders' distribution of S\$25.1 million and Distribution Per Unit of 1.51 cents for 1Q 2017.
- Ascott Reit announced the divestment of 18 rental housing properties in the city of Tokyo, Japan for JPY12.0 billion (S\$153.6 million), 16% higher than the valuation of the properties as at 31 December 2016. The net gain from the divestment was S\$20.1 million. The divestment was completed on 26 April 2017.
- ARTML, the Manager of Ascott Reit, announced changes to Board and Board Committees compositions:
 - Ms Beh Siew Kim was appointed as Chief Executive Officer and Executive Director, and a member of the Corporate Disclosure Committee (CDC) and Executive Committee (EC).
 - Mr Tay Boon Hwee, Ronald stepped down as Chief Executive Officer and Executive Director and relinquished his role as a member of the CDC and EC.
- Ascott Reit completed the final phase of Asset Enhancement Initiatives (AEI) at Somerset Ho Chi Minh City and Somerset Millennium Makati, resulting in a 23% and 14% increase respectively in the Average Daily Rates (ADR) of the refurbished apartment units.

MAY 2017

- Ascott Reit announced the acquisition of the 224-unit DoubleTree by Hilton Hotel New York – Times Square South for US\$106.0 million (S\$148.4 million). The acquisition was completed on 16 August 2017.

JULY 2017

- Ascott Reit announced the divestment of two properties in the cities of Shanghai and Xi'an in China for RMB980 million (S\$198.0 million), 69% higher than the valuation of the properties as at 31 December 2016. The divestment was completed on 5 January 2018.
- Ascott Reit achieved Unitholders' distribution of S\$46.9 million for 2Q 2017, and a Distribution Per Unit of 1.84 cents.

AUGUST 2017

- Ascott Reit won "Best Hospitality REIT - Platinum Award" in the Asia Pacific Best of the Breeds REITs Awards™ 2017.
- Ascott Reit was ranked six out of the 42 trusts in the Singapore Governance and Transparency Index 2017 in the REIT and Business Trust Category.

SEPTEMBER 2017

- Ascott Reit received a first-time BBB Long-Term Issuer Default Rating with a Stable Outlook by Fitch Ratings. This recognises Ascott Reit's stable and healthy financial profile, supported by a track record of prudent financial management.

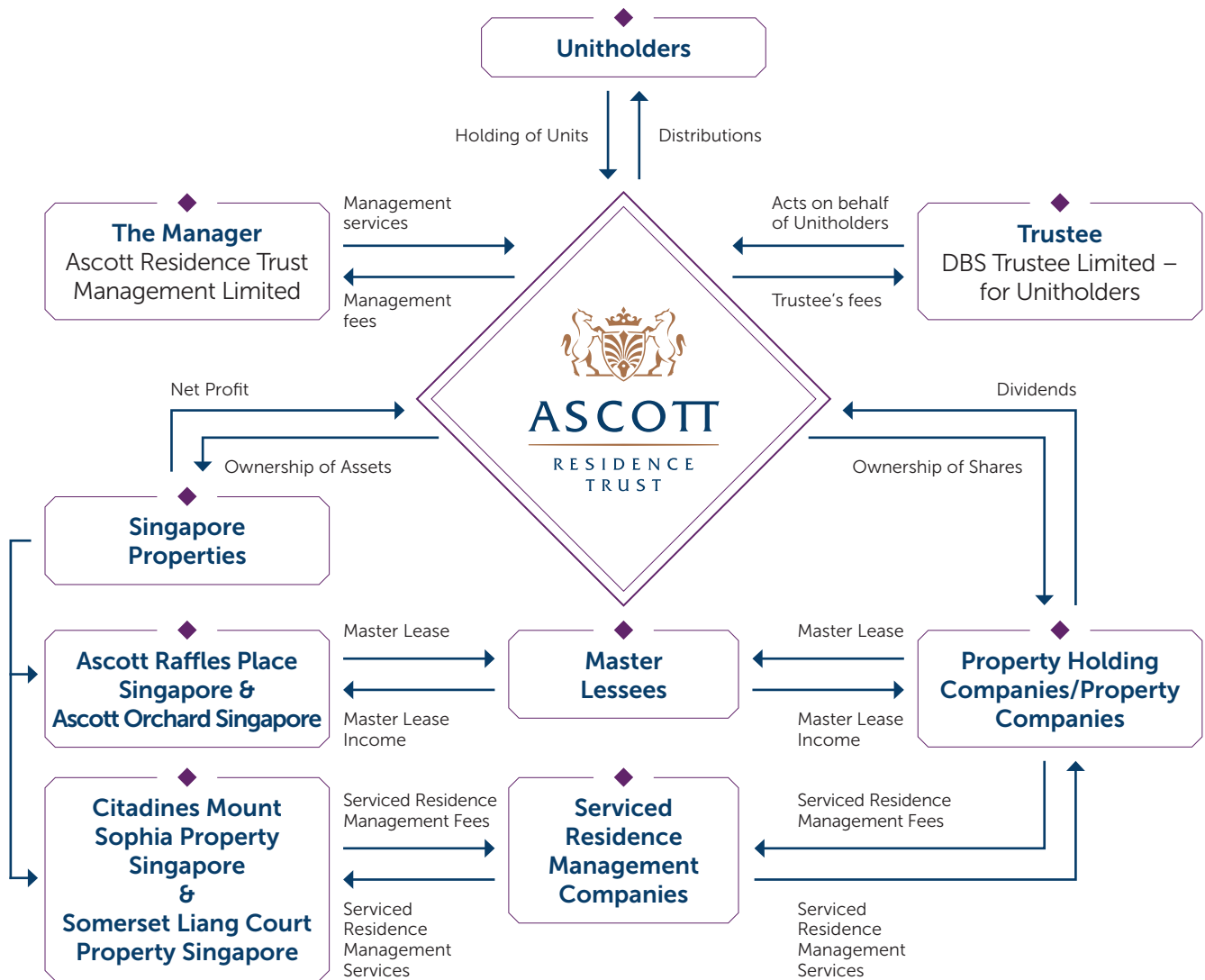
OCTOBER 2017

- Ascott REIT completed the acquisition of Ascott Orchard Singapore on 10 October 2017.
- Ascott Reit achieved Unitholders' distribution of S\$36.3 million and a Distribution Per Unit of 1.69 cents for 3Q 2017.
- Ascott Reit completed the AEI at Citadines Barbican London, resulting in a 10% increase in ADR, and the AEI at Citadines Mount Sophia Singapore.

DECEMBER 2017

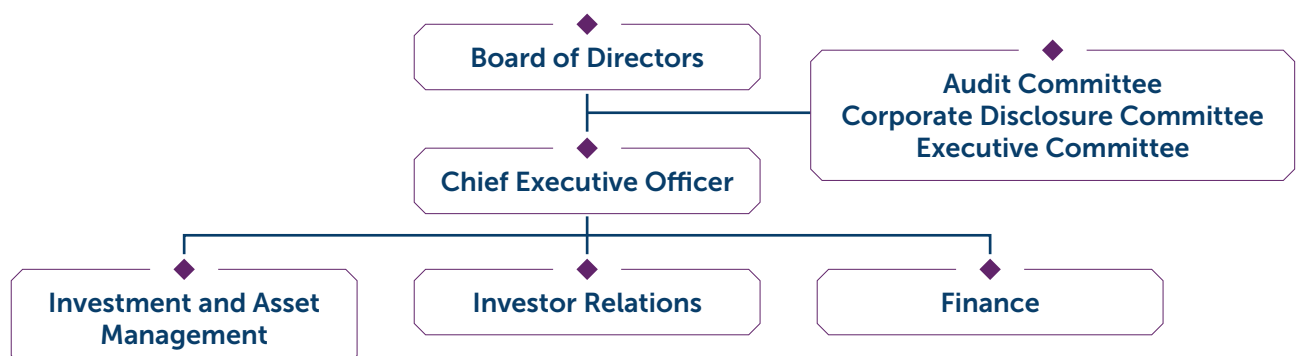
- ARTML announced changes to Board and Board Committees compositions:
 - Mr Lim Cho Pin Andrew Geoffrey was appointed as Non-Executive Non-Independent Director, and a member of the Audit Committee and EC.

TRUST STRUCTURE



ORGANISATION STRUCTURE

THE MANAGER ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED



GLOBAL PRESENCE



Ascott Orchard Singapore



DoubleTree by Hilton Hotel New York - Times Square South



Citadines Central Shinjuku Tokyo



Somerset Ho Chi Minh City



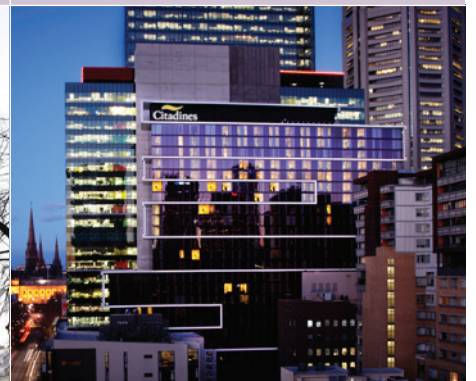
Citadines Ramblas Barcelona



Somerset Xu Hui Shanghai



Citadines Les Halles Paris



Citadines on Bourke Melbourne



Citadines Trafalgar Square London



Citadines City Centre Frankfurt



Ascott Makati

GLOBAL PRESENCE

A LEADING GLOBAL SERVICED RESIDENCE REIT

Ascott Reit has established a fine balance between income stability and growth through its extended-stay business model and geographical spread.

ASIA PACIFIC

Australia
Greater Sydney
Melbourne
Perth

China
Dalian
Guangzhou
Shanghai
Shenyang
Suzhou
Tianjin
Wuhan
Xi'an

Indonesia
Jakarta

Japan
Fukuoka
Hiroshima
Kyoto
Osaka
Sapporo
Tokyo

Malaysia
Kuala Lumpur

Singapore

The Philippines
Manila

Vietnam
Hanoi
Ho Chi Minh City

EUROPE

Belgium
Brussels

France
Cannes
Grenoble
Lille
Lyon
Marseille
Montpellier
Paris

Germany
Berlin
Frankfurt
Hamburg
Munich

Spain
Barcelona

The United Kingdom
London

THE AMERICAS

**The United States
of America**
New York

**The United States
of America**
3 Properties



Total Assets

S\$5.5 BILLION¹
(as at 31 December 2017)

Apartment Units

11,861¹

Properties

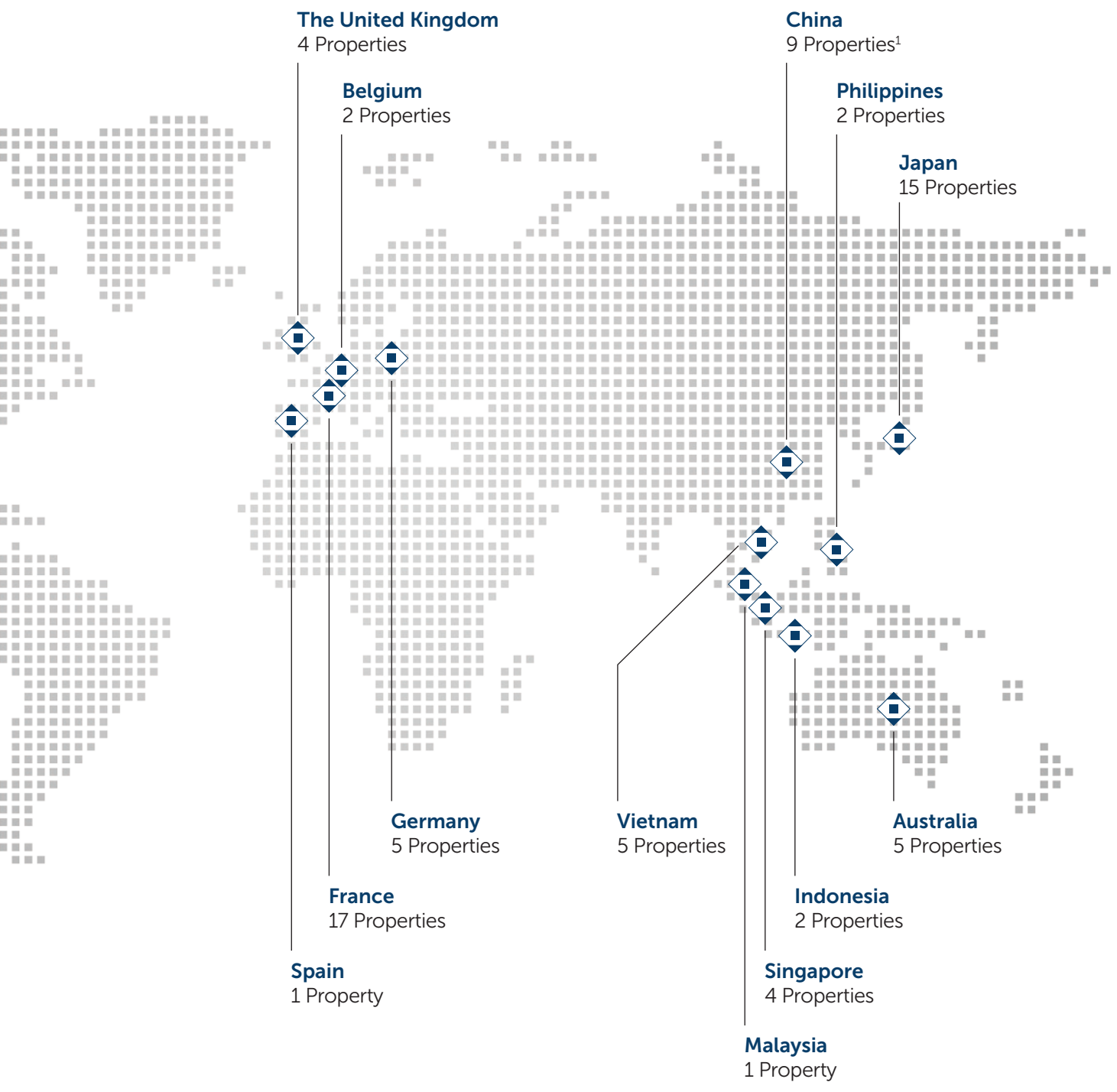
75¹

Cities

38¹

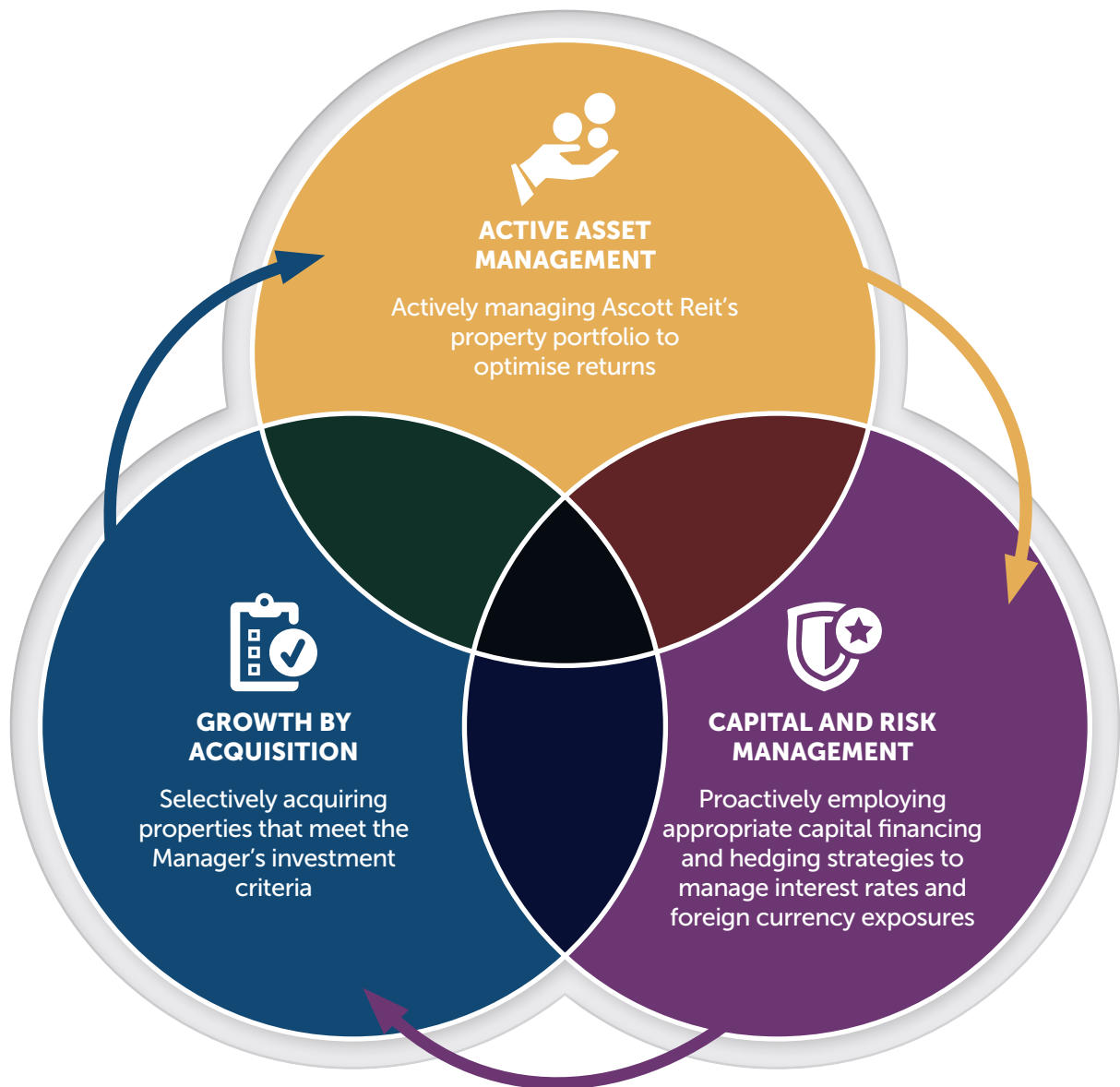
Countries

14



1 Including Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these two properties in China on 5 January 2018.

VALUE CREATION



GROWTH BY ACQUISITION

As part of our value creation strategy, the Manager explores investment opportunities globally to enhance the quality of our portfolio. Our primary investment focus is on serviced residences, rental housing and other hospitality assets. Our acquisition strategies are set out as follows:

Acquisition of assets owned wholly or in part by Ascott

Ascott Reit has been granted a right of first refusal in respect of, inter alia, the future sale by any Ascott entity of

properties that are used or predominantly used as serviced residences or rental housing properties in Asia Pacific and Europe. The Ascott Limited (Ascott or the Sponsor) supports Ascott Reit's acquisition strategy by acquiring, retaining and enhancing assets with good income and growth potential, with the view of subsequently divesting the assets to Ascott Reit at an appropriate time.

Acquisition of Ascott'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 Ascott

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. We 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 owners in need of capital for new business expansion or investments or under financial stress;
- ▼ 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

We acquire properties or make investments with yields that are currently above our cost of capital or have the potential for growth to be above our cost of capital. Our acquisitions are expected to enhance total returns to Unitholders.

Location

Ascott Reit evaluates properties in terms of their micro-market locations, accessibility to major roads, public transportation and proximity to amenities.

Local market characteristics

Ascott Reit acquires properties in markets with positive macro-economic indicators such as strong economic growth and expanding cross border business investments and trade. Key considerations include the levels of Foreign Direct Investment (FDI), 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 Average Daily Rates (ADR). The potential for value creation through Asset Enhancement Initiatives (AEI) such as upgrading, refurbishment and reconfiguration is also assessed.

Building and facilities specifications

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 will be assessed on its track record of delivering stable cash flow and operations, and/or its ability and potential to achieve stable cash flows.

ACTIVE ASSET MANAGEMENT

We create value for our stakeholders by maximising the operating yield of our property portfolio and by focusing on the operational performance of each property.

We benchmark the operating results of each property against market performance and against its previous year's results and planned budgets. We also conduct detailed reviews of properties that are not achieving their targets, and work closely with the Serviced Residence Management Companies (SRMCs) to develop action plans to improve the operating performance of each of these properties. We have put in place robust asset management programmes that enable us to actively manage each of our properties to generate organic growth and strengthen existing relationships with key customers.

We closely monitor the growth potential of each property, and divest properties that have reached their maximum potential or whose growth prospects are limited by changes in the operating environment. In 2017, we have divested 18 rental housing properties in Tokyo, Japan and Citadines Biyun Shanghai and Citadines Gaoxin Xi'an in January 2018. Part of the proceeds from the divestments that has been remitted back to Singapore was distributed to our Unitholders in February 2018 and also deployed to pare down the debts of Ascott Reit and its subsidiaries.

VALUE CREATION

Develop yield management and marketing strategies to maximise Revenue per Available Unit (RevPAU)

The profitability of Ascott Reit's portfolio depends primarily on the maximisation of RevPAU. Therefore, our yield management and marketing strategies are focused on:

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

We continue to work closely with the SRMCs to establish and develop relationships with global key accounts, and leverage on the Sponsor's global networks to improve Ascott Reit's revenue and profitability.

Communication efforts with key accounts and preferred partners were strengthened to boost revenue and profitability. The Sponsor introduced a new millennial brand, lyf, that is targeted at millennial-minded consumers in late 2016. In February 2017, the Sponsor launched a 32,000-square feet living lab in partnership with Singapore Management University (SMU), named lyf@SMU. Designed for and managed by millennials, lyf@SMU will test out various coliving concepts, enabling SMU students and faculty to experience and shape the upcoming lyf properties.

The Sponsor launched a new global campaign, with individual brand advertisements to promote Ascott, Citadines, Somerset, Quest and lyf brands. Taking on a story telling approach, each brand advertisement is designed to communicate the brand's positioning to its target consumer segments. This campaign along with a series of marketing initiatives across multiple platforms further strengthened the brand equity.

The Sponsor continues to enhance its Ascott Online Advantage programme with attractive benefits and promotions for its members when bookings are made directly through its brand websites. To extend its social media reach, the Sponsor leverages on Facebook, Instagram, LinkedIn, Twitter, WeChat, Weibo and YouTube. The Facebook pages for Ascott The Residence, Citadines Apart'hotel, Somerset Serviced Residence and lyf have garnered over 120,000 fans to-date.

The Sponsor's Global Distribution System (GDS) chain code "AZ" continues to enable travel management companies and travel agents access rates and room

availability more efficiently. Furthermore, the Sponsor has global promotional partnerships with credit card partners in the form of discounts for cardholders. Guests who are Singapore Airlines' KrisFlyer members can earn mileage for their stays at participating residences. The Sponsor also partners with CapitalLand Malls Asia Limited to provide CapitaStar members discounts and privileges when they book and stay at Ascott serviced residences.

Improve operating efficiencies and economies of scale

To minimise direct expenses and increase gross profit margins without compromising our quality of services, Ascott Reit, together with the SRMCs, 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 Ascott's global portfolio to achieve economies of scale.

Create real estate value and maintain quality of portfolio

We continuously strive 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 our strategy to reconstitute Ascott Reit's portfolio, we monitor closely and evaluate 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 then be redeployed for other purposes, including investing in higher yielding assets.

CAPITAL AND RISK MANAGEMENT

We optimise our capital structure and cost of capital within the borrowing limits set out in the Property Funds Appendix of the Code of Collective Investment Schemes. Either debt or equity or a combination of both is used to fund acquisitions while AEl's are funded mainly by operating cash flow. Our objectives for capital and risk management are as follows:

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

We maintain our gearing at a comfortable range, well within the borrowing limits allowed under the Property Funds Appendix. We balance our cost of capital to optimise returns to Unitholders.

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

To finance acquisitions and refurbishment of properties, we tap into diversified funding sources. These sources include bank borrowings, accessing the debt capital markets through the issuance of bonds and notes and the issuance of perpetual securities, an alternative form of equity. In 2017, Ascott Reit successfully raised gross proceeds of S\$442.7 million through a rights issue to partially fund the acquisition of properties in Germany and Singapore. A total of 481,688,010 new units in Ascott Reit were offered at the rights ratio of 29 Rights Units for every 100 existing units held in Ascott Reit. The rights issue had been oversubscribed at 1.8 times. We may continue to seize market opportunities to raise additional equity capital through the issuance of units, whenever there is an appropriate use for such proceeds.

Adopt proactive interest rate management strategy

We adopt a proactive interest rate management policy by maintaining a target percentage of fixed versus floating interest rates. We also manage risks associated with changes in interest rates on loan facilities while keeping Ascott Reit's ongoing cost of debt competitive. Our interest rate exposure is managed through the use of interest rate caps, interest rate swaps and fixed rate borrowings. As at 31 December 2017, approximately 81% of Ascott Reit's total borrowings are on fixed interest rates.

Manage exposure to foreign exchange fluctuations

Due to the geographical diversity of our portfolio, cash flows generated by our assets as well as their capital values are subject to foreign exchange movements. In managing the currency risks associated with cash flow generated by our assets, we actively monitor foreign exchange rates and enter into hedges, where appropriate. In view of the volatility of certain currencies, we have also taken a proactive approach to enter into foreign currency forward contracts to hedge around 70% of Unitholders' distribution derived in Euro, British Pound and Japanese Yen. In managing the currency risks associated with the

capital values of the overseas assets, our borrowings are made in the same currency as the underlying asset as a natural hedging strategy, to the extent possible. In 2017, Ascott Reit also used cross currency interest rate swaps to hedge the investments.

Perform rigorous credit risk management

We establish credit limits for customers and monitor 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 we adopt a strict policy of withdrawing credit terms when payments are outstanding to minimise bad debts.

Ensure sufficient cash flow to minimise liquidity risk

Our approach to managing liquidity is to ensure that we have sufficient liquidity to meet our liabilities when they mature, under both normal and stressed conditions. In addition to credit facilities, we have a S\$1.0 billion Multicurrency MTN Programme, established in 2009 and a US\$2.0 billion Euro-MTN Programme established 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.

BOARD OF DIRECTORS



TAN BENG HAI, BOB
Chairman &
Non-Executive Independent Director



LIM MING YAN
Deputy Chairman &
Non-Executive Non-Independent Director



BEH SIEW KIM
Chief Executive Officer &
Executive Non-Independent Director



ZULKIFLI BIN BAHARUDIN
Non-Executive Independent Director



SIM JUAT QUEE MICHAEL GABRIEL
Non-Executive Independent Director



ELAINE CAROLE YOUNG
Non-Executive Independent Director



LIM CHO PIN ANDREW GEOFFREY
Non-Executive Non-Independent Director



LEE CHEE KOON
Non-Executive Non-Independent Director

TAN BENG HAI, BOB, 66

Chairman

Non-Executive Independent Director

Fellow, Institute of Chartered Accountants in England and Wales, UK

Date of first appointment as a director:

24 April 2015

Date of appointment as chairman:

1 September 2016

Length of service as a director (as at 31 December 2017):

2 years 8 months

Board committee served on

- Corporate Disclosure Committee (Chairman)

Present directorships in other listed companies

- Sembcorp Marine Ltd
- Singapore Post Limited

Present principal commitments

(other than directorships in other listed companies)

- Inland Revenue Authority of Singapore (Director)
- Institute of Technical Education (Chairman)
- Jurong Engineering Limited (Chairman)
- NTUC Club Management Council (Member)
- Ong Teng Cheong Labour Leadership Institute (Director)
- Singapore LNG Corporation Pte. Ltd. (Chairman)
- Singapore Manufacturing Federation (Member of the Board of Governors)
- SINGEX Holdings Pte. Ltd. (Chairman)

Past directorship in other listed company held over the preceding three years

- SMRT Corporation Ltd

Background and working experience

- Managing Director of Novar International Pte Ltd (From 2000 to 2005)
- Managing Director of Caradon Asia-Pacific Pte Ltd (From 1990 to 2000)
- General Manager of MK Electric (Singapore) Pte Limited (From 1980 to 1990)
- Overseas Operations Accountant of MK Electric Ltd (England) (From 1977 to 1980)
- Articled Clerk of Bowker Orford & Co (England) (From 1972 to 1977)

Awards

- The Meritorious Service Medal (Pingat Jasa Gemilang) – National Day Award in 2017
- NTUC May Day Meritorious Service Award in 2013
- Public Service Star Award (Bintang Bakti Masyarakat- BBM) – National Day Award in 2010
- NTUC Friend of Labour Award in 2000

LIM MING YAN, 55

Deputy Chairman

Non-Executive Non-Independent Director

Bachelor of Engineering (Mechanical) and Economics (First Class Honours), University of Birmingham, UK

Date of first appointment as a director:

23 July 2009

Date of appointment as deputy chairman:

1 January 2013

Length of service as a director (as at 31 December 2017):

8 years 5 months

Board committee served on

- Executive Committee (Chairman)

Present directorships in other listed companies

- CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust) (Deputy Chairman)
- CapitaLand Limited
- CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust) (Deputy Chairman)
- CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust) (Deputy Chairman)

Present principal commitments

(other than directorships in other listed companies)

- Business China (Director)
- Future Economy Council (Member)
- Shanghai YiDian Holding (Group) Company (Director)
- Singapore Tourism Board (Member of the Board)
- Workforce Singapore Agency (Chairman)

Background and working experience

- Chief Operating Officer of CapitaLand Limited (From May 2011 to December 2012)
- CEO of The Ascott Limited (From July 2009 to February 2012)
- CEO of CapitaLand China Holdings Pte Ltd (From July 2000 to June 2009)

Awards

- Outstanding Chief Executive (Overseas) at the Singapore Business Awards 2006
- Magnolia Award by the Shanghai Municipal Government in 2003 and 2005

BOARD OF DIRECTORS

BEH SIEW KIM, 47

Chief Executive Officer

Executive Non-Independent Director

Bachelor of Business (Accounting), University of Tasmania, Australia

Member, Institute of Singapore Chartered Accountants

Date of first appointment as a director:

1 May 2017

Length of service as a director (as at 31 December 2017):

8 months

Board committees served on

- ▼ Corporate Disclosure Committee (Member)
- ▼ Executive Committee (Member)

Background and working experience

- ▼ Deputy Chief Executive Officer, Ascott Residence Trust Management Limited (From March 2017 to April 2017)
- ▼ Head, Corporate Planning & Compliance / Financial Controller, CapitaLand China (From August 2008 to February 2017)
- ▼ Vice President, Finance, CapitaLand Residential Limited (From February 2007 to July 2008)

ZULKIFLI BIN BAHARUDIN, 58

Non-Executive Independent Director

Bachelor of Science in Estate Management, National University of Singapore

Date of first appointment as a director:

1 January 2013

Length of service as a director (as at 31 December 2017)

5 years

Board committee served on

- ▼ Audit Committee (Member)

Present directorships in other listed companies

- ▼ Singapore Post Limited
- ▼ GDS Holdings Limited

Present principal commitments

(other than directorships in other listed companies)

- ▼ Ang Mo Kio - Thye Hua Kwan Hospital Ltd. (Director)
- ▼ Global Business Integrators Pte. Ltd. (Managing Director)
- ▼ ITL Corporation (Executive Chairman)
- ▼ Non-Resident Ambassador to the Republic of Uzbekistan & Kazakhstan
- ▼ Singapore Management University (Director – Board of Trustees)
- ▼ Thye Hua Kwan Moral Charities Limited (Director)
- ▼ Virtus HoldCo Limited (Director)

Background and working experience

- ▼ Nominated Member of Parliament (From October 1997 to September 2001)

Awards

- ▼ BBM, Public Service Star Award in 2011
- ▼ Public Service Award (Meritorious) in 2005

SIM JUAT QUEE MICHAEL GABRIEL, 62

Non-Executive Independent Director

Fellow, Association of Chartered Certified Accountants, UK
Fellow, Institute of Chartered Accountants of Singapore
Fellow, Certified Public Accountant, Australia
Master of Business Administration, University of South Australia, Australia
Certified Fraud Examiner, Association of Certified Examiner

Date of first appointment as a director:

1 September 2016

Length of service as a director (as at 31 December 2017):

1 year 4 months

Board committee served on

- ▼ Audit Committee (Chairman)

Present principal commitments

- ▼ Catholic Welfare Services (Vice Chairman, Board of Governors)
- ▼ Lien Aid Limited (Chairman)
- ▼ Platanetree Capital Pte. Ltd. (Executive Director)
- ▼ Roman Catholic Archdiocese of Singapore (Chairman, Archdiocesan Audit Committee)

Background and working experience

- ▼ Advisory and Assurance Partner, Ernst & Young (from June 1995 to June 2015)

ELAINE CAROLE YOUNG, 53

Non-Executive Independent Director

Ardingly College, UK

Date of first appointment as a director:

1 September 2016

Length of service as a director (as at 31 December 2017):

1 year 4 months

Board committee served on

- ▼ Audit Committee (Member)

Present directorship in other listed company

- ▼ Link Asset Management Limited (manager of Link REIT)

Present principal commitments

(other than directorship in other listed company)

- ▼ Asia Hope Ltd (Director)
- ▼ ECY Consulting Ltd (Director and CEO)
- ▼ Jungamals International Ltd (Director)
- ▼ Newick International Ltd (Director)
- ▼ NOVA Property Investment Co. Ltd. (Director)
- ▼ The Mekong Club (Director)

Background and working experience

- ▼ Executive Director of ONYX Hospitality Ltd (from June 2011 to April 2014)
- ▼ Founder & CEO of SHAMA Management Limited (from March 2000 to June 2011)

Award

- ▼ 'Entrepreneur of the Year' Award by RBS Coutts and the Financial Times at the Women in Asia Awards in 2009

BOARD OF DIRECTORS

LIM CHO PIN ANDREW GEOFFREY, 48

Non-Executive Non-Independent Director

Bachelor of Commerce (Economics), University of Toronto
Chartered Financial Analyst, Association for Investment Management and Research
Master in Business Administration, Rotman School of Business, University of Toronto

Date of first appointment as a director:
1 January 2018

Board committees served on

- ▼ Audit Committee (Member)
- ▼ Executive Committee (Member)

Present directorships in other listed companies

- ▼ CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust)
- ▼ CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust)
- ▼ CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust)

Present principal commitment

(other than directorships in other listed companies)

- ▼ CapitaLand Limited (Group Chief Financial Officer)

Background and working experience

- ▼ Group Chief Financial Officer (Designate) of CapitaLand Limited (From 25 November 2016 to 31 December 2016)
- ▼ Managing Director and Head of SEA Coverage Advisory of HSBC Global Banking (From January 2016 to December 2016)
- ▼ Managing Director and Head of SEA Real Estate of HSBC Global Banking (From January 2015 to December 2015)
- ▼ Managing Director, SEA Investment Banking of HSBC Global Banking (From April 2013 to December 2014)
- ▼ Director, SEA Investment Banking of HSBC Global Banking (From April 2010 to March 2013)
- ▼ Associate Director, Investment Banking of HSBC Global Banking (From April 2007 to March 2010)
- ▼ Associate, Investment Banking of HSBC Global Banking (From July 2004 to March 2007)

LEE CHEE KOON, 43

Non-Executive Non-Independent Director

Bachelor of Science in Mechanical Engineering (First Class Honours), National University of Singapore
Master of Science in Mechanical Engineering (Distinction), Imperial College London, UK

Date of first appointment as a director:

1 June 2013

Length of service as a director (as at 31 December 2017):

4 years 7 months

Board committees served on

- ▼ Corporate Disclosure Committee (Member)
- ▼ Executive Committee (Member)

Present directorships in other listed companies

- ▼ CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust)
- ▼ CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust)

Present principal commitments

(other than directorships in other listed companies)

- ▼ CapitaLand Limited (Group Investment Officer)
- ▼ Lifelong Learning Institute Pte Ltd (Director)
- ▼ National University of Singapore – Institute of Real Estate Studies (Member of the Management Board)
- ▼ Temasek Foundation Natures CLG Limited (Director)

Background and working experience

- ▼ CEO, The Ascott Limited (From June 2013 to December 2017)
- ▼ Deputy CEO, The Ascott Limited (From February 2012 to May 2013)
- ▼ Managing Director, North Asia, The Ascott Limited (From July 2009 to May 2013)
- ▼ Vice President, Office of the President, CapitaLand Limited (From February 2007 to June 2009)
- ▼ Head, International Relations & Economic Strategy, Ministry of Finance (From November 2003 to January 2007)
- ▼ Assistant Director, Ministry of Trade and Industry (From November 2001 to November 2003)

Award

- ▼ National Order of Merit (*Chevalier de l'Ordre National du Mérite*) in 2016

THE MANAGER

BEH SIEW KIM

**Chief Executive Officer
Executive Non-Independent Director**

Ms Beh Siew Kim is 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 23 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 ARTML. 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, acquisitions and divestment deals, including CapitaLand's high-profile acquisition of Orient Overseas Developments Limited in 2010.

Before joining CapitaLand, 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 also a Chartered Accountant of the Institute of Singapore Chartered Accountants.

KANG SIEW FONG

Vice President, Finance

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 20 years' experience in the finance profession.

Prior to joining ARTML, 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.

THE MANAGER

CHUA CHI BOON

Head, Investment and Asset Management

Mr Chua Chi Boon heads the investment and asset management functions at ARTML, and is responsible for overseeing all business development activities including investments, divestments and portfolio management. He also concurrently heads the investment and asset management of Ascott's Australia and New Zealand regions.

Mr Chua has more than 20 years' experience in the real estate industry and has been with Ascott for more than 10 years. He began his career in Newman & Goh Property Consultants where he was involved in various investment consultancy and property management functions. Prior to joining Ascott, Mr Chua spent six years in Amara Holdings Limited, heading its business development and property departments and was responsible for sourcing new investment deals in hotel, commercial and residential developments as well as developing new areas of growth, both locally and overseas.

Mr Chua graduated from Nanyang Technological University with a Bachelor of Business (Banking and Finance) degree, and holds a Master of Science (Real Estate) degree from the National University of Singapore.

LENG TONG YAN

Manager, Investor Relations

Ms Leng Tong Yan heads the investor relations function at ARTML, and is responsible for conducting effective communications, as well as building and maintaining relations with Unitholders, potential investors and analysts.

Prior to joining ARTML, Ms Leng was the Manager of Investor Relations in CapitaLand Retail China Trust, where she was responsible for maintaining transparent communications with Unitholders, potential investors and analysts through communication channels such as annual reports, press releases, presentations, roadshows and the website.

Ms Leng has over 10 years of experience in auditing and investor relations. She holds a Bachelor of Accountancy from Nanyang Technological University, Singapore and is a Chartered Accountant of the Institute of Singapore Chartered Accountants.

CORPORATE GOVERNANCE

OUR ROLE

Our primary role as the manager of Ascott Reit (Manager) is to set the strategic direction of Ascott Reit and make recommendations to DBS Trustee Limited, in its capacity as trustee of Ascott Reit (Trustee), on any investment or divestment opportunities for Ascott Reit and the enhancement of the assets of Ascott Reit in accordance with the stated investment strategy for Ascott Reit. The research, evaluation and analysis required for this purpose are coordinated and carried out by us as the Manager.

As the Manager, we have general powers of management over the assets of Ascott Reit. Our primary responsibility is to manage the assets and liabilities of Ascott Reit for the benefit of the unitholders of Ascott Reit (Unitholders). We do this with a focus on generating rental income and enhancing asset value over time so as to maximise returns from the investments, and ultimately the distributions and total returns to Unitholders.

Our other functions and responsibilities as the Manager include:

- (a) using our best endeavours to conduct Ascott Reit's business in a proper and efficient manner;
- (b) preparing annual business plans for review by the directors of the Manager (Directors), including forecasts on revenue, net income and capital expenditure, explanations on major variances to previous years' financial results, written commentaries on key issues and underlying assumptions on rental rates, operating expenses and any other relevant assumptions;
- (c) ensuring compliance with relevant laws and regulations, including the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST) (Listing Manual), the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS) (including Appendix 6 of CIS Code (Property Funds Appendix)), the Securities and Futures Act (Chapter 289 of Singapore), written directions, notices, codes and other guidelines that MAS may issue from time to time, and the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of Ascott Reit and Unitholders;
- (d) attending to all regular communications with Unitholders; and
- (e) supervising the relevant property manager which performs the day-to-day property management functions (including marketing, promotion, operations coordination and other property management activities) for Ascott Reit's properties.

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibilities. Ascott Reit's environmental sustainability and community outreach programmes are set out on pages 54 to 59 of this Annual Report.

Ascott Reit, constituted as a trust, is externally managed by the Manager. The Manager appoints experienced and well qualified personnel to run its day-to-day operations.

The Manager was appointed in accordance with the terms of the trust deed constituting Ascott Reit dated 19 January 2006 (as amended, varied or supplemented from time to time) (Trust Deed). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The Manager is a wholly owned subsidiary of CapitalLand Limited (CL) which holds a significant unitholding interest in Ascott Reit. CL is a long-term real estate developer and investor, with a vested interest in the long-term performance of Ascott Reit. CL's significant unitholding in Ascott Reit demonstrates its commitment to Ascott Reit and as a result, CL's interest is aligned with that of other Unitholders. The Manager's association with CL provides the following benefits, among other things, to Ascott Reit:

- (a) a stable pipeline of property assets through CL's development activities;
- (b) wider and better access to banking and capital markets on favourable terms;
- (c) fund raising and treasury support; and
- (d) access to a bench of experienced management talent.

CORPORATE GOVERNANCE

OUR CORPORATE GOVERNANCE CULTURE

The Manager aspires to the highest standards of corporate governance. The Manager is committed to continuous improvements in corporate governance. It has developed and, on an ongoing basis, maintains sound and transparent policies and practices to meet the specific business needs of Ascott Reit and to provide a firm foundation for a trusted and respected business enterprise. The Manager remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (Code) while achieving operational excellence and delivering Ascott Reit's long-term strategic objectives. The Board of Directors (Board) is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the Manager.

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found in the Investor Relations section on page 51 of this Annual Report.

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2017 with reference to the principles of the Code. For FY 2017, save as stated in this Report, Ascott Reit has complied in all material aspects with the principles and guidelines in the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Report.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1:

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

The Manager is led by the Board, with non-executive independent Directors (IDs) constituting half of the Board. This exceeds the recommendations in the Code. The Board has a diversity of skills and knowledge, experience, educational background, ethnicity and gender. Each Director brings to the Board skills, experience, insights and sound judgement which, together with his or her strategic networking relationships, serve to further the interests of Ascott Reit.

The Board oversees the affairs of the Manager, in furtherance of the Manager's primary responsibility to manage the assets and liabilities of Ascott Reit for the benefit of Unitholders. The Board provides leadership to the Chief Executive Officer (CEO) and the management team (Management) and sets the strategic vision, direction and long-term objectives for Ascott Reit. The CEO, assisted by Management, is responsible for the execution of the strategy for Ascott Reit and the day-to-day operations of Ascott Reit's business.

The Board provides leadership to Management, sets strategic directions and oversees the management of Ascott Reit. The Board establishes goals for Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage business risks and compliance with requirements under the Listing Manual, the Property Funds Appendix, as well as any other applicable guidelines prescribed by the SGX-ST, MAS or other relevant authorities, and applicable laws. It also sets the disclosure and transparency standards for Ascott Reit and ensures that obligations to Unitholders and other stakeholders are understood and met.

The Board has reserved authority to approve certain matters and these include:

- (a) material acquisitions, investments and divestments;
- (b) issue of new units in Ascott Reit (Units);
- (c) income distributions and other returns to Unitholders; and
- (d) matters which involve a conflict of interest for a controlling Unitholder or a Director.

The Board has established various Board Committees to assist it in the discharge of its functions. These Board Committees are the Audit Committee (AC), the Corporate Disclosure Committee (CDC) and the Executive Committee (EC). Each of these Board Committees operates under authority delegated from the Board, with the Board retaining overall oversight, and has its own terms of reference. The composition of the various Board Committees is set out on page 47 of this Annual Report.

The Board may form other Board Committees as dictated by business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The Board has adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board Committees and Management.

The Board meets at least once every quarter, and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year. Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the Manager permits the Director to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. The exception is where a Director has a conflict of interest in a particular matter in which case he or she will be required to recuse himself or herself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision making process.

During Board meetings, non-executive Directors review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. During the Board meeting to discuss strategies, non-executive Directors constructively challenge and help develop proposals on strategy.

A total of six Board meetings were held in FY 2017. A record of the Directors' attendance at Board and Board Committees meetings in FY 2017 is set out on page 47 of this Annual Report. The Manager believes in the manifest contributions of its Directors beyond attendance at formal Board and Board Committee meetings. To judge a Director's contributions based on his or her attendance at formal meetings alone would not do justice to his or her overall contributions, which includes being accessible to Management for guidance or the exchange of views outside the formal environment of Board and Board Committee meetings.

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Board recognises the importance of continual training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors to the best of their abilities. The Manager has in place a training framework to guide and support the Manager towards meeting the objective of having a Board which comprises individuals who are competent and possess up-to-date knowledge and skills necessary to discharge their responsibilities. The Manager also maintains a training record to track the Directors' attendance at training and professional development courses. The costs of training are borne by the Manager. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director). All Directors, upon appointment, also undergo an induction programme which focuses on orientating the Director to Ascott Reit's business, operations, strategy, organisational structure, responsibilities of key management personnel, and financial and governance practices.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that may affect or enhance their performance as Directors or Board Committee members. Directors may contribute by highlighting relevant areas of interest. Directors also receive on-the-job training through being engaged in actual Board work. In FY 2017, the training and professional development programmes for Directors included forums and dialogues with experts and senior business leaders on issues facing boards and board practices.

CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2:

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board reviews from time to time the size and composition of the Board, with a view to ensuring that the size of the Board is appropriate in facilitating effective decision making, taking into account the scope and nature of the operations of Ascott Reit and its subsidiaries (Ascott Reit Group), and that the Board has a strong independent element.

The Board presently comprises eight Directors, four of whom (including the Chairman) are IDs. Profiles of the Directors are provided on pages 18 to 22 of this Annual Report. The recommendation in the Code for the appointment of a lead independent director does not apply to the Manager as the Chairman is an ID, and he and the CEO are separate individuals, who are not related to each other.

The Board assesses the independence of each Director in accordance with the guidance in the Code and the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR). An ID is one who has no relationship with the Manager, its related corporations and its shareholders who hold 10% or more of the voting shares of the Manager, or Unitholders who hold 10% or more of the Units in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement; and is independent from any management and business relationship with the Manager and Ascott Reit, the substantial shareholder of the Manager and the substantial Unitholder of Ascott Reit and has not served on the Board for a continuous period of nine years or longer.

The Board has established a process for assessing the independence of its Directors. As part of the process, each of the relevant non-executive Directors is required to confirm, upon appointment, as well as on an annual basis, that there are no material relationships which would render him or her non-independent. The confirmations are reviewed by the Board during which the Board also considers the Directors' respective contributions at Board meetings.

The Board has carried out the assessment of each of its Directors for FY 2017 and the paragraphs below set out the outcome of the assessment.

Mr Tan Beng Hai, Bob and Mr Zulkifli Bin Baharudin are non-executive directors of certain subsidiaries and associated corporation of Temasek Holdings (Private) Limited (Temasek). Temasek is deemed to be a substantial Unitholder through its direct and indirect interest in CL, which is a substantial unitholder of Ascott Reit. The roles of Mr Tan and Mr Zulkifli in these organisations are non-executive in nature and they are not involved in the day-to-day conduct of the business of these organisations. These roles also do not pose any conflict of interest issues for Mr Tan and Mr Zulkifli. The Board therefore considers that the relationships did not impair their independence and objectivity.

The Board also considered whether Mr Tan and Mr Zulkifli had demonstrated independence of character and judgement in the discharge of their responsibilities as a Director in FY 2017. Mr Tan is also a non-executive Director of the Inland Revenue Authority of Singapore, a statutory board which functions as the tax collecting agent of Singapore. This role does not pose any conflict of interest issues for Mr Tan in respect of his role as a Director of the Company. The Board is satisfied that each of Mr Tan and Mr Zulkifli had acted with independent judgement.

With respect to Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young, the Board also considered whether each of them had demonstrated independence of character and judgement in the discharge of their responsibilities as a Director in FY 2017, and is also satisfied that each of Mr Sim and Ms Young had acted with independent judgement. It is noted that all Directors have served on the Board for fewer than nine years.

On the bases of the declarations of independence provided by the relevant non-executive Directors and the guidance in the Code and the SFR, the Board has determined that Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin, Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young are independent directors. Each of them had recused himself or herself from the Board's deliberations respectively on his or her own independence.

At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of Ascott Reit. The Manager has established a policy that its Directors disclose their interests in transactions and any conflicts of interests, and recuse themselves from any discussions concerning a matter in which they may be in a conflict of interest situation. Each of the Directors has complied with this policy. Compliance by the Directors is duly minuted.

Chairman and Chief Executive Officer

Principle 3:

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

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of the Chairman and the CEO are held by separate individuals.

The non-executive independent Chairman, Mr Tan Beng Hai, Bob, is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. The CEO, Ms Beh Siew Kim has full executive responsibilities over the business directions and operational decisions of Ascott Reit and is responsible for implementing Ascott Reit's strategies and policies and conducting Ascott Reit's business.

The Chairman is responsible for leadership of the Board and for facilitating the conditions for the overall effectiveness of the Board, Board Committees and individual Directors. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and the CEO on strategic issues. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO and Management on strategies.

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the business activities of Ascott Reit and the exchange of ideas and views to help shape Ascott Reit's strategic process. Given that the roles of the Chairman and CEO are held by separate individuals and the Chairman is an ID, no Lead ID is required to be appointed.

Board Membership

Principle 4:

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

The Board undertakes the functions of a nominating committee and therefore, the Manager does not have a nominating committee. The Board performs the functions that such a committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the performance and independence of Board members. The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to Ascott Reit's business.

The current Board comprises individuals who are business leaders and professionals with financial, banking, funds management, real estate, investment, hospitality and accounting backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, it also enables Management to benefit from their respective expertise and diverse backgrounds. The Board also considers gender an important aspect of diversity alongside factors such as the age, ethnicity and educational background of its members. The Board is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational background in determining the optimal composition of the Board in its Board renewal process.

In the year under review, no alternate directors were appointed. In keeping with the principle that a Director must be able to commit time to the affairs of the Manager, the Board will, generally, not approve the appointment of alternate directors.

CORPORATE GOVERNANCE

The Board is able to undertake the functions of a nominating committee because:

- (a) the Manager is a dedicated manager to Ascott Reit and in general, REITs (including Ascott Reit) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Board as the Board would be able to give adequate attention to such issues;
- (b) the focused scope of the business of Ascott Reit also means a manageable competency requirement for the Board such that the Board is able to manage the duties of a nominating committee; and
- (c) IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role, and this assures the objectivity and independence of the decision making process concerning nomination. This also mitigates any concerns of conflict which can be managed by having the conflicted directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of nomination.

The Board has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

- (a) The Board, on an annual basis, carries out a review of the Board composition as well as on each occasion when an existing ID gives notice of his or her intention to retire or resign. The review includes assessing the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for Ascott Reit. In carrying out this review, the Board considers the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity), taking into account benchmarking within the industry as appropriate.
- (b) The Board reviews the suitability of any candidates put forward by any director for appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he or she has sufficient time available to commit to his or her responsibilities as a director, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
- (c) External consultants may be engaged from time to time to access a wide base of potential directors.
- (d) No member of the Board is involved in any decision of the Board relating to his or her own appointment, reappointment or assessment of independence.
- (e) A newly appointed Director receives a formal appointment letter and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director).
- (f) All directors undergo an induction programme on appointment to help familiarise them with matters relating to Ascott Reit's business and the Manager's strategy for Ascott Reit.
- (g) The performance of the Board, Board Committees and directors is reviewed annually.
- (h) The Board proactively addresses any issues identified in the board performance evaluation.

The adopted process takes into account the requirements in the Code that the composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, be determined using the following principles:

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management, the property industry, banking, finance and legal fields; and
- (b) at least one-third of the Board should comprise IDs. Where, among other things, the Chairman of the Board is not an ID, at least half of the Board should comprise IDs.

As at least half of the Board comprises IDs, the Manager will not be voluntarily subjecting any appointment or reappointment of directors to voting by Unitholders. The Chairman of the Board is presently an ID. The Board intends to continue to keep to the principle that at least half of the Board shall comprise IDs.

The Board seeks to refresh Board membership progressively and in an orderly manner. In this regard, board succession planning is carried out through the annual review of Board composition as well as when an existing ID gives notice of his or her intention to retire or resign. On the issue of Board renewal, the Manager believes that Board renewal is

a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of Ascott Reit's business; renewal or replacement of a Director therefore does not necessarily reflect his or her performance or contributions to date.

Guideline 4.4 of the Code recommends that the Board determine the maximum number of listed company board appointments which any director may hold and disclose this in the annual report. In view of the responsibilities of a director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that, the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A director with multiple directorships is expected to ensure that sufficient attention can be and is given to the affairs of the Manager in managing the assets and liabilities of Ascott Reit for the benefit of Unitholders. The Board believes that each Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a director of the Manager, bearing in mind his or her other commitments. In considering the nomination of any individual for appointment, and in its annual review of each Director's ability to commit time to the affairs of the Manager, the Board takes into account, among other things, the attendance record of the Directors at meetings of the Board and Board Committees, the competing time commitments faced by any such individual with multiple Board memberships as well as his or her other principal commitments. All Directors had confirmed that notwithstanding the number of their individual listed company board appointments and other principal commitments, which each of them held, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of Ascott Reit for the benefit of Unitholders. The CEO, who is also a Director, is fully committed to the day-to-day operations of the Manager. The Board also notes that, as at the date of this Report, none of the IDs serves on more than three listed company boards. Taking into account also the attendance record of the Directors at meetings of the Board and Board Committees in FY 2017 (set out on page 47 of this Annual Report) and contributions to the Board's deliberations as well as availability outside formal Board and Board Committee meetings, the Board is of the view that the current commitments of each of its Directors are reasonable and each of the Directors is able to and has been adequately carrying out his or her duties.

Board Performance

Principle 5:

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

The Manager believes that oversight from a strong and effective board goes a long way towards guiding a business enterprise to achieving success.

The Board strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, expertise relevant to Ascott Reit's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of Ascott Reit.

Whilst board performance is ultimately reflected in the long-term performance of Ascott Reit, the Board believes that engaging in a regular process of self-assessment and evaluation of board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for Ascott Reit.

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate the effectiveness of the Board as a whole and the Board Committees on an annual basis. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the Chairman of the Board. The areas of evaluation covered in the survey questionnaire included Board composition, Board processes, strategy, performance and governance, access to information and Board Committee effectiveness. As part of the survey questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision making process. The results of the survey were deliberated upon by the Board, and the necessary follow up actions will be taken with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities. The outcome of the evaluation was satisfactory with positive ratings received for all the attributes in the evaluation categories.

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The Board was also able to assess the Board Committees through their regular reports to the Board on their activities. In respect of individual Directors, their contributions can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings.

The Manager also believes that collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering Ascott Reit in the appropriate direction, as well as the long-term performance of Ascott Reit whether under favourable or challenging market conditions.

Access to Information

Principle 6:

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

An effective and robust Board, whose members engage in open and construction debate to develop and refine proposals on strategy, is fundamental to good corporate governance. In this regard, the Board must be kept well-informed of Ascott Reit's business and affairs and the industry in which Ascott Reit Group operates. The Manager recognises the importance of providing the Board with relevant information on a timely basis prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on Ascott Reit's performance are also provided to the Board on a regular basis.

The Board meets regularly and Board meetings, in general, last up to half a day. At each Board meeting, the CEO provides updates on Ascott Reit's business and operations, as well as financial performance. Presentations in relation to specific business areas are also made by key executives and external consultants or experts; this allows the Board to develop a good understanding of the progress of Ascott Reit's business and also promotes active engagement between the Board and the key executives of the Manager.

As a general rule, Board papers are sent to Board members at least five working days prior to each Board meeting, to allow members of the Board to prepare for the Board meetings and to enable discussions to focus on any questions that they may have.

In line with the Manager's ongoing commitment to limit paper wastage and reduce its carbon footprint, the Manager does not provide printed copies of Board papers. Instead, Directors are provided with tablet devices to enable them to access and read Board and Board Committee papers prior to and in meetings. This initiative also enhances information security as the papers are downloaded to the tablet devices through an encrypted channel.

In addition to providing complete, adequate and timely information to the Board on Board affairs and issues requiring the Board's decision, Management also provides ongoing reports relating to the operational and financial performance of Ascott Reit, such as monthly management reports.

Where appropriate, informal meetings are also held for Management to brief Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought.

The Board has separate and independent access to Management, including the company secretary of the Manager (Company Secretary) at all times. The Company Secretary attends to corporate secretarial administration matters and is the corporate governance advisor on corporate matters to the Board and Management. The Company Secretary attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed. The appointment and the removal of the Company Secretary is subject to the Board's approval. The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, with expenses borne by the Manager.

There were no meetings of the IDs without the presence of other Directors in FY 2017 because no Lead ID is required to be appointed.

The AC also meets the internal and external auditors separately at least once a year, without the presence of the CEO and Management. The Board has unfettered access to any Management staff for any information that it may require.

Through the training framework adopted for the professional development of the Directors, Directors also receive on a regular basis, reading materials on topical matters or subjects and regulatory updates and implications. Where appropriate, Management will also arrange for briefings by industry players or consultants.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7:

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

Level and Mix of Remuneration

Principle 8:

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

Disclosure on Remuneration

Principle 9:

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

The Board is able to undertake the functions of a remuneration committee because:

- (a) the Manager is a dedicated manager to only Ascott Reit and in general, REITs (including Ascott Reit) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and
- (b) the IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role and assures the objectivity and independence of the decision making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of remuneration.

In undertaking this function, the Board oversees the design and implementation of the remuneration policy and the specific remuneration packages for each Director and senior executives including the CEO. No member of the Board, however, will be involved in any decision of the Board relating to his or her own remuneration.

The Board sets the remuneration policies in line with Ascott Reit Group's business strategy and approves the executive compensation framework based on the key principle of linking pay to performance. The Board has access to independent remuneration consultants to advise as required.

In terms of the process adopted by the Manager for developing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager, through an independent remuneration consultant, takes into account compensation benchmarks within the industry, as appropriate. It also considers the compensation framework of CL as a point of reference. The Manager is a subsidiary of CL which also holds a significant

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stake in Ascott Reit. The association with the CL group puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager by allowing its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities. In FY 2017, an independent remuneration consultant, Mercer (Singapore) Pte Ltd (Mercer), was appointed to provide professional advice on Board and executive remuneration. Mercer is a global consulting leader in talent, health, retirement and investments with operations in more than 130 countries and employs more than 22,000 people globally. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors.

The principles governing the Manager's key management personnel remuneration policy are as follows:

Business Alignment

- Focus on generating rental income and enhancing asset value over time so as to maximise returns from investments and ultimately the distributions and total returns to Unitholders
- Provide sound, structured funding to ensure affordability and cost-effectiveness in line with performance goals
- Enhance retention of key talents to build strong organisational capabilities

Motivate Right Behaviour

- Pay for performance – align, differentiate and balance rewards according to multiple dimensions of performance
- Strengthen line-of-sight linking rewards and performance goals

Fair & Appropriate

- Ensure competitive remuneration relative to the appropriate external talent markets
- Manage internal equity such that remuneration systems are viewed as fair
- Significant and appropriate portion of pay-at-risk, taking into account risk policies of Ascott Reit Group, symmetrical with risk outcomes and sensitive to risk time horizon

Effective Implementation

- Maintain rigorous corporate governance standards
- Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations
- Facilitate employee understanding to maximise the value of the remuneration programmes

Remuneration for Key Management Personnel

Remuneration for key management personnel comprises fixed components, variable cash components, Unit-based components and employee benefits:

A. Fixed Components

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund.

B. Variable Cash Components

The variable cash components comprise the Balanced Scorecard Bonus Plan (BSBP) that is linked to the achievement of annual performance targets for each key management personnel as agreed at the beginning of the financial year with the Board.

Under the Balanced Scorecard framework, Ascott Reit Group's strategy and goals are translated into performance outcomes comprising both quantitative and qualitative targets in the dimensions of Financial, Execution, Growth and People; these are cascaded down throughout the organisation, thereby creating alignment across the Ascott Reit Group.

After the close of each year, the Board reviews Ascott Reit Group's achievements against the targets set in the Balanced Scorecard, determines the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends and approves a bonus pool that is commensurate with the performance achieved.

In determining the payout quantum for each key management personnel under the plan, the Board considers the overall business performance and individual performance as well as affordability.

C. Unit-based Components

Unit awards were granted in FY 2017 pursuant to the Ascott Residence Trust Management Limited Performance Unit Plan (PUP) and Ascott Residence Trust Management Limited Restricted Unit Plan (RUP) (together, the Unit Plans), approved by the Board.

The obligation to deliver the Units is expected to be satisfied out of the Units held by the Manager.

Ascott Residence Trust Management Limited Performance Unit Plan

In FY 2017, the Board granted awards which are conditional on targets set for a performance period, currently prescribed to be a three-year performance period. A specified number of Units will only be released to the recipient at the end of the qualifying performance period, provided that minimally the threshold targets are achieved. An initial number of Units (baseline award) is allocated according to the Relative Total Unitholder Return (TUR) of Ascott Reit Group measured as a percentile ranking of Ascott Reit Group's TUR against the REITs in the FTSE ST REIT Index.

The above performance measure has been selected as a key measure of wealth creation for Unitholders. The final number of Units to be released will depend on the achievement of pre-determined targets over the three-year qualifying performance period. No Units will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more Units than the baseline award can be released up to a maximum of 200% of the baseline awards. Recipients will receive fully paid Units at no cost.

In respect of the Unit awards granted in FY 2016 and FY 2017, the respective qualifying periods have not ended as at the date of this Report.

Ascott Residence Trust Management Limited Restricted Unit Plan

In FY 2017, the Board granted awards which are conditional on targets set for a qualifying period, currently prescribed to be a one-year performance period. A specific number of Units will only be released to the recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved. An initial number of Units (baseline award) is allocated according to the following performance conditions:

- Gross profit of Ascott Reit Group
- Distribution per Unit of Ascott Reit Group

The above performance measures have been selected as they are the key drivers of business performance and are aligned to unitholder value. The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the one-year qualifying performance period and the release will be over a vesting period of three years. No Units will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more Units than the baseline award can be delivered up to a maximum of 150% of the baseline award. Recipients can receive fully paid Units, their equivalent cash value or combinations thereof, at no cost.

In respect of the award granted in FY 2017, based on the Board's assessment that the performance achieved by the Ascott Reit Group has partially met the pre-determined performance targets for the qualifying performance period of FY 2017, the resulting number of Units released has been adjusted accordingly to reflect the performance level.

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To further promote alignment of Management's interests with that of Unitholders, the Board has approved unit ownership guidelines for senior management to instill stronger identification by senior executives with the longer-term performance and growth of Ascott Reit Group. Under these guidelines, senior management participants are required to retain a prescribed proportion of Ascott Reit's Units received under the Unit Plans.

D. Employee Benefits

The benefits provided are comparable with local market practices.

The remuneration for the CEO in bands of S\$250,000, and a breakdown of the remuneration of the CEO and other key management personnel of the Manager in percentage terms, are provided in the Key Management Personnel's Remuneration Table on page 47 of this Annual Report.

At present, there are only three key management personnel of the Manager (including the CEO). The Manager outsources various other services to a wholly owned subsidiary of CL (CL subsidiary). The CL Subsidiary provides the services through its employees (Outsourced Personnel). This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of Ascott Reit from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of such Outsourced Personnel, being employees of the CL subsidiary, is not included as part of the disclosure of remuneration of key management personnel of the Manager in this Report.

The Manager has decided (a) to disclose the CEO's remuneration in bands of S\$250,000 (instead of on a quantum basis), and (b) not to disclose the remuneration of the other key management personnel of the Manager (whether in bands of S\$250,000 or otherwise). In arriving at its decision, it took into account the commercial sensitivity and confidential nature of remuneration matters. The Manager is of the view that disclosure in such manner is not prejudicial to the interests of Unitholders as the indicative range for the CEO's remuneration, as well as the total remuneration for the CEO and other key management personnel of the Manager, is made known to Unitholders, and sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between Ascott Reit's performance and the remuneration of the CEO and other key management personnel. In addition, the remuneration of the CEO and other key management personnel of the Manager is paid out of the fees (the quantum and basis of which have been disclosed) that the Manager receives, rather than borne by Ascott Reit.

The Board seeks to ensure that the remuneration paid to the CEO and other key management personnel of the Manager are strongly linked to the achievement of business and individual performance targets. The performance targets approved by the Board are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short- and longer-term quantifiable objectives.

In FY 2017, there were no termination, retirement or post-employment benefits granted to Directors, the CEO and other key management personnel of the Manager. There was also no special retirement plan, 'golden parachute' or special severance package for any of the key management personnel of the Manager.

There were no employees of the Manager who were immediate family members of a Director or the CEO in FY 2017. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

Non-executive Director Remuneration

The Directors' fees for FY 2017 are shown on page 37 of this Annual Report. The CEO as an executive director does not receive any fees for serving as a Director. Instead, she is remunerated as part of the key management personnel of the Manager. Directors' fees are a fixed sum and generally comprise a basic retainer fee as a Director, an additional fee for serving on any of the Board Committees and an attendance fee for participation in meetings of the Board and any of the Board Committees, project meetings and verification meetings. The framework for Directors' fees remains unchanged from that for the previous financial year.

The compensation package is market benchmarked, taking into account the responsibilities on the part of the Directors in light of the scope and nature of Ascott Reit Group's business.

Non-executive Directors (save for Directors who are employees of CL) receive Directors' fees which are payable by way of cash and Units. The Manager believes that the payment of a portion of the Directors' fees in Units will serve to align the interests of such Directors with that of Unitholders and Ascott Reit's long-term growth and value. In order to encourage the alignment of the interests of the non-executive Directors with that of Unitholders, a non-executive Director is required to hold Units worth at least one year of his or her basic retainer fee or the total number of Units awarded under the above policy, whichever is lower, at all times during his or her Board tenure.

Directors' Fees ^{1,2}		
Board Members	FY 2017	FY 2016
Tan Beng Hai, Bob	S\$116,000	S\$89,667 ³
Lim Ming Yan	N.A. ⁴	N.A. ⁴
Tay Boon Hwee, Ronald ⁵	N.A.	N.A.
Beh Siew Kim ⁶	N.A.	N.A.
Zulkifli Bin Baharudin	S\$82,400	S\$78,000
Sim Juat Quee Michael Gabriel	S\$95,000	S\$30,000 ⁷
Elaine Carole Young	S\$110,000	S\$35,000 ⁷
Lee Chee Koon	N.A. ⁴	N.A. ⁴

N.A.: Not Applicable.

- Inclusive of attendance fees of (a) S\$2,000 (local meeting) and S\$5,000 (overseas meeting) per meeting attendance in person, (b) S\$1,700 per meeting attendance via audio or video conference, (c) S\$1,000 per meeting attendance in person at project and verification meetings, and (d) S\$500 per meeting attendance via audio or video conference at project and verification meetings. Attendance fees at project and verification meetings are subject to a maximum of S\$10,000 per Director per annum.
- Each non-executive Director shall receive up to 20% of his or her Director's fees in the form of Units (subject to truncation adjustments). The remainder of the Director's fees shall be paid in cash. No new Units will be issued for this purpose as these Units will be paid by the Manager from the Units it holds.
- Mr Tan Beng Hai, Bob was appointed as Chairman of the Board and the Corporate Disclosure Committee on 1 September 2016. Prior to these appointments, he was a member of the Audit Committee.
- Non-executive Directors who are employees of CL do not receive Directors' fees.
- Mr Tay Boon Hwee, Ronald stepped down as the CEO and Executive Director and ceased to be a member of the Corporate Disclosure Committee and the Executive Committee with effect from 1 May 2017.
- Ms Beh Siew Kim was appointed as the CEO, Executive Director and a member of the Corporate Disclosure Committee and the Executive Committee with effect from 1 May 2017.
- Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young were appointed as non-executive Independent Directors with effect from 1 September 2016. Mr Sim and Ms Young were also appointed as Chairman and a member of the Audit Committee, respectively with effect from 1 September 2016.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10:

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

The Manager provides Unitholders with quarterly and annual financial statements within the relevant periods prescribed by the Listing Manual after they are reviewed by the AC and approved by the Board. These financial statements are accompanied by news releases issued to the media and which are also posted on the SGXNet. In presenting the quarterly and annual financial statements to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of Ascott Reit's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a monthly basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of Ascott Reit's financial performance, position and prospects.

In addition, the Manager also keeps the Unitholders, stakeholders and analysts informed of the performance and changes in Ascott Reit or its business which would be likely to materially affect the price or value of the Units on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions.

The Manager believes in conducting itself in ways that seek to deliver maximum sustainable value to Unitholders. Best practices are promoted as a means to build an excellent business for Unitholders and the Manager is accountable to Unitholders for Ascott Reit's performance. Prompt fulfilment of statutory and regulatory reporting requirements is but one way to maintain Unitholders' confidence and trust in the capability and integrity of the Manager.

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Risk Management and Internal Controls

Principle 11:

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

The Manager has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Unitholders' interests and Ascott Reit's assets.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems. The AC assists the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies for Ascott Reit Group.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

- (a) makes recommendations to the Board on Risk Appetite Statement (RAS) for Ascott Reit Group;
- (b) assesses the adequacy and effectiveness of the risk management and internal controls systems established by the Manager to manage risks;
- (c) oversees Management in the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with Ascott Reit Group's risk appetite and reports to the Board on its decisions on any material matters concerning the aforementioned;
- (d) makes the necessary recommendations to the Board such that an opinion relating to the adequacy and effectiveness of the risk management and internal controls system can be made by the Board in the annual report of Ascott Reit in accordance with the Listing Manual and the Code; and
- (e) considers and advises on risk matters referred to it by Management or the Board including reviewing and reporting to the Board on any material breaches of the RAS, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

The Manager adopts an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually.

The Manager consistently seeks to improve and strengthen its ERM Framework. As part of the ERM Framework, the Manager, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) annually. As a result of the RCSA, the Manager produces and maintains a risk register which identifies the material risks the Ascott Reit Group faces and the corresponding internal controls it has in place to mitigate those risks. The material risks are reviewed annually by the AC and the Board. The AC also reviews the approach of identifying and assessing risks and internal controls in the risk register. The system of risk management and internal controls is reviewed and, where appropriate, refined regularly by the Manager, the AC and the Board. Where relevant, reference is made to the best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

The Manager has established an approach on how risk appetite is defined, monitored and reviewed for Ascott Reit Group. Approved by the Board, Ascott Reit Group's RAS addresses the management of material risks faced by Ascott Reit Group. Alignment of Ascott Reit Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms put in place across the various functions within the Manager.

More information on the Manager's ERM Framework can be found in the Enterprise Risk Management section on pages 48 to 50 of this Annual Report.

The internal and external auditors conduct audits that involve testing the adequacy and effectiveness of the material internal controls addressing financial, operational, compliance and IT risks. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in

internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The adequacy and effectiveness of the measures taken by the Manager in response to the recommendations made by the internal and external auditors are also reviewed by the AC.

The Board has received assurance from the CEO and the Vice President, Finance (VP Finance) of the Manager that:

- (a) the financial records of Ascott Reit Group have been properly maintained and the financial statements for FY 2017 give a true and fair view of Ascott Reit Group's operations and finances; and
- (b) the system of risk management and internal controls in place for Ascott Reit Group is adequate and effective to address the financial, operational, compliance and IT risks which the Manager considers relevant and material to the current business environment.

The CEO and the VP Finance of the Manager have obtained similar assurances from the respective risk and control owners.

In addition, in FY 2017, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders, as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and VP Finance of the Manager, the Board concurs with the recommendation of the AC and is of the opinion, that Ascott Reit Group's system of risk management and internal controls is adequate and effective to address the financial, operational, compliance and IT risks which the Manager considers relevant and material to the current business environment as at 31 December 2017.

The Board notes that the system of risk management and internal controls established by the Manager provides reasonable assurance that Ascott Reit Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

Audit Committee

Principle 12:

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

At present, the AC comprises four non-executive Directors, the majority of whom (including the Chairman of the AC) are IDs. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains; in particular the Chairman of the AC is a Fellow of the Institute of Singapore Chartered Accountants, among other professional affiliations. None of the AC members was previously a partner of the incumbent external auditors, KPMG LLP (KPMG), within the previous 12 months, nor does any of the AC members hold any financial interest in KPMG.

The AC has explicit authority to investigate any matter within its terms of reference. Management is required to provide the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the AC.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

- (a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of Ascott Reit Group, and any announcements relating to Ascott Reit Group's financial performance;
- (b) reviews and reports to the Board at least annually on the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and IT controls, and risk management systems;
- (c) reviews the adequacy and effectiveness of the Manager's internal audit and compliance functions;
- (d) reviews the scope and results of the external audit and independence and objectivity of the external auditors;
- (e) makes recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration of the external auditors;

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- (f) reviews and approves processes to regulate transactions involving an Interested Person (as defined in Chapter 9 of the Listing Manual) and/or Interested Party (as defined in the Property Funds Appendix) (each, an Interested Person) and Ascott Reit and/or its subsidiaries (Interested Person Transactions), to ensure compliance with the applicable regulations. The regulations include the requirement that Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of Ascott Reit and its minority Unitholders. In respect of any property management agreement which is an Interested Person Transaction, the AC also carries out reviews at appropriate intervals to satisfy itself that the Manager has reviewed the relevant property manager's compliance with the terms of the property management agreement and has taken remedial actions where necessary; and
- (g) reviews the whistle-blowing policy and arrangements by which employees of the Manager and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2017 and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The aggregate amount of fees paid and payable to the external auditors for FY 2017 was approximately S\$2,624,000, of which audit fees amounted to approximately S\$2,380,000 and non-audit fees amounted to approximately S\$244,000.

In FY 2017, the AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

In its review of the financial statements of Ascott Reit Group for FY 2017, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, among other matters, the following significant matters identified by external auditors for the financial year ended 31 December 2017.

Key Audit Matter	How these issues were addressed by AC
Valuation of serviced residence properties	<p>The AC reviewed the outcomes of the half-yearly valuation process and discussed the details of the valuation with Management, focusing on properties which registered higher fair value gains/losses during the period under review.</p> <p>The AC considered the findings of the external auditor, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation of serviced residence properties.</p> <p>The AC was satisfied with the valuation process, the methodologies used and the valuation for serviced residence properties as adopted and disclosed in the financial statements.</p>
Accounting for significant acquisitions	<p>The AC reviewed Ascott Reit Group's processes on the identification, classification and accounting for the significant acquisitions. Management presented to the AC the basis applied in determining that the acquisitions are appropriately accounted as an acquisition of asset.</p> <p>The AC considered the findings of the external auditor, including Ascott Reit Group's processes for the classification and determination of the accounting for the significant acquisitions.</p> <p>The AC was satisfied with the accounting and disclosures in the financial statements for Ascott Reit Group's significant acquisitions.</p>

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC in its meetings.

The Manager confirms, on behalf of Ascott Reit, that Ascott Reit complies with Rule 712 and Rule 715 of the Listing Manual.

Internal Audit

Principle 13:

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

The Manager has in place an internal audit function supported by CL's Internal Audit Department (CL IA) which reports directly to the AC and administratively to the CEO. The AC is of the view that the internal audit function performed by CL IA is adequately resourced and has appropriate standing within Ascott Reit Group. CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. The AC also meets with CL IA at least once a year without the presence of Management. CL IA has unfettered access to the Manager's documents, records, properties and employees, including access to the AC.

CL IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the United States of America. CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA, and has incorporated these Standards into its audit practices. With respect to FY 2017, the AC has reviewed and is satisfied as to the adequacy and effectiveness of the IA function.

To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CL IA staff who are involved in IT audits are Certified Information System Auditors and members of the Information System Audit and Control Association (ISACA) in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits.

CL IA identifies and provides training and development opportunities for its staff to ensure that their technical knowledge and skill sets remain current and relevant.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14:

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

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate Unitholder, through its appointed representative). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two-proxy limitation, and are able to appoint more than two proxies to attend, speak and vote at general meetings of Ascott Reit.

More information on Unitholder participation in general meetings can be found in the section on Principle 16: Conduct of Shareholder Meetings of this Report.

Communication with Shareholders

Principle 15:

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

The Manager is committed to keeping all Unitholders and other stakeholders and analysts informed of the performance and changes in Ascott Reit or its business which would be likely to materially affect the price or value of the Units, on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions.

The Manager has in place an Investor Relations and Group Communications team which facilitates effective communication with Unitholders, analysts, fund managers and the media.

CORPORATE GOVERNANCE

The Manager actively engages with Unitholders and has put in place an Investor Relations Policy (Policy) to promote regular, effective and fair communications with Unitholders. The Policy is available on Ascott Reit's website at www.ascottreit.com.

The Board has established the CDC which assists the Board in the discharge of its function to meet the obligations arising under the laws and regulations of Singapore relating to and to conform to best practices in the corporate disclosure and compliance process. The views and approval of the CDC were sought throughout the year through emails on various announcements and news releases.

More information on the Manager's investor relations with Unitholders can be found in the Investor Relations section on pages 51 to 53 of this Annual Report and the Policy which is available on Ascott Reit's website.

Ascott Reit's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties or shares by Ascott Reit which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion. Distributions are generally paid within 35 market days after the relevant books closure date.

Conduct of Shareholder Meetings

Principle 16:

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

The Manager supports the principle of encouraging Unitholders' participation and voting at general meetings. Unitholders receive a CD-ROM containing the Ascott Reit annual report (printed copies are available upon request) and notice of the annual general meeting. As and when an extraordinary general meeting is to be held, Unitholders will receive a copy of the circular which contains details of the matters to be proposed for Unitholders' consideration and approval. Notices of the general meetings are also advertised in the press and issued on SGXNet. The requisite notice period for general meeting is adhered to. All Unitholders are given the opportunity to participate effectively in and vote at general meetings.

At general meetings, Unitholders are encouraged to communicate their views and discuss with the Board and Management matters affecting Ascott Reit. Representatives of the Trustee, Directors (including the chairpersons of the Board and the AC), the Manager's senior management and the external auditors of Ascott Reit, would usually be present at general meetings to address any queries from Unitholders.

All the Directors attended the general meetings held in FY 2017. A record of the Directors' attendance at the general meetings can be found in the records of their attendance of meetings set out on page 47 of this Annual Report.

To safeguard Unitholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect Unitholders' interests, the Manager conducts electronic poll voting for all the resolutions proposed at the general meetings. Voting procedures are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to Unitholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings. Voting in absentia and by email, which are currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Minutes of the general meetings recording the substantial and relevant comments made and questions raised by Unitholders are prepared and are available to Unitholders for their inspection upon request. Minutes of the annual general meetings are also available on Ascott Reit's website.

Unitholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting Ascott Reit after the general meetings.

(E) ADDITIONAL INFORMATION

Executive Committee

Apart from the AC and CDC, the Board has also established an EC.

The EC oversees the day-to-day activities of the Manager and that of Ascott Reit, on behalf of the Board. The EC is guided by its terms of reference, in particular, the EC:

- (a) reviews, endorses and recommends to the Board strategic directions and management policies of the Manager in respect of Ascott Reit;
- (b) oversees operational, investment and divestment matters within approved financial limits; and
- (c) reviews management reports and operating budgets.

The members of the EC also meet informally during the course of the year.

Dealings with Interested Persons

Review Procedures for Interested Person Transactions

The Manager has established internal control procedures to ensure that all Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties, and are not prejudicial to the interests of Ascott Reit and Unitholders. In respect of such transactions, the Manager would have to demonstrate to the AC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of Ascott Reit and Unitholders which may include obtaining (where practicable) third party quotations or obtaining valuations from independent valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix). The internal control procedures also ensure compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

In particular, the procedures in place include the following:

Interested Person Transactions ¹	Approving Authority, Procedures and Disclosure
<p>SS\$100,000 and above per transaction (which singly, or when aggregated with other transactions² with the same Interested Person in the same financial year is less than 3.0% of Ascott Reit's latest audited net tangible assets/net asset value)</p>	<ul style="list-style-type: none"> • Audit Committee
<p>Transaction² which:</p> <ul style="list-style-type: none"> (a) is equal to or exceeds 3.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions² with the same Interested Person in the same financial year is equal to or exceeds 3.0% of Ascott Reit's latest audited net tangible assets/net asset value 	<ul style="list-style-type: none"> • Audit Committee • Immediate announcement
<p>Transaction² which:</p> <ul style="list-style-type: none"> (a) is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions^{2,3} with the same Interested Person in the same financial year is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value 	<ul style="list-style-type: none"> • Audit Committee • Immediate announcement • Unitholders³

Notes:

- 1 This table does not include the procedures applicable to interested person transactions falling under the exceptions set out in Rules 915 and 916 of the Listing Manual.
- 2 Any transaction of less than SS\$100,000 in value is disregarded.
- 3 In relation to approval by Unitholders for transactions that are equal to or exceed 5.0% of Ascott Reit's latest audited net tangible assets/net asset value (whether singly or aggregated), any transaction which has been approved by Unitholders, or is the subject of aggregation with another transaction that has been approved by Unitholders, need not be included in any subsequent aggregation.

CORPORATE GOVERNANCE

Role of the Audit Committee for Interested Person Transactions

The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted at arm's length and on normal commercial terms, and are not prejudicial to Ascott Reit and Unitholders' interests.

The Manager maintains a register to record all Interested Person Transactions which are entered into by Ascott Reit (and the basis on which they are entered into, including the quotations obtained to support such basis). All Interested Person Transactions are subject to regular periodic reviews by the AC, which in turn obtains advice from CL IA, to ascertain that the guidelines and procedures established to monitor Interested Person Transactions, including the relevant provisions of the Listing Manual and the Property Funds Appendix, as well as any other guidelines which may from time to time be prescribed by the SGX-ST, MAS or other relevant authorities, have been complied with. The review includes an examination of the nature of the transaction and its supporting documents or such other information deemed necessary by the AC. If a member of the AC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Details of all Interested Person Transactions (equal to or exceeding S\$100,000 each in value) entered into by Ascott Reit in FY 2017 are disclosed on page 229 of this Annual Report.

Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, executive officers and employees) may encounter in managing Ascott Reit:

- (a) the Manager will not manage any other REIT or be involved in any other real property business;
- (b) all resolutions at meetings of the Board in relation to matters concerning Ascott Reit must be decided by a majority vote of the Directors, including at least one ID;
- (c) in respect of matters in which CL and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CL and/or its subsidiaries to the Board will abstain from voting. In such matters, the quorum must comprise a majority of IDs and shall exclude such nominee Directors of CL and/or its subsidiaries;
- (d) in respect of matters in which a Director or his associates have an interest, whether direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and shall exclude such interested Director(s);
- (e) if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Ascott Reit with an affiliate of the Manager, the Manager is obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Ascott Reit, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement; and
- (f) at least one-third of the Board shall comprise IDs.

Additionally, Ascott Reit has been granted a right of first refusal by The Ascott Limited (Ascott) which is a wholly owned subsidiary of CL over any proposed sale of (a) any properties that are used, or predominantly used, as serviced residences or rental housing properties in Europe and the Pan-Asian region (including those under the "Ascott", "Somerset" and "Citadines" brands) and (b) any shares or equity interests in single-purpose corporations which hold such properties (each a Relevant Asset), by Ascott, its related fund or any of its wholly owned subsidiaries (each an Ascott entity), for so long as the Manager remains the manager of Ascott Reit and Ascott and/or any of its related corporations remain a shareholder of the Manager. Consequently, if an Ascott entity proposes to dispose of a Relevant Asset to an unrelated third party, or if a proposed offer of a Relevant Asset is made to an Ascott entity, Ascott is required to grant to Ascott Reit the first right to acquire the Relevant Asset for the benefit of Ascott Reit.

In respect of voting rights where the Manager would face a conflict between its own interests and that of Unitholders, the Manager shall cause such voting rights to be exercised according to the discretion of the Trustee.

Dealings in Securities

The Manager has devised and adopted a securities dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Manager has issued guidelines to its Directors and employees as well as certain relevant executives of the CL group, which set out prohibitions against dealings in Ascott Reit Group's securities (i) while in possession of material unpublished price sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of, Ascott Reit's financial statements for each of the first three quarters of Ascott Reit's financial year, and (iii) during the one month immediately preceding, and up to the time of the announcement of, Ascott Reit's financial statements for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Manager as well as certain relevant executives of the CL group to inform them of the duration of the period. The Manager will also not deal in Ascott Reit Group's securities during the same period. In addition, employees and Capital Markets Services Licence Appointed Representatives of the Manager are required to give pre-trading notification to the CEO and the Compliance department before any dealing in Ascott Reit Group's securities.

Directors and employees of the Manager as well as certain relevant executives of the CL group are also prohibited from dealing in securities of Ascott Reit Group if they are in possession of unpublished price sensitive information of Ascott Reit Group by virtue of their status as Directors and/or employees. As and when appropriate, they would be issued an advisory to refrain from dealing in Ascott Reit Group's securities.

Under the policy, Directors and employees of the Manager as well as certain relevant executives of the CL group are also discouraged from trading on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

(F) CODE OF BUSINESS CONDUCT

The Manager adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published on CL's intranet, which is accessible by all employees of the Manager.

The policies that the Manager has implemented aim to help to detect and prevent occupational fraud in three main ways.

First, the Manager offers fair compensation packages, based on the practice of pay-for-performance and promotion based on merit to its employees. The Manager also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees face.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

CORPORATE GOVERNANCE

Bribery and Corruption Prevention Policy

The Manager adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are required to make a declaration on an annual basis where they pledge to uphold the Manager's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings.

The Manager's zero tolerance policy towards bribery and corruption extends to its business dealings with third parties. Pursuant to this policy, the Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

Whistle-Blowing Policy

A whistle-blowing policy and other procedures are put in place to provide employees of the Manager and parties who have dealings with the Manager with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the extent possible, be protected from reprisal.

Anti-Money Laundering and Countering the Financing of Terrorism Measures

As a holder of a Capital Markets Services licence issued by MAS, the Manager abides by the MAS' guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

- (a) evaluation of risk;
- (b) customer due diligence;
- (c) suspicious transaction reporting;
- (d) record keeping;
- (e) employee screening and representative screening; and
- (f) training.

The Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

Under this policy, the Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and representatives of the Manager are also screened against various lists of terrorist suspects issued by MAS. Periodic training is provided by the Manager to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations, the prevailing techniques and trends in money laundering and terrorist financing and the measures adopted by the Manager to combat money laundering and terrorist financing.

Composition and Attendance Record of Meetings						
Board Members	Composition			Attendance Record of Meetings in FY 2017		
	Audit Committee	Corporate Disclosure Committee [#]	Executive Committee [#]	Board	Audit Committee	General Meetings
				Number of Meetings Held: 6	Number of Meetings Held: 4	Number of Meetings Held: 2
Tan Beng Hai, Bob Chairman	–	Chairman	–	6 out of 6	N.A.	2 out of 2
Lim Ming Yan Deputy Chairman	–	–	Chairman	6 out of 6	N.A.	2 out of 2
Tay Boon Hwee, Ronald ¹	–	Member	Member	2 out of 2	N.A.	2 out of 2
Beh Siew Kim ² CEO	–	Member	Member	4 out of 4	N.A.	2 out of 2
Zulkifli Bin Baharudin	Member	–	–	6 out of 6	4 out of 4	2 out of 2
Sim Juat Quee Michael Gabriel	Chairman	–	–	6 out of 6	4 out of 4	2 out of 2
Elaine Carole Young	Member	–	–	6 out of 6	4 out of 4	2 out of 2
Lee Chee Koon	–	Member	Member	6 out of 6	N.A.	2 out of 2
Lim Cho Pin Andrew Geoffrey ³	Member	–	Member	N.A.	N.A.	N.A.

Given the nature and scope of the work of CDC and EC, their business was discussed/transacted primarily through conference calls, correspondence and informal meetings.

N.A.: Not Applicable.

- 1 Mr Tay Boon Hwee, Ronald stepped down as the CEO and Executive Director and ceased to be a member of the Corporate Disclosure Committee and the Executive Committee with effect from 1 May 2017.
- 2 Ms Beh Siew Kim was appointed as the CEO, Executive Director and a member of the Corporate Disclosure Committee and the Executive Committee with effect from 1 May 2017.
- 3 Mr Lim Cho Pin Andrew Geoffrey was appointed as non-executive non-independent Director and a member of the Audit Committee and the Executive Committee with effect from 1 January 2018.

Key Management Personnel's Remuneration Table for the Financial Year Ended 31 December 2017				
Total Remuneration Bands	Salary inclusive of AWS and employer's CPF	Bonus and Other Benefits inclusive of employer's CPF ¹	Award of Units ²	Total
Above S\$750,000 to S\$1,000,000				
Beh Siew Kim ³ <i>(for the period from 1 March 2017 to 31 December 2017)</i>	39%	39%	22%	100%
Above S\$250,000 to S\$500,000				
Tay Boon Hwee, Ronald <i>(for the period from 1 January 2017 to 30 April 2017)</i>	42%	58%	–	100%
Key Officers⁴				
Kang Siew Fong				
Chong Yi Juan Alicia <i>(for the period from 1 January 2017 to 31 December 2017)</i>	55%	35%	10%	100%
Total for CEO and Key Officers				S\$1,789,512

1 The amounts disclosed include bonuses earned and the other incentive plans which have been accrued for in FY 2017.

2 The proportion of value of Units awards is based on the fair value of the Units comprised in the contingent awards under the Ascott Residence Trust Management Limited Restricted Unit Plan (RUP) and the Ascott Residence Trust Management Limited Performance Unit Plan (PUP) at the time of grant in FY 2017. The final number of Units released under the contingent awards of Units for RUP and PUP will depend on the achievement of pre-determined targets and subject to the respective vesting period under the RUP and the PUP.

3 Ms Beh Siew Kim was appointment Deputy CEO with effect from 1 March 2017. She was appointed as CEO with effect from 1 May 2017.

4 The remuneration of Mr Chua Chi Boon as Head, Investment and Asset Management, was borne by CL and/or its subsidiaries (other than the Manager), to which the Manager outsources the Investment and Asset Management functions, among others. Ms Leng Tong Yan was appointed as Manager, Investor Relations with effect from 1 January 2018.

ENTERPRISE RISK MANAGEMENT

Risk management is an integral part of Ascott Reit’s business at both the strategic and operational levels. A proactive approach towards risk management supports the attainment of Ascott Reit’s business objective and corporate strategy, thereby creating and preserving value.

The Manager of Ascott Reit (Manager) recognises that risk management is just as much about opportunities as it is about threats. To capitalise on opportunities, the Manager has to take measured risks. Risk management is not about pursuing risk minimisation as a goal, but rather optimising the risk-reward relationship within known and agreed risk appetite levels. The Manager therefore takes risks in a prudent manner for justifiable business reasons.

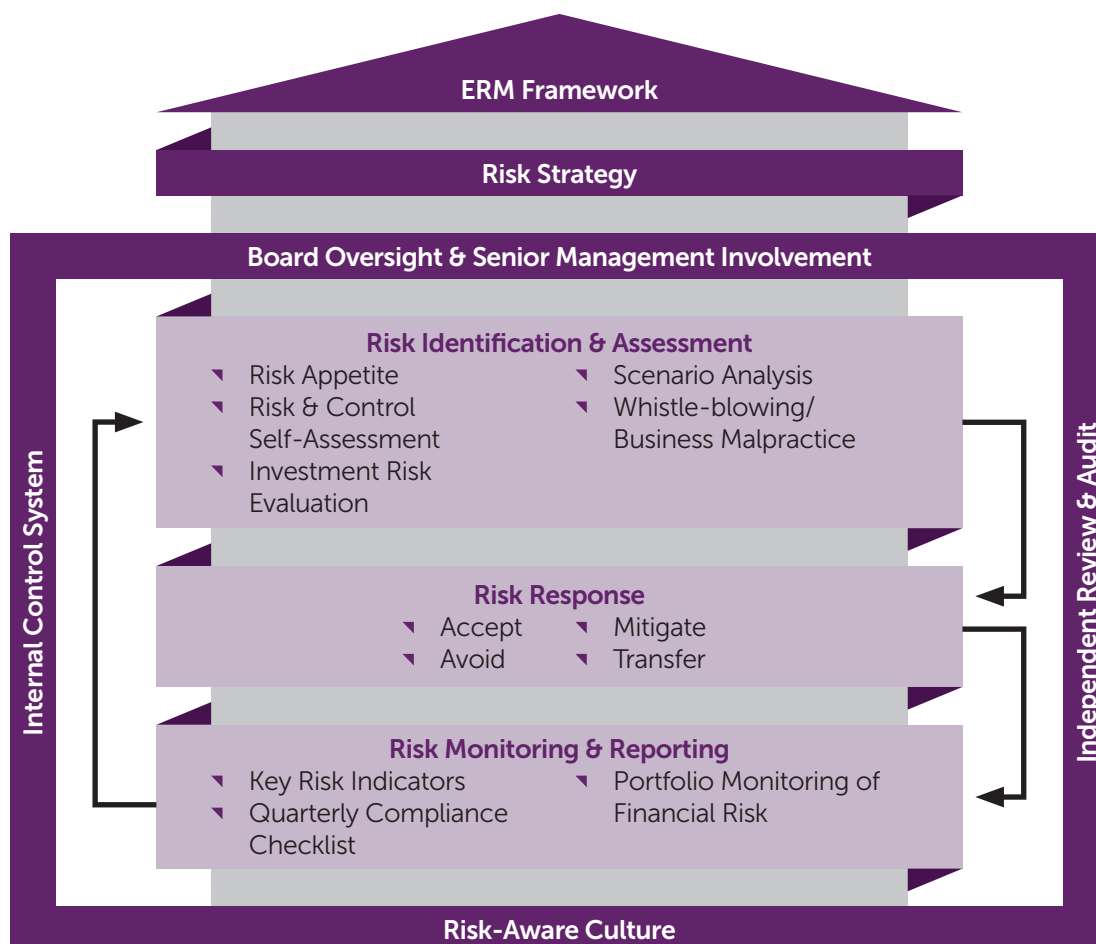
The Board of Directors of the Manager (Board) is responsible for the governance of risk across Ascott Reit. The responsibilities include determining Ascott Reit’s risk appetite, overseeing Ascott Reit’s Enterprise Risk Management (ERM) Framework, regularly reviewing Ascott Reit’s risk profile, material risks and mitigation strategies,

and ensuring the adequacy and effectiveness of the risk management framework and policies. For these purposes, it is assisted by the Audit Committee (AC) which provides oversight of risk management.

The AC currently comprises three independent and one non-independent board members. AC meetings are held quarterly together with the Chief Executive Officer (CEO) as well as other key management staff.

The Board approves Ascott Reit’s risk appetite which determines the nature and extent of material risks that the Manager is willing to take to achieve Ascott Reit’s strategic and business objectives. The Ascott Reit’s Risk Appetite Statement (RAS), is expressed via formal, high-level and overarching statements and accompanying risk limits which determine specific risk boundaries established at the operational level. Having considered key stakeholders’ interests, the RAS sets out explicit and forward-looking views of Ascott Reit’s desired risk profile and is aligned with Ascott Reit’s strategy and business plans.

ENTERPRISE RISK MANAGEMENT FRAMEWORK



Ascott Reit's ERM Framework is adapted from the International Organization for Standardization (ISO) 31000 International Risk Management Standards. It also takes reference from the Committee of Sponsoring Organizations of the Threadway Commission (COSO) Internal Control-Integrated Framework and other relevant best practices and guidelines. It sets out the required environmental and organisational components which enable the Manager to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually and have been validated by external consultants.

A robust internal control system and an effective, independent review and audit process are the twin pillars that underpin Ascott Reit's ERM Framework. While the line management is responsible for the design and implementation of effective internal controls using a risk-based approach, the outsourced Internal Audit function from CapitalLand Limited (CapitalLand) reviews such design and implementation to provide reasonable assurance to the AC on the adequacy and effectiveness of the internal control system.

The Manager believes that having the right risk culture and people with the right attitude, values and knowledge are fundamental to Ascott Reit's success of ERM. Therefore, the Manager works closely with CapitalLand's Risk Assessment Group to continue to proactively enhance risk management knowledge by conducting regular workshops for all levels and functions, and to promote a culture of risk awareness which embeds risk management principles in decision-making and business processes.

Annually, the Manager facilitates and coordinates the Ascott Reit's Risk and Control Self-Assessment (RCSA) exercise that requires respective risk and control owners to proactively identify, assess and document material risks as well as the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed by the Manager before they are presented to AC and the Board.

MANAGING MATERIAL RISKS

The Manager undertakes an iterative and comprehensive approach to identifying, managing, monitoring and reporting material risks across the Ascott Reit. Such material risks include:

Acts of God and Pandemic Events

Natural disasters, catastrophes and pandemic events are beyond the Manager's control. Such events may significantly damage Ascott Reit's properties, adversely affect the economy and livelihood of the people in those countries or regions and could severely disrupt Ascott

Reit's business operations. The Manager manages such risks by having a geographically diversified portfolio. In addition, the Manager has in place a business continuity plan to respond to any disruption, and each property has standard operating procedures for crisis management and adequate insurance coverage.

Competition Risk

Ascott Reit faces keen competition from other real estate companies, investors and managers of real estate assets, as well as new market entrants in the serviced residence market. The Manager adopts a relentless approach to strengthening its competitiveness through high-quality products and services, product differentiation, speed to market, asset enhancement initiatives and branding. The Manager also adopts active asset management to improve the profitability of Ascott Reit.

Economic Risk

Ascott Reit operates in various countries around the world and is exposed to key financial and property market developments in these regions. These developments may reduce revenue, increase costs and result in downward revaluation of Ascott Reit's assets. Market illiquidity during a financial crisis makes asset divestment challenging and this can affect Ascott Reit's investment and strategic objectives. The Manager manages this by adopting a disciplined approach to financial management, having a diversified portfolio across geographies, and focusing on cities where Ascott Reit or its sponsor, Ascott, has operational scale and where underlying economic fundamentals are more robust.

Financial Risks

Ascott Reit is exposed to financial risks including liquidity, foreign currency and interest rate risks. The Manager measures and evaluates these financial risks, and continues to focus on instilling financial discipline and maintaining a strong balance sheet. For more information on Ascott Reit's Financial Risk Management, please refer to the "Financial Risk Management" section on Page 193 of this Annual Report.

Fraud & Corruption Risk

The Manager is committed to the highest standards of integrity as this is one of its core values, and it has no tolerance for any fraud, corruption or bribery in the conduct of its business activities. Consistent with this commitment, the Manager has in place an employee code of conduct and an anti-corruption policy. The anti-corruption policy reiterates the Senior Management's strong stance against corruption and bribery. Every year, employees sign a pledge to renew their commitment to uphold the Group's core values. It also has a whistle-blowing policy to encourage the reporting of suspected misconduct by establishing a clearly defined process through which such reports can be made in confidence and without fear of reprisal.

ENTERPRISE RISK MANAGEMENT

Information Technology (IT) Risk

With increased reliance on Information Technology (IT) as a business enabler, the outsourced IT team from CapitaLand has in place policies and procedures which set out the governance and controls of IT risks, including cyber risks. Appropriate measures are in place to ensure the confidentiality, integrity and availability of Ascott Reit's information assets. This includes implementing access controls; building up data security; raising employees' IT security awareness through activities such as phishing campaigns, and conducting IT disaster recovery exercise annually to ensure business recovery objectives are met.

Investment & Divestment Risk

The Manager has established procedures to be followed when making investment and divestment decisions. To ensure that the potential returns of new investments commensurate with the risks undertaken, the investment and divestment proposals are weighed against a rigorous set of criteria, which includes potential for value creation and DPU accretion.

All major investment and divestment decisions are reviewed and approved by the Board. The Manager conducts due diligence reviews in relation to any investment or divestment proposal. Where necessary, third-party consultants with the requisite expertise are engaged to assist in the due diligence review. Each major investment or divestment proposal must also include a risk assessment, as well as sensitivity analysis and proposed risk mitigation measures or control strategies where appropriate.

Physical Security and Business Interruption Risks

Global terrorism has become a growing threat for Ascott Reit's business operations. Inadequate physical security controls could cause serious loss or damage to Ascott Reit's properties or compromise the safety of Ascott Reit's guests and operations staff. In addition to the standard operating procedures for crisis management that are in place at each property, security safety measures at the properties are being reviewed and enhanced on a regular basis. The properties also embark on heightening anti-terrorism awareness among its operations staff.

Ascott Reit is also exposed to business interruption risk arising from sudden and major disaster events. Events such as terrorists attacks, fire, prolonged power outages or other major infrastructure or equipment failures may significantly disrupt operation at the properties. To address this risk, the Manager has in place a business continuity plan to respond to any disruption and also procures adequate property damage and business interruption insurance coverage. In addition, the outsourced IT team from CapitaLand has a defined disaster recovery plan which is reviewed and tested annually.

Political & Policy Risks

Ascott Reit is exposed to various levels of political and policy risks such as political leadership uncertainty, inconsistency in public policies, social unrest, change in property-related regulations, etc in the markets that it operates in. Such risks may threaten the economic and sociopolitical environment which may, in turn, affect the financial viability of Ascott Reit's investments. To mitigate these risks, investments are diversified geographically. Overseas operations are managed by experienced management teams with support from local teams who are familiar with the local conditions and cultures.

Regulatory & Compliance Risk

Ascott Reit, which has a global operating platform, is subject to applicable and relevant legislation and regulations of the various markets it operates in. These include applicable listing, data privacy, anti-corruption and tax laws and regulations. The Manager has in place a robust framework that proactively identifies applicable laws and regulatory obligations and legal updates, and embeds compliance into its day-to-day operations.

INVESTOR RELATIONS

Ascott Residence Trust (Ascott Reit) is committed to and adopts a proactive approach towards timely, effective, unbiased and transparent communication to our various stakeholders on a regular basis. The Investor Relations Policy states Ascott Reit's guiding principles of our approach and it is available on our corporate website, http://investor.ascottreit.com/investor_relations_policy.html.

We actively engage our stakeholders, including investors, media and analysts, to keep them well-informed in a timely manner of all major corporate developments that may have an impact on Ascott Reit. Disclosures are made on an immediate basis as required under the Listing Manual, or as soon as possible where immediate disclosure is not practicable. All announcements, press releases and presentation slides relating to Ascott Reit's latest corporate developments are disclosed promptly through SGXNet and are also archived on Ascott Reit's corporate website at www.ascottreit.com. Ascott Reit's corporate website is also updated regularly to ensure that any relevant information concerning Ascott Reit is readily available to the stakeholders.

In 2017, the Ascott Reit's manager, Ascott Residence Trust Management Limited (Manager), conducted two financial results briefing sessions for analysts and media – the first was in January in connection with the announcement of full-year financial results for the financial year 2016 (FY 2016), while the second was in July in connection with the half-year financial results for the financial year 2017 (1H 2017). In addition, the Manager hosted quarterly post-results investor meetings to provide updates on Ascott Reit's performance, strategies and market outlook. The presentation slides for such meetings were also uploaded to the SGXNet and our corporate website. On 19 April 2017, we held our annual general meeting which gave the Manager an opportunity to interact and update the Unitholders on Ascott Reit's performance and business developments while providing a channel for the Manager to better understand the issues our Unitholders may have. Familiarisation visits to Ascott Reit's properties were also arranged upon request from analysts and investors throughout the year, as part of the investor relations' efforts to enhance the investment community's understanding of Ascott Reit.

The Manager also regularly communicates with the various stakeholders through meetings, conference calls, conferences and roadshows to maintain engagement with the existing Unitholders, as well as foster new ties with prospective investors. These meetings and events provide opportunities for the Manager to share business updates, perspectives on the market outlook, as well as to understand issues that may be of concern to the investing community. In 2017, Ascott Reit participated in various

conferences and roadshows held in Bangkok, Hong Kong, Singapore, Sydney and Tokyo.

In addition, the Manager pursues opportunities to engage its retail investors through large group seminars. In 2017, we participated in the 6th Singapore Investment Week 2017 organised by Securities Investors Association (Singapore) (SIAS), as well as the REITs Symposium 2017 jointly organised by Real Estate Investment Trust Association of Singapore (REITAS) and ShareInvestor.

All the latest announcements and news are promptly released to SGXNet and published on our corporate website which is available to all stakeholders. The website also includes a dedicated 'Investor Relations' link providing Ascott Reit's financial and stock information. An email alert service is also provided for registered participants to receive email alerts on Ascott Reit's latest announcements and new releases. The public is able to post questions via our website through the 'General Enquiries' link. Unitholders may also raise any enquiry to the Manager by post to 168 Robinson Road, #30-01 Capital Tower, Singapore 068912.

Accolades

In 2017, Ascott Reit won the "Best Hospitality REIT - Platinum Award" in the Asia Pacific Best of the Breeds REITs Awards™ 2017. Ascott Reit was also ranked six out of the 42 trusts in the Singapore Governance and Transparency Index 2017 in the REIT and Business Trust Category, testifying to Ascott Reit's efforts to ensure accountability and transparency in its business practices and corporate governance. The Manager will continue to actively engage investors through regular communication, programmes and good investor relations practices.

UNITHOLDER & MEDIA ENQUIRES

If you have any enquires or would like to find out more about Ascott Reit, please contact

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Manager
 Investor
 Relations

Ms Joan Tan
Vice President
 Group
 Communications

Tel: +65 6713 2888

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Corporate Website: <http://www.ascottreit.com>

INVESTOR RELATIONS

2017 Investor Relations Calendar

	Event	Venue	2017
1st Quarter Events	Post FY 2016 results briefing to media and analysts	Singapore	25 January
	Post FY 2016 results investor luncheon hosted by DBS	Singapore	25 January
	BNP Paribas non-deal roadshow	Hong Kong	8 – 9 February
	Acquisitions of Ascott Orchard Singapore, Citadines City Centre Frankfurt and Citadines Michel Hamburg briefing to media and analysts	Singapore	7 March
	BNP Paribas and DBS non-deal roadshows	Singapore	8 – 10 March
		Hong Kong	13 – 14 March
	UOB Kay Hian lunch presentation	Singapore	17 March
Daiwa REIT Day	Singapore	23 March	
2nd Quarter Events	Annual General Meeting and Extraordinary General Meeting	Singapore	19 April
	REITS Symposium 2017 jointly organised by REITAS and ShareInvestor	Singapore	27 May
3rd Quarter Events	Post 2Q 2017 results briefing to media and analysts	Singapore	20 July
	Post 2Q 2017 results investor luncheon hosted by DBS	Singapore	20 July
	CapitaLand & REITs Corporate Day	Bangkok	8 August
	J.P. Morgan non-deal roadshow	Tokyo	17 – 18 August
	Macquarie ASEAN Conference 2017	Singapore	22 August
	Citi, REITAS & SGX C-Suite Singapore REITs & Sponsors Corporate Day 2017	Singapore	24 August
	Singapore Investment Week 2017 organised by SIAS	Singapore	26 August
	Phillip Securities Trading Representative presentation	Singapore	12 September
4th Quarter Events	Post 3Q 2017 results investor luncheon hosted by J.P. Morgan	Singapore	25 October
	BNP Paribas non-deal roadshow	Hong Kong	30 – 31 October
	Morgan Stanley Sixteenth Annual Asia Pacific Summit	Singapore	16 November
	SGX – J.P. Morgan Real Estate Corporate Day	Sydney	23 November

Financial Calendar

Financial Year Ended 31 December 2017

21 April 2017	Announcement of First Quarter Results
20 July 2017	Announcement of Second Quarter Results
25 August 2017	Payment Distribution to Unitholders
24 October 2017	Announcement of Third Quarter Results
26 January 2018	Announcement of Full Year Results
28 February 2018	Payment Distribution to Unitholders
16 April 2018	Annual General Meeting

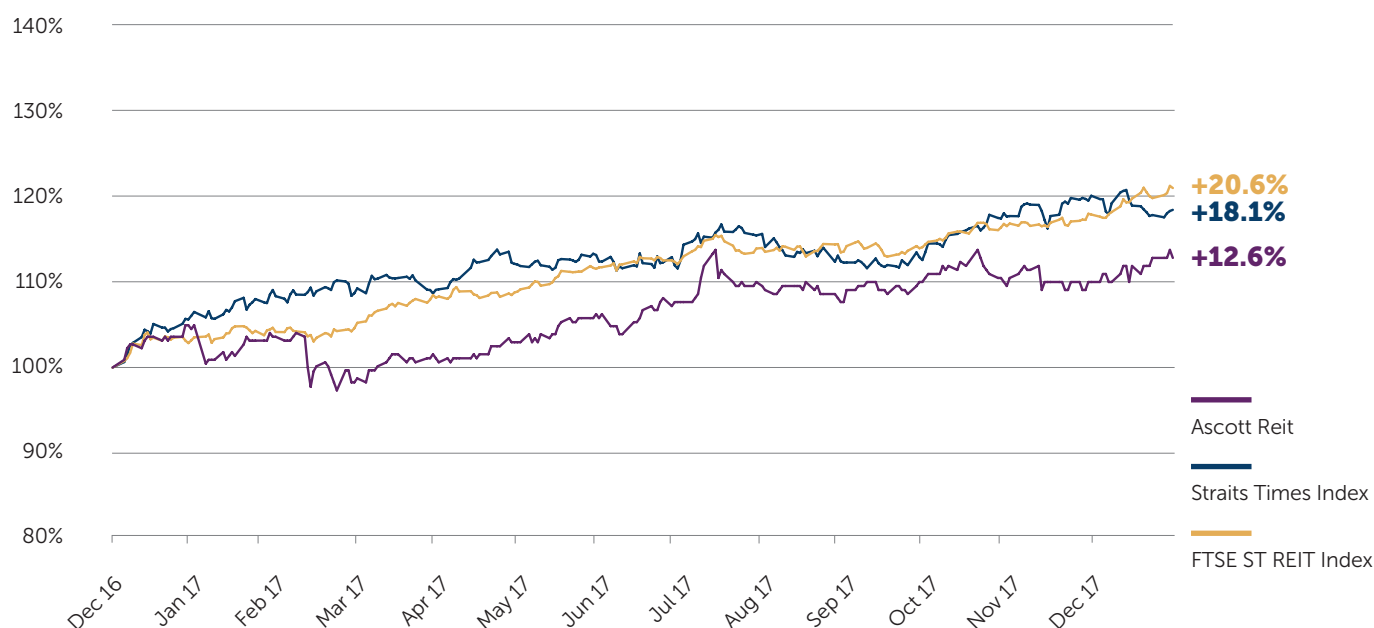
Financial Year Ended 31 December 2018

April 2018	Proposed Announcement of First Quarter Results
July 2018	Proposed Announcement of Second Quarter Results
October 2018	Proposed Announcement of Third Quarter Results
January 2019	Proposed Announcement of Full Year Results

Unit Price Performance

	2017	2016
Opening price on the first trading day of the year (S\$)	1.14	1.19
Closing price on the last trading day of the year (S\$)	1.22	1.13
Highest closing price (S\$)	1.23	1.18
Lowest closing price (S\$)	1.06	1.06
Average closing price (S\$)	1.16	1.13
Average daily trading volume (units)	2,887,514	1,707,096
Total trading volume (units)	721,878,546	430,188,100

Comparative Trading Performance for FY 2017



SUSTAINABILITY MANAGEMENT

SUSTAINABILITY COMMITMENT

Ascott Residence Trust Management Limited (ARTML or the Manager) is part of the CapitaLand Group (CapitaLand or the Group) and our sustainability strategy is aligned to the Group. Details can be found in the upcoming CapitaLand Limited Global Sustainability Report 2017.

The Group’s sustainability strategy is aligned with its credo of ‘Building People. Building Communities.’. It is committed to improving the economic and social well-being of its stakeholders through the development of its projects and the management of its operations. In a rapidly changing business landscape, the Group actively embraces innovation to ensure commercial viability without compromising the environment for future generations.

Ascott Residence Trust (Ascott Reit) upholds high standards of corporate governance and transparency to safeguard unitholders’ interests. We have in place an adequate and effective Enterprise Risk Management framework to enhance our business resilience and agility. Ascott Reit’s proactive approach towards environmental, health and safety (EHS) management, which incorporates universal design into our properties, ensures that the properties are future-proof and sustainable. Policies and guidelines are put in place to ensure the efficient use of energy, water and other resources.

Our integrated human capital strategy aims to recruit, develop and motivate employees to drive growth. Community development is also an important component of our commitment to sustainability. It focuses on providing support to enhance the lives of underprivileged children through corporate philanthropy and employee volunteerism.

CapitaDNA (Vision, Mission, Credo and Core Values)

Respect at all Levels									
Pursue Excellence	<table border="1"> <tr> <td>People (staff)</td> <td>Develop a high performance culture that embraces diversity and teamwork</td> </tr> <tr> <td>Investors (including business partners)</td> <td>Deliver sustainable shareholder returns</td> </tr> <tr> <td>Customers (tenants, shoppers, home owners, residents)</td> <td>Create great customer value and experiences through high-quality products and services</td> </tr> <tr> <td>Communities (suppliers/contractors, government agencies/NGOs, environment, community)</td> <td>Contribute positively to the economic, environmental and social development of communities</td> </tr> </table>	People (staff)	Develop a high performance culture that embraces diversity and teamwork	Investors (including business partners)	Deliver sustainable shareholder returns	Customers (tenants, shoppers, home owners, residents)	Create great customer value and experiences through high-quality products and services	Communities (suppliers/contractors, government agencies/NGOs, environment, community)	Contribute positively to the economic, environmental and social development of communities
	People (staff)	Develop a high performance culture that embraces diversity and teamwork							
	Investors (including business partners)	Deliver sustainable shareholder returns							
	Customers (tenants, shoppers, home owners, residents)	Create great customer value and experiences through high-quality products and services							
Communities (suppliers/contractors, government agencies/NGOs, environment, community)	Contribute positively to the economic, environmental and social development of communities								
Integrity at all levels									
Creativity to enhance value									

CapitaLand was one of the first companies in Singapore to voluntarily publish its annual Sustainability Report and externally assure the entire report. Benchmarking against an international standard and framework that is externally validated helps the Group overcome the challenges to sustainability reporting that arise from its diversified asset types and geographical presence. CapitaLand is also a signatory to the UN Global Compact and its Global Sustainability Report serves as its Communication on Progress, which will be made available at www.unglobalcompact.org when published. Some of CapitaLand’s key efforts and programmes in relation to UN Sustainable Development Goals (SDGs) will be included the annual Sustainability Report 2017 when published.

UES (Economic Social Unit) Citadines has published a report for the fiscal year 2016, pursuant to the national Grenelle II Act by the French government, which stresses the importance of environmental and social commitment and governance in its business practices. The report covers extensively the key information and activities of the Group’s, including Ascott Reit’s, serviced residences in both Paris and the regional cities in France. It highlights key indicators such as employment welfare policies and the practices adopted to protect the environment. Examples include the overtime guideline and the policies put in place to ensure the health and safety of all employees within its purview, as well as initiatives made towards having an operation that is more environmentally conscientious. A further section is also included to expound on the different collaborations with national and regional organisations that espouse the ideal of giving back to the society.

For its efforts, CapitaLand is listed in the Sustainability Yearbook, Dow Jones Sustainability World Index and Asia Pacific Index, Global Real Estate Sustainability Benchmark (Regional Sector Leader for Asia, Diversified), FTSE4Good Index Series, MSCI Global Sustainability Indexes, Euronext VigeoEiris Indices World 120, STOXX® Global ESG Leaders Indices and SGX Sustainability Indices.

The Group’s Global Sustainability Report 2017 will be published by end May 2018 and will cover its global portfolio and employees, including its listed real estate investment trusts: Ascott Reit, CapitaLand Mall Trust, CapitaLand Commercial Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust, unless otherwise indicated. The report will be externally assured to AA1000 Assurance Standard.

This sustainability chapter references selected GRI Standards¹ to report specific information. It covers Ascott Reit's properties from 1 January to 31 December 2017 unless otherwise indicated. The teams behind the Manager and Property Managers responsible for property and portfolio operations are identified as employees of Ascott Reit.

BOARD STATEMENT

Ascott Reit is committed to sustainability and incorporates the key principles of environment, social and governance (ESG) in setting out its business strategies and operations.

The Manager's Board of Directors (Board) sets the risk appetite, which determines the nature and extent of material risks that Ascott Reit is willing to take to achieve its strategic and business objectives. The risk appetite incorporates ESG factors such as fraud, corruption and bribery, environment, health and safety.

The Board also approves the executive compensation framework based on the principle of linking pay to performance. The business plans are translated to

both quantitative and qualitative performance targets including sustainable corporate practices and are cascaded throughout the organisation.

TOP MANAGEMENT COMMITMENT AND STAFF INVOLVEMENT

The Group's sustainability management comes under the purview of its Sustainability Council, comprising CapitalLand's top management. It is supported by a Sustainability Steering Committee which oversees two work teams to ensure the Group's continued progress and improvement in the areas of ESG. The Sustainability Steering Committee and work teams comprise representatives from all business units.

The Manager's Board is updated regularly on matters relating to sustainability risks and business malpractice incidents, if any. The Board is also updated on the sustainability management performance of Ascott Reit, key material issues identified by stakeholders and the planned follow-up measures.

Sustainability Management Structure



1 This material references Disclosure 302-1 from GRI 302: Energy 2016, Disclosure 303-1 from GRI 303: Water 2016, Disclosure 305-1 and Disclosure 305-2 from GRI 305: Emissions 2016, Disclosure 205-1 and Disclosure 205-3 from GRI 205: Anti-Corruption 2016, Disclosure 403-1 from GRI 403: Occupational health & injury 2016 and Disclosure 405-1 from GRI 405: Diversity 2016.

SUSTAINABILITY MANAGEMENT

MATERIALITY

Ascott Reit has a regular review, assessment and feedback process in relation to ESG. Key to this is an annual Group-wide Risk and Control Self-Assessment exercise which entails the identification, assessment and documentation of material risks and corresponding internal controls. Such material risks include fraud and corruption, environmental, health and safety, and human capital risks which are relevant to ESG. Other channels for feedback include:

 ENVIRONMENT	<ul style="list-style-type: none"> ▾ Regular dialogue/feedback sessions with government agencies (e.g. Building and Construction Authority, National Environment Agency) ▾ Active participation in Singapore Green Building Council
 SOCIAL	<ul style="list-style-type: none"> ▾ Regular dialogue with government agencies and unions ▾ Active participation in Singapore Workplace Safety and Health Council ▾ Regular employee engagement survey
 GOVERNANCE	<ul style="list-style-type: none"> ▾ Engagement with Securities Investors Association (Singapore) (SIAS) for its annual Corporate Governance Conference ▾ Engagement where appropriate with Investor Relations Professionals Association Singapore (IRPAS), Real Estate Investment Trust Association of Singapore (REITAS) and Singapore Exchange

The Manager identifies and reviews material issues that are most relevant and significant to Ascott Reit and its stakeholders. These are prioritised based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, priority is given to issues important to the society and applicable to Ascott Reit. We therefore prioritise our sustainability efforts and reporting on issues that are most material to our business and stakeholders.

▾ Prioritisation of ESG Material Issues

 ENVIRONMENT	 SOCIAL/LABOUR PRACTICES	 GOVERNANCE
Critical		
<ul style="list-style-type: none"> ▾ Energy efficiency ▾ Climate change and emissions reduction ▾ Water management 	<ul style="list-style-type: none"> ▾ Occupational health & Safety ▾ Employment ▾ Stakeholder engagement ▾ Supply chain management 	<ul style="list-style-type: none"> ▾ Compliance ▾ Business ethics ▾ Product and service*
Moderate and emerging		
<ul style="list-style-type: none"> ▾ Building materials ▾ Construction & operational waste ▾ Biodiversity 	<ul style="list-style-type: none"> ▾ Diversity ▾ Human rights 	

* This includes customer health and safety

STAKEHOLDER ENGAGEMENT

Employees

Ascott Reit actively engages the employees through various avenues, including regular communication sessions held by the senior management, for effective flow of information and alignment of business goals and objectives across all levels of its workforce.

Customers

Regular resident satisfaction surveys are conducted in all Ascott Reit's serviced residences. The feedback obtained is reviewed and relevant follow-up actions are taken to improve residents' experience.

Ascott Reit's serviced apartments subscribe to ReviewPro, a leading provider of online reputation management analytics for the hospitality sector. Its Guest Rating Score™ (GRS™) is an independent assessment of the individual properties' quality rating based upon consumer reviews from around the internet. The GRS™ is calculated by analysing more than 100 million consumer reviews in 40 languages from more than 100 leading online travel agencies and review sites. This allows Ascott Reit to benchmark and respond by making the necessary operational and service improvements to create a better customer experience for the guests. To encourage outstanding and exceptional service delivery, Ascott Reit regularly recognises its staff who consistently provide exemplary service in making a difference to the residents' stay.

Supply Chain

The Group proactively engages contractors and suppliers on areas relating to quality of work and commitment to EHS. For more information, please refer to the EHS sub-section.

Ascott Reit also adopts a strong stance against bribery and corruption. Third-party service providers and contractors can provide feedback via a dedicated email address, in addition to the regular feedback channels.

Investors and Media

For stakeholder engagement pertaining to investors and media, please refer to the section on Investor and Media Relations.

Government Agencies and Regulators

The Group participates in stakeholder consultations organised by key government agencies so as to furnish feedback on proposed regulatory changes that impact the company's business. It enables the Group to be aware of industry challenges, placing it in a better position to leverage existing and future opportunities for growth.

HUMAN CAPITAL

Ascott Reit is committed to be a workplace of choice for our employees and has an integrated human capital strategy to recruit, develop and motivate employees. We uphold the spirit of international human rights conventions, such as the Universal Declaration of Human Rights and the International Labour Organisation (ILO) Conventions, against coerced labour and discrimination in any form. In 2017, there was no reported incident relating to discrimination, child labour or forced labour in Ascott Reit.

Ascott Reit embraces diversity in various aspects including different cultures, nationalities and languages. Ascott Reit believes that regardless of ethnicity, age or gender, employees can make a significant contribution based on their talent, expertise and experience. Our global workforce comprises an almost equal proportion of males and females, at a ratio of 48:52. The company's female employees are well represented at the middle and senior management level. In 2017, about 53% of the managerial employees were female. About 60% of Ascott Reit's global workforce was aged between 30 and 50. In 2017, Ascott Reit had no employees below the age of 16.

Ascott Reit adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place. We adopt a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees are required to make a declaration on an annual basis when they pledge to uphold the core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings.

A whistle-blowing policy and other procedures are in place to provide employees and parties who have dealings with Ascott Reit with well-defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace. It also allows for the independent investigation of any reported incidents and appropriate actions for follow up. Substantiated business malpractice incidents are reported quarterly to the ARTML's Audit Committee and shared with the Risk Champions regularly. Actions taken may include the termination of employment contracts, and/or reporting to the appropriate external authorities. In 2017, there were no significant reported cases pertained to anti-competitive or money laundering behaviour.

SUSTAINABILITY MANAGEMENT

Employees are provided with suitable training to be better equipped and contribute effectively to Ascott Reit's performance. For continuous upskilling and improvement, at least 95% of employees are required to attend at least one learning event per year. In 2017, all of Ascott Reit's workforce attended at least one learning event.

A total well-being programme has been put in place to promote personal development, healthy living and work-life harmony which are essential to attract, motivate and retain talent. Initiatives include a flexible medical and benefits plan, flexible work arrangements and employee engagement initiatives.

COMMUNITY DEVELOPMENT INVESTMENT AND VALUE

Community development is a key focus of the Group's sustainability strategy and Ascott Reit continues to proactively support initiatives that contribute to the well-being of the communities we operate in. Ascott Reit supports various stakeholder engagement activities which include environmental sustainability, health and safety, social integration as well as helping underprivileged children.

A registered charity in Singapore, the philanthropic arm of the Group, the CapitaLand Hope Foundation (CHF) invests in the fundamental needs of education, healthcare and shelter of underprivileged children to relieve them of hardship and to help them to eventually break out of the poverty cycle. Every year, CapitaLand allocates up to 0.5% of its net profit to CHF and supports its day-to-day operations with staff from the various functional departments within the company.

In May 2017, more than 80 CapitaLand staff volunteers, including around 41 staff from Ascott Reit's properties embarked on an International Volunteer Expedition to construct the CapitaLand-Ascott GK Eco Village in Batangas City of the Philippines. The expedition was held in partnership with the Gawad Kalinga Community Development Foundation (GK), a Philippine-based non-governmental organisation with a focus on poverty alleviation and nation-building movement. Together with the local villagers, the volunteers assisted in building houses to meet the shelter needs of 20 underprivileged families and their children. With the support from CHF, our Philippines team has also donated a sum of PHP3 million towards this expedition.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

Ascott Reit is committed to protecting the environment and upholding the occupational health and safety of its employees and ensuring a safe and healthy environment for the users of our properties. The CapitaLand EHS Management System is externally audited to achieve International Organization for Standardization (ISO) 14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries. CEOs are accountable for the EHS performance of their strategic business units (SBUs). All staff assume personal responsibility towards occupational health and safety (OHS). They are also encouraged to report all OHS-related incidents, including non-compliances and non-conformities to the relevant business unit management representatives. The CapitaLand EHS Policy can be found at <https://www.capitaland.com/international/en/about-capitaland/sustainability.html>

The Group has linked EHS key performance indicators to the remuneration of all staff, as well as top management.

In 2017, Ascott Reit's properties have been gradually switching over to LED lights in the premises which aids in the reduction of energy consumption.

In the first nine months of 2017, Ascott Reit's operational properties' total energy consumption was 74,639 MWh. Indirect energy consumption accounted for about 85% (63,167 MWh) and direct energy consumption from gas, diesel and other fuels accounted for about 15% (11,472 MWh) of total energy consumption. Approximately 1,925 MWh of its electricity consumption was from renewable sources. Direct (Scope 1) and indirect (Scope 2) carbon emissions were approximately 2,315 tonnes CO₂e and 30,715 tonnes CO₂e respectively¹. Ascott Reit's operating properties' total water consumption was about 792,220 m³ in first nine months of 2017. This includes the use of 679 m³ of recycled water².

Energy and Water Usage, Carbon Emissions Reduction: For the first nine months of 2017, the reduction in energy intensity (kWh/m²) was 13.3% and the reduction in water intensity (m³/m²) was 31.9% from the 2008 baseline and the reduction in carbon intensity (kg/m²) was 28.9% from the 2008 baseline³. Ascott Reit will continue to implement energy and water conservation measures to ensure efficient operations and minimise resource wastage.

1 This is computed mostly from purchased electricity consumption under Scope 2, and some direct energy consumption under Scope 1 as defined by the Greenhouse Gas (GHG) Protocol (operational control approach) and using individual country CO₂ emission factors retrieved from the IEA Statistics – CO₂ emission factors from fuel combustion 2017 edition.

2 Computation of all indicators considers only properties managed by the Group.

3 Computation of energy, water and carbon intensities considers only properties managed by the Group, excluding new properties which have been in operation for less than 12 months, properties undergoing asset enhancement programmes and rental housing properties.

Zero Fatality/Permanent Disability: In 2017, there was no fatality or permanent disability reported.

Stakeholder Engagement: Ascott Reit firmly believes in and actively supports environmentally sustainable initiatives and practices within our serviced residences. Participation in and support of campaigns that seek to raise sustainability awareness are also a continuous initiative by the serviced residences. We are also proactive in engaging our guests during such initiatives, where educational activities and events are held to highlight and raise awareness on the importance of being environmentally sustainable in their everyday lives. During Earth Hour 2017, non-essential lightings and beacon signage lights were switched off through the night from 8.30 pm. In addition, candlelit yoga sessions were held in our Vietnam properties for the guests; guests in our Indonesia properties were also invited to plant trees on the properties' roof top deck as part of a symbolic gesture of their commitment to practicing environmentally friendly habits in their daily lives.

The Group continues to participate in the CDP (Carbon Disclosure Project) and retained a "B" score. Its footprint is calculated in accordance with the Greenhouse Gas Protocol, developed by the World Resources Institute and World Business Council for Sustainable Development, which sets the global standard on how to measure, manage and report greenhouse gas emissions.

OPERATIONS REVIEW

Singapore



Ascott Orchard Singapore

Singapore remains a key market in Ascott Reit's portfolio. Ascott Reit owns four leasehold properties in Singapore. The newly acquired 220-unit Ascott Orchard Singapore is strategically located in the prime Orchard entertainment and commercial district. The 146-unit Ascott Raffles Place Singapore remains a popular choice property with the corporate guests in the Central Business District (CBD). These two properties operate under master lease arrangements and remaining lease terms vary between two and 10 years.

The 197-unit Somerset Liang Court Property Singapore, located close to the lively dining and entertainment hub of Clarke Quay, is a choice accommodation for families and corporate groups alike. The 154-unit Citadines Mount Sophia Property Singapore is a short walk away from the bustling Little India and a vibrant art community, a great location for travellers looking for a balance of tradition amidst modernity. These two properties operate under management contracts without minimum guaranteed income (management contracts). The average length of stay at these properties is more than three months.

2017 Review

Based on the Ministry of Trade and Industry Singapore, the economy grew by 3.6% in 2017. The growth is in tandem with the global upsurge, backed by a rise in global demand for electronic gadgets¹. An increase in productivity and the advancements in technology are also some of the key drivers of this growth². The performance has pushed Singapore to remain as one of the top cities for ease of doing business, enhanced by the commitment of the government to the principles of free trade and reliable aid to grow local enterprises.

The Singapore Tourism Board (STB) registered more than 17 million visitor arrivals in 2017, an increase of 6% year-on-year (YoY). Whilst tourist arrivals have grown, the length of stay has contracted, exerting a downward pressure on room rates and RevPAU consequently³. A steady stream of supply in hotel rooms have also contributed to increased competition in the market, with nearly 3,000 rooms launched in 2017. As such, overall RevPAU for our properties in Singapore have registered a 5% decrease YoY, from S\$195 in 2016 to S\$185 in 2017.

In 2017, we acquired Ascott Orchard Singapore, a 220-unit serviced residence property located in the heart of the world-renowned Orchard shopping belt. Operating under a master lease arrangement, this addition is expected to enhance the income stability of our portfolio.

2018 Outlook

The International Monetary Fund (IMF) has estimated a projected growth of approximately 2.6% for Singapore in 2018.

With Singapore taking on the mantle of the ASEAN Chair in 2018, it is probable that visitor arrivals will see a projected increase in 2018, facilitated by the opening of Changi Airport's Terminal 4 in 2017 and an increase in Singapore's calendar of events for 2018. New hotel supply is expected to taper gradually and ease in 2018 to approximately 737 rooms, a significant decline compared to 2017⁴. Overall RevPAU for the industry is therefore likely to increase by 3% to 7% in 2018⁵.

We expect operational performance for the properties in Singapore to remain stable for 2018 through the adoption of group business events, such as the upcoming tradeshows: the biennial aerospace event, Singapore Airshow 2018, and the annual Formula 1 Grand Prix night race. We will continue to focus on corporates who are seeking long-stay accommodation options from the healthcare, financial technology, global electronics, retail and communications sectors.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Ascott Orchard Singapore ⁶	2,972	–	405.0
Ascott Raffles Place Singapore	7,780	7,987	220.0
Citadines Mount Sophia Property Singapore	8,582	9,344	107.0
Somerset Liang Court Property Singapore	15,055	15,678	127.5

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Citadines Mount Sophia Property Singapore	153	166
Somerset Liang Court Property Singapore	209	217

1 Business Times (2017)

2 Reuters (2017)

3 The Straits Times (2017)

4 Singapore Business Review (2018)

5 The Edge Singapore (2018)

6 Ascott Orchard Singapore was acquired on 10 October 2017.

OPERATIONS REVIEW

Australia



Citadines on Bourke Melbourne

Ascott Reit owns a leasehold and four freehold serviced residences in Australia. The 140-unit Quest Sydney Olympic Park is a 99-year leasehold property located within Sydney Olympic Park, near ANZ Stadium and Allphones Arena, a large entertainment and sporting complex. The 81-unit Quest Campbelltown is well located in south-west Sydney's urban hub, an established residential, commercial and industrial area with numerous restaurants near the property while the 91-unit Quest Mascot is a five-minute drive from Sydney Airport. Quest Sydney Olympic Park, Quest Campbelltown and Quest Mascot (collectively known as the 'Quest properties') are operating under master lease arrangements, with remaining lease terms between three and nine years.

The 380-unit Citadines on Bourke Melbourne is situated in the heart of Melbourne's CBD, close to the Parliament House and 101 Collins Street while the 85-unit Citadines St Georges Terrace Perth is conveniently located in Perth's CBD, along St Georges Terrace. These two properties operate under management contracts, and the average length of stay is less than one month.

2017 Review

The IMF recorded an estimated GDP growth of 2.2% for Australia in 2017. With the economy stabilising on a modest growth momentum, the hospitality and tourism sectors nonetheless have experienced a resilient growth amidst a global economic recovery. According to Tourism Australia, international visitors to Australia registered an increase of 6.5% YoY in 2017.

Overall RevPAU for our properties increased by 2% YoY from S\$153 to S\$156. Citadines St Georges Terrace Perth has largely performed in line with the broader market, with occupancy rates remaining stable. However, room rates have been affected due to a weakening demand from project groups, particularly the resources sector. Citadines on Bourke Melbourne has demonstrated the continued resilience of the Australian East Coast markets, with an occupancy rate of around 86% for FY 2017, on par with the industry average. The Quest properties are underpinned by fixed rent with annual indexation from the master leases, providing income stability to the overall Australia portfolio.

2018 Outlook

According to the IMF, Australia's GDP is expected to grow at 2.9% in 2018 amidst the backdrop of a steadily recovering global economy. The properties in the East Coast of Australia are expected to enjoy stable and healthy operational performance in 2018, with tourist arrivals growing steadily. According to the International Visitor Survey, Chinese tourists in Australia have been one of the biggest contributors to tourism expenditure for the year ending September 2017, spending a total of AUD10.3 billion, a 13% increase YoY. Chinese tourists accounted for the second biggest source of international visitors to the country with 1.33 million people, second only to New Zealand at 1.35 million¹. Tourism Research Australia forecasted total international visitor arrivals to the country to be at 9.7 million in 2018-2019. Business- and employment-related travel are expected to grow by 3.9% and 6.3% in 2018-2019 respectively. We expect our properties in Australia to enjoy a healthy operational performance in 2018.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Citadines on Bourke Melbourne	23,435	22,346	167.6
Citadines St Georges Terrace Perth	4,114	4,603	36.1
Quest Campbelltown	1,785	1,664	21.3
Quest Mascot	2,381	2,222	26.9
Quest Sydney Olympic Park	3,644	3,444	44.8

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Citadines on Bourke Melbourne	162	155
Citadines St Georges Terrace Perth	129	145

1 Channel NewsAsia (2017)

OPERATIONS REVIEW

Belgium



Citadines Sainte-Catherine Brussels

Ascott Reit owns two freehold serviced residences in Brussels. The 154-unit Citadines Toison d'Or Brussels is located in the shopping district of Avenue Louise, close to the Royal Palace and the major embassies. The 169-unit Citadines Sainte-Catherine Brussels commands a prime location in the heart of the historical city near the famous flower market and Grand-Place, which has an impressive Flemish baroque architecture.

Both properties in Belgium operate under management contracts with minimum guaranteed income, and the average length of stay is around one month.

2017 Review

According to the Belgium Federal Planning Bureau, Belgium's economy grew by 1.7% in 2017, supported by domestic demand. Amidst a recovering and strengthening global economy, business confidence has risen and investments have shown signs of strengthening. At the same time, consumer confidence has improved and household consumption has increased due to continuing employment growth supported by expanding output, labour tax cuts and past wage moderation measures. The aftermath of the Brussels lockdown in November 2015 and the attacks in March 2016 have strongly impacted the hospitality industry's performance in the Belgium capital. However, performance has risen steadily since late 2016 with signs of recovery, as demand continues to pick up in 2017¹. International tourist arrivals have seen an increase of 12% YoY for the months of January to September 2017². The operational performance of the industry has yet to see a rebound to the pre-crisis level. Overall RevPAU for our properties increased by 27% YoY from S\$77 in 2016 to S\$98 in 2017.

2018 Outlook

Based on the IMF's world economic outlook report, Belgium's economy is expected to grow at a modest rate of 1.6% in 2018. As the capital of Belgium, Brussels plays host to many international organisations such as the European Union (EU) institutions and the North Atlantic Treaty Organization (NATO). With the construction of the new NATO headquarters in Brussels being completed in May 2017, it can be expected that business-related travel will remain steady in the coming years. In the World Travel & Tourism Council report, international tourist arrivals are forecasted to reach 11 million by 2027, generating an expenditure of EUR17.2 billion.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Citadines Sainte-Catherine Brussels	6,023	4,814	26.7
Citadines Toison d'Or Brussels	5,739	4,544	23.5

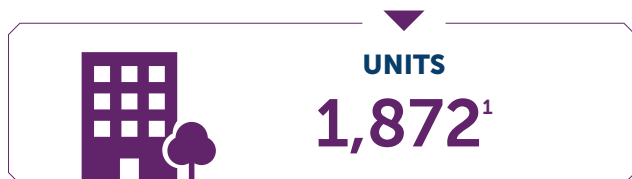
Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Citadines Sainte-Catherine Brussels	97	76
Citadines Toison d'Or Brussels	100	78

1 STR, Global Hotel Review (2017)

2 European Travel Commission (2018)

OPERATIONS REVIEW

China



¹ Including Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these two properties in China on 5 January 2018.

² Based on the independent valuation undertaken by Colliers International and the sale consideration for Citadines Biyun Shanghai and Citadines Gaoxin Xi'an.



Somerset Xu Hui Shanghai

Ascott Reit owns nine leasehold serviced residences across China in Dalian, Guangzhou, Shanghai, Shenyang, Suzhou, Tianjin, Wuhan and Xi'an. The 168-unit Somerset Xu Hui Shanghai is in the exclusive Xu Hui residential district; the 180-unit Citadines Biyun Shanghai is located in the Jinqiao Export Processing Zone; the 185-unit Somerset Olympic Tower Property Tianjin is situated in Heping district, the city's prime commercial, entertainment and residential area; the 207-unit Ascott Guangzhou lies within the Tianhe CBD; the 270-unit Somerset Heping Shenyang lies within Heping district, the heart of Shenyang's main commercial and shopping district; the 167-unit Citadines Xinghai Suzhou is located in the West Jinji Lake CBD of Suzhou Industrial Park; the 195-unit Somerset Grand Central Dalian is situated in Dalian Development Area; the 251-unit Citadines Gaoxin Xi'an is located in the Xi'an High-Tech Industries Development Zone; and the 249-unit Citadines Zhuankou Wuhan is situated in the Wuhan Economic and Technological Development Zone. All of our properties in China operate under management contracts.

The average length of stay at our properties in China is more than six months.

2017 Review

According to China's National Bureau of Statistics, the country's economy registered a growth of 6.9% in 2017, exceeding the government's target of 6.5% and higher than the 6.7% in 2016. The increase was largely contributed by strong export figures underpinned by an uptick in the global economy. According to China's Ministry of Commerce, foreign direct investment (FDI) into the country has also increased by 7.9% YoY, reaching an all-time high of RMB878 billion (approximately US\$135 billion) in 2017.

Operational performance of the properties in Shanghai, Guangzhou and Tianjin remained strong on the back of resilient corporate demand and higher revenue from the refurbished apartments while operational performance of the properties in the other cities have been affected by weaker demand from project groups. However, overall RevPAU for our properties in China remained resilient with an increase of 1% YoY from S\$84 in 2016 to S\$85 in 2017.

On 5 January 2018, Ascott Reit has also successfully divested two properties, Citadines Biyun Shanghai and Citadines Gaoxin Xi'an at 69% above valuation and registered a divestment gain of S\$51.6 million.

2018 Outlook

Despite exceeding GDP growth targets in 2017, 2018 remains a cautious year ahead due to potential challenges¹. GDP growth is expected to moderate to around 6.6%, according to the IMF's forecast.

Nonetheless, looking ahead, multinational corporations will continue their expansion in the first-tier cities. Adidas will be moving their Asia Pacific headquarters to Shanghai as part of their new strategic business plan. The resultant

increase in job opportunities in Shanghai and the expected relocation of expatriates are expected to increase demand for serviced residences. In Guangzhou, starting from July 2017, rental apartment addresses have become eligible for admission to public schools under the proximity admission phase. This change is expected to boost demand for serviced residences which are near to the good schools².

Meanwhile, in regional cities, despite the challenging operating environment, pockets of opportunity remain. In Shenyang, the establishment of the joint-venture between Brilliance China Automotive Holdings and the Renault Group in July 2017 is expected to attract more expatriates into Shenyang³. In Wuhan, the automobile industry continues to be one of the main pillars of economic growth. One of the top automobile manufacturer of China, Dongfeng Motor Corporation is on track to commence the operations of its factory in 2019. This is likely to heighten the activities of the city's business environment. In addition, the new terminal in Wuhan's Tianhe International Airport has begun operations since August 2017, further enhancing the accessibility and attracting more visitors to the city. In Tianjin, Airbus has inaugurated its A330 Completion and Delivery Centre and delivered its first A330 to Tianjin Airlines. The delivery centre is expected to employ more than 250 employees. In Dalian, Intel is expanding the capacity of their plant while Panasonic's first automotive battery cell production site in China has officially opened.

As China looks to boost the contribution of the service sector to the GDP to 60% by 2025⁴, the tourism industry will be a key area of focus by the Chinese government. Thus, new opportunities will arise for the hospitality industry especially in the growing domestic tourism market led by consistent economic growth.

1 Reuters (2018)

2 Asia Times (2017)

3 China Daily (2017)

4 Reuters (2017)

OPERATIONS REVIEW

China

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Ascott Guangzhou	8,866	8,946	85.7
Citadines Biyun Shanghai ¹	5,509	6,091	63.2
Citadines Gaoxin Xi'an ¹	2,183	3,640	55.1
Citadines Xinghai Suzhou	4,316	4,482	23.2
Citadines Zhuankou Wuhan	5,075	5,140	51.4
Fortune Garden Apartments ²	18	386	52.8
Somerset Grand Central Dalian	8,336	9,162	118.6
Somerset Heping Shenyang	7,232	8,460	86.2
Somerset Olympic Tower Property Tianjin	8,394	8,061	76.8
Somerset Xu Hui Shanghai	8,875	6,718	51.5

¹ The property was divested on 5 January 2018.

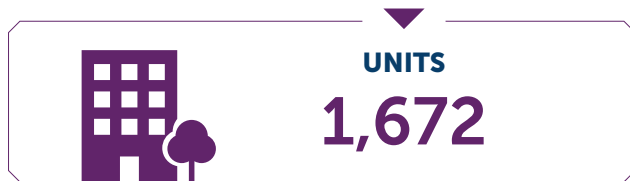
² Ascott Reit has commenced the strata sale of its 81 units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing) as announced in October 2013. As at 31 December 2017, all units in Fortune Garden Apartments have been sold.

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Ascott Guangzhou	117	118
Citadines Biyun Shanghai ¹	78	86
Citadines Gaoxin Xi'an ¹	29	37
Citadines Xinghai Suzhou	70	73
Citadines Zhuankou Wuhan	53	54
Somerset Grand Central Dalian	106	115
Somerset Heping Shenyang	73	86
Somerset Olympic Tower Property Tianjin	109	101
Somerset Xu Hui Shanghai	145	109

1 The property was divested on 5 January 2018.

OPERATIONS REVIEW

France



Citadines Les Halles Paris

Ascott Reit has 17 freehold serviced residences in France. 10 properties are located in the French capital, Paris, while seven are based in the regional cities of Cannes, Grenoble, Lille, Lyon, Marseille and Montpellier. Our properties in Paris are in prime areas near iconic landmarks such as the Louvre, Eiffel Tower, Notre Dame and the Seine River. The remaining seven properties are all conveniently located in the cities' central districts. All 17 properties are operating under master lease arrangements. The remaining lease terms vary between less than one year and three years.

2017 Review

According to France's National Institute of Statistics and Economic Studies (INSEE), the economy grew by 1.9% in 2017. France remained the third largest European economy and one of the most visited country in the world, with more than 89 million international tourists in 2017, an 8% increase YoY¹. Major drivers for this increase in demand can be attributed to a perceived rise in Paris' attractiveness to global travellers, largely due to increased safety amidst increased turbulence within the region, easing of visa procedures and increased air capacity, as well as favourable economic conditions in Asia and the United States. As all our properties in France are underpinned by stable rental income from the master leases, we are not exposed to operational risks. The AEI at Citadines Trocadéro Paris has started works in the first quarter of 2017 and is targeted for completion in the second quarter of 2018.

2018 Outlook

Based on the IMF's world economic outlook report, France's economic growth is expected to remain stable at an annual pace of around 1.9% in 2018. Cuts in business taxes and labour market reforms are expected to support investment and employment². With President Macron at the helm, his policies are also a key driver of the country's economic growth. Macron's push to bring in foreign investment have seen Google, Facebook and SAP committing to grow their French bases and increase staff counts, affirming the President's drive in elevating France's economy³.

With a target to attract 100 million tourists by 2020 to the country⁴, tourism remains a key cornerstone in the growth of the French economy. Paris' long standing image as a cultural landmark, coupled with the growing influence of the French economy, is expected to continue drawing in tourist arrivals, reinforcing the performance of the Parisian hospitality market. Mid-term perspectives are also encouraging, with major events organized in Paris over the coming years such as the Ryder Cup in 2018 and the Olympic Games in 2024.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Citadines Antigone Montpellier	799	786	13.8
Citadines Austerlitz Paris	491	484	9.6
Citadines Castellane Marseille	547	538	10.7
Citadines City Centre Grenoble	1,521	1,483	16.7
Citadines City Centre Lille	1,591	1,564	16.2
Citadines Croisette Cannes	476	468	8.4
Citadines Didot Montparnasse Paris	1,803	1,777	25.7
Citadines Les Halles Paris	5,098	5,011	88.2
Citadines Maine Montparnasse Paris	1,449	1,427	20.6
Citadines Montmartre Paris	3,040	2,989	40.4
Citadines Place d'Italie Paris	4,166	4,096	56.3
Citadines Prado Chanot Marseille	390	383	9.4
Citadines Presqu'île Lyon	1,216	1,195	21.4
Citadines République Paris	1,533	1,510	21.2
Citadines Tour Eiffel Paris	3,357	3,263	59.2
Citadines Trocadéro Paris	3,199	3,155	51.3
La Clef Louvre Paris	2,381	2,340	40.3

1 The Local France (2018)
 2 OECD (2017)
 3 Financial Times (2018)
 4 France Diplomatie (2017)

OPERATIONS REVIEW

Germany



Citadines Michel Hamburg

Ascott Reit owns one leasehold and four freehold serviced residences in Germany. The 117-unit Citadines Kurfürstendamm Berlin, the 146-unit Citadines Arnulfpark Munich, the 166-unit Madison Hamburg, as well as the newly acquired 165-unit Citadines City Centre Frankfurt and 127-unit Citadines Michel Hamburg, are conveniently located in the cities' central districts. The five properties in Germany are operating under master lease arrangements, with the remaining lease terms varying between four and 20 years.

2017 Review

According to the Federal Statistical Office of Germany, the economy grew by 2.2% in 2017. In the OECD Economic Outlook report, it is noted that the German economy growth has remained solid and employment is set to expand further, driven primarily by the continued low interest rate environment and a strong employment market. Economic developments are also largely driven by buoyant consumer demand coupled with brisk construction activities. Frankfurt registered a total of over five million tourist arrivals, a 7.1% increase YoY for the months of January to November 2017¹. Berlin's tourism industry continues to grow steadily, with approximately 12.0 million visitors in the period of January to November 2017, a 2.3% increase YoY². Munich registered a 12.8% increase YoY in international tourist arrivals in the period January to November 2017³. Hamburg also held the G20 summit in July 2017, seeing world leaders congregating in the city. Hamburg remains one of Germany's most influential cities and a major maritime industry and transport hub in the northern area of the country.

In May 2017, we acquired two prime properties, Citadines City Centre Frankfurt and Citadines Michel Hamburg which marked our maiden foray in the city of Frankfurt. With its prime location in Europaviertal, Citadines City Centre Frankfurt is in proximity to major transportation hubs and various commercial and retail buildings. Citadines Michel Hamburg is centrally located within Hamburg's business district and close to Hafencity, a newly developed commercial district. Both properties are operating under master lease agreements, enhancing income stability of our portfolio.

2018 Outlook

The IMF forecasted Germany's GDP growth to reach 2.3% in 2018. While business investment in Germany is largely subdued by historical standards, the OECD projected Germany's economy to remain stable. This is largely driven by a robust labour market which is set to expand further, as well as overall economic growth in the euro area⁴. The World Travel & Tourism Council has forecasted international tourist arrivals to be around 50 million, generating an expenditure of EUR60.2 billion by 2027. Berlin is increasingly attractive as a tourist destination and a magnet for new hotels and business conferences, especially in the startup arena. RevPAU is forecasted to grow continuously in 2018 which will be mainly driven by increases in ADR. As Germany's financial and business centre, Frankfurt's hospitality market is expected to benefit from the country's economic growth as well as recovering Eurozone countries. Hamburg will continue to be a popular destination among corporate travelers given its strategic location as Germany's largest universal port and Europe's second largest container port, making it the ideal national as well as international logistic center. The hospitality market in Munich is expected to continue growing which is in line with the overall positive development in the country.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Citadines Kurfürstendamm Berlin	1,622	1,565	21.1
Citadines Arnulfpark Munich	2,122	2,048	34.0
Citadines City Centre Frankfurt ⁵	2,073	–	55.6
Citadines Michel Hamburg ⁵	1,731	–	46.4
Madison Hamburg	4,536	4,785	59.4

1 Frankfurt Tourismus+Congress GmbH (2017)

2 Visit Berlin (2017)

3 Munich Tourist Board (2017)

4 European Commission (2017)

5 The properties were acquired on 2 May 2017 with an effective interest of 93%.

OPERATIONS REVIEW

Indonesia



Somerset Grand Citra Jakarta

Ascott Reit owns two leasehold properties in Indonesia. The 204-unit Ascott Jakarta and 203-unit Somerset Grand Citra Jakarta are both located in Central Jakarta's Golden Triangle business and shopping district.

Both properties operate under management contracts and the average length of stay is about six months.

2017 Review

According to Statistics Indonesia (BPS), the economy grew by 5.1% in 2017, with the biggest sources of growth in the manufacturing, construction, trade and agricultural sectors. The OECD postulates GDP to gradually pick up from the boosts in public infrastructure and private investments. The latter was driven by more conducive monetary conditions and a more business-friendly regulatory environment. Yet, despite a global economic recovery, increases in supply and the trading down of hotel tiers by corporates have contributed to the downward pressure on the ADR. Consequently, despite increases in occupancy rates, overall RevPAU of our properties decreased by 4% YoY, from S\$111 in 2016 to S\$107 in 2017.

2018 Outlook

The IMF reported that Indonesia's GDP growth is forecasted at 5.3% in 2018. Indonesia stands to see possible further growth in the coming year as foreign investment is picking up, inflation is subdued and employment rate is higher¹. The World Bank also postulates rising commodity prices as one of the key drivers.

The Asian Games will be held in the country's capital, Jakarta, in 2018, which is expected to bring about a potential increase in tourist and corporate arrivals. The IMF-World Bank annual meeting will also be held in the country in 2018, providing opportunities for increased corporate travel. The Indonesian Ministry of Tourism expects 17 million tourists to visit the country in 2018, a projected 21% increase YoY. However, despite the projected increase in demand, the potential pipeline of 1,914 rooms in 2018 might cause occupancy and room rates to remain stagnant².

We continue to target new sectors to retain competitiveness, including cultural and entertainment groups, social visits and MICE groups, as well as infrastructure related companies as government spending on infrastructure is slated to increase in 2018. Somerset Grand Citra Jakarta is also scheduled for a refurbishment in 2018, allowing for potential organic growth through increase in ADR.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Ascott Jakarta	8,616	9,289	43.0
Somerset Grand Citra Jakarta	7,452	7,339	54.6

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Ascott Jakarta	114	124
Somerset Grand Citra Jakarta	98	96

1 Bloomberg (2017)

2 Colliers (2017)

OPERATIONS REVIEW

Japan



Citadines Karasuma-Gojo Kyoto

Ascott Reit has four freehold serviced residences and 11 freehold rental housing properties in Japan. The 79-unit Somerset Azabu East Tokyo, 160-unit Citadines Shinjuku Tokyo and the 206-unit Citadines Central Shinjuku Tokyo have prime locations in central Tokyo with easy access to business and leisure districts. The 124-unit Citadines Karasuma-Gojo Kyoto is located close to the Gojo subway station, retail and food and beverage outlets. One of the rental housing properties is centrally located in the CBD of Tokyo's Minato ward, while the remaining properties are located across the four cities of Fukuoka, Hiroshima, Osaka and Sapporo. All of them are conveniently located close to public transportation, supermarkets and other lifestyle amenities.

All of the Japan properties are operating under management contracts, except for Infini Garden, which operates under a master lease arrangement, with a remaining lease term of less than a year.

For the remaining 14 properties which are operating under management contracts, the average length of stay at the serviced residences and rental housing properties are more than one month and more than one year respectively.

2017 Review

According to the IMF, Japan's economy registered an estimated growth of 1.8% in 2017. Stronger global demand and a rise in private household expenditure helped bolster and lift the country's GDP¹. According to the Japan National Tourism Organisation, the tourism industry continues to thrive, with a record 28.7 million tourist arrivals in 2017, marking a 19.3% increase YoY. Total tourist expenditure also registered a staggering JPY4.4 trillion, up 17.8% against the previous year². This vast increase in tourist arrivals is largely attributed to enhanced connectivity into the country with airlines increasing frequency and introducing larger carriers².

Our properties in Japan experienced a subdued performance in 2017 largely due to keen competition. The strong pipeline of accommodation supply and the rise of *minpaku*, the private accommodation sector, has caused a downward pressure on the room rates for our properties. As a result, overall RevPAU registered an 8% decline YoY from S\$158 in 2016 to S\$145 in 2017.

2018 Outlook

The IMF has revised its forecast for Japan's GDP growth for 2018 to 1.2%. Even though exports are forecasted to slow down, capital investment should continue to recover gradually, supported by investment related to the 2020 Tokyo Olympic Games and investments to boost productivity³.

Keen competition from new hotel supply and the emergent *minpaku* sector is expected to continue in the near future. New hotel supply in Kyoto, Osaka and Tokyo is expected to increase by 38% by 2020, which might put a downward pressure on room rates⁴. However, the enforcement of new regulations that limit the rental of *minpaku* to a maximum of 180 nights a year is expected to come into place in 2Q 2018, thereby mitigating the impact of competition. 2018 will continue to see spikes in tourist arrivals to reach 40 million by 2020 and 60 million by 2030 with the Japanese government's efforts to promote tourism⁵.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Citadines Central Shinjuku Tokyo	11,333	12,091	95.2
Citadines Karasuma-Gojo Kyoto	6,395	7,288	39.9 ⁶
Citadines Shinjuku Tokyo	9,039	10,223	84.3 ⁷
Somerset Azabu East Tokyo	3,350	3,295	79.8
Actus Hakata V-Tower	2,888	2,967	39.5
Asyl Court Nakano Sakaue Tokyo ⁸	283	908	20.3
Big Palace Kita 14jo	1,335	1,368	17.3
Gala Hachimanyama I Tokyo ⁸	312	993	20.1
Gala Hachimanyama II Tokyo ⁸	60	191	3.9
Gravis Court Kakomachi	581	585	6.7

1 Financial Times (2018)

2 Nikkei Asian Review (2018)

3 Mizuho Research Institute (2018)

4 CBRE (2018)

5 The Japan Times (2017)

6 Based on the latest agreed property value of JPY3.6 billion as stated in Ascott Reit's circular dated 29 June 2015 in relation to its acquisition of the remaining 40% stake of the property. Ascott Reit acquired the initial 60% stake in this property based on an agreed property value of JPY3.1 billion (approximately S\$48.2 million).

7 Based on the latest agreed property value of JPY7.6 billion as stated in Ascott Reit's circular dated 29 June 2015 in relation to its acquisition of the remaining 40% stake of the property. Ascott Reit acquired the initial 60% stake in this property based on an agreed property value of JPY5.8 billion (approximately S\$98.1 million).

8 The property was divested on 26 April 2017.

OPERATIONS REVIEW

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Gravis Court Kokutaiji	439	453	5.0
Gravis Court Nishiharaekimae	243	248	4.2
Infini Garden	6,423	6,580	95.2
Joy City Koishikawa Shokubutsuen Tokyo ¹	173	559	12.8
Joy City Kuramae Tokyo ¹	279	889	19.1
Roppongi Residences Tokyo	2,155	2,191	57.1
S-Residence Fukushima Luxe	1,993	2,069	31.1
S-Residence Hommachi Marks	1,129	1,179	17.3
S-Residence Midoribashi Serio	970	981	14.5
S-Residence Tanimachi 9 chome	1,134	1,161	18.1
Zesty Akebonobashi Tokyo ¹	56	189	4.8
Zesty Gotokuji, Tokyo ¹	57	194	4.2
Zesty Higashi Shinjuku Tokyo ¹	86	273	6.2
Zesty Kagurazaka I Tokyo ¹	86	268	6.0
Zesty Kagurazaka II Tokyo ¹	83	274	5.6
Zesty Kasugacho Tokyo ¹	110	354	8.0
Zesty Koishikawa Tokyo ¹	53	185	3.5
Zesty Komazawa Daigaku II Tokyo ¹	164	491	11.5
Zesty Nishi Shinjuku III Tokyo ¹	145	443	10.5
Zesty Sakura Shinmachi Tokyo ¹	86	272	7.0
Zesty Shin Ekoda Tokyo ¹	68	222	4.7
Zesty Shoin Jinja Tokyo ¹	69	220	4.7
Zesty Shoin Jinja II Tokyo ¹	83	248	5.7
Revenue Per Available Unit (S\$)			
		FY 2017	FY 2016
Citadines Central Shinjuku Tokyo		151	160
Citadines Karasuma-Gojo Kyoto		141	161
Citadines Shinjuku Tokyo		155	175
Somerset Azabu East Tokyo		113	111

¹ The property was divested on 26 April 2017.

Rental Per Square Meter (S\$)	FY 2017	FY 2016
Actus Hakata V-Tower	29	30
Asyl Court Nakano Sakaue Tokyo ¹	47	52
Big Palace Kita 14jo	26	26
Gala Hachimanyama I Tokyo ¹	42	44
Gala Hachimanyama II Tokyo ¹	43	46
Gravis Court Kakomachi	25	25
Gravis Court Kokutaiji	26	27
Gravis Court Nishiharaekimae	24	24
Joy City Koishikawa Shokubutsuen Tokyo ¹	43	47
Joy City Kuramae Tokyo ¹	42	44
Roppongi Residences Tokyo	46	48
S-Residence Fukushima Luxe	38	39
S-Residence Hommachi Marks	33	35
S-Residence Midoribashi Serio	33	33
S-Residence Tanimachi 9 chome	35	35
Zesty Akebonobashi Tokyo ¹	45	49
Zesty Gotokuji, Tokyo ¹	41	46
Zesty Higashi Shinjuku Tokyo ¹	50	51
Zesty Kagurazaka I Tokyo ¹	47	51
Zesty Kagurazaka II Tokyo ¹	48	53
Zesty Kasugacho Tokyo ¹	36	39
Zesty Koishikawa Tokyo ¹	42	49
Zesty Komazawa Daigaku II Tokyo ¹	46	44
Zesty Nishi Shinjuku III Tokyo ¹	48	49
Zesty Sakura Shinmachi Tokyo ¹	40	42
Zesty Shin Ekoda Tokyo ¹	38	41
Zesty Shoin Jinja Tokyo ¹	40	45
Zesty Shoin Jinja II Tokyo ¹	41	42

1 The property was divested on 26 April 2017.

OPERATIONS REVIEW

Malaysia



Somerset Ampang Kuala Lumpur

Ascott Reit owns one freehold serviced residence in Kuala Lumpur which operates under management contract. The 205-unit Somerset Ampang Kuala Lumpur has a prime location in Jalan Ampang and is within proximity to offices, embassies and shopping centres. The nearby Ampang Park Light Rail Transit station offers quick intra-city transportation.

The average length of stay at the property is more than two months.

2017 Review

According to the Central Bank of Malaysia, the economy grew by 5.9% in 2017. With a global economic recovery on the helm, Malaysia is likewise going through a period of growth, benefiting from a global trade recovery and increases in domestic spending¹.

While the country's real estate industry has seen active investments and developments, the hospitality market continues to face challenges. This is largely due to increasing competition from new supply and emerging alternative accommodation, which has impacted both our occupancy and ADR. Coupled with a weaker Malaysian Ringgit, RevPAU for our property registered a 13% YoY decline from S\$83 in 2016 to S\$72 in 2017. Measures were undertaken during the year to recapture the market share by offering attractive rental packages, targeted particularly at corporate guests seeking long-stay accommodation. Despite challenging market conditions, Somerset Ampang Kuala Lumpur has outperformed its competitors in 2017.

2018 Outlook

The IMF estimates the Malaysian economy to grow 4.8% in 2018. The Malaysian economy is expected to experience a slower growth in 2018 as a result of a slowdown in exports. Though export normalisation is projected to abate economic growth, a resilient domestic demand is expected to hold up in 2018, albeit at a slower pace compared to 2017. Private consumption is also forecasted to remain strong, largely propped up by stable labour market conditions and continued income growth². The country nonetheless remains susceptible to vulnerabilities exerted by negative externalities, as well as fluctuations in investment sentiments in the country's economy. It is likely that sustained investment flows for infrastructure projects and capacity expansion in key sectors such as mining, construction, services and manufacturing will help to induce further economic expansion for 2018³.

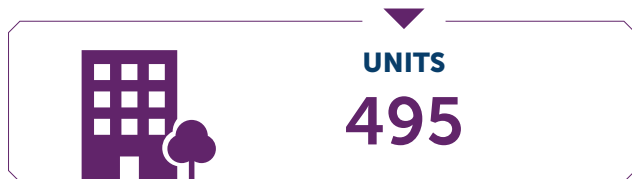
	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Somerset Ampang Kuala Lumpur	5,362	6,208	67.4

	FY 2017	FY 2016
Revenue Per Available Unit (S\$)		
Somerset Ampang Kuala Lumpur	72	83

1 Bloomberg (2018)
 2 The Malaysian Reserve (2018)
 3 ASEAN Briefing (2018)

OPERATIONS REVIEW

The Philippines



Somerset Millennium Makati

Ascott Reit has two serviced residences in the Philippines operating under management contracts. The 362-unit Ascott Makati, a leasehold property, and the 133-unit Somerset Millennium Makati, a freehold property, are in the heart of Makati City's central business and commercial district.

The average length of stay at our properties in the Philippines is more than one month.

2017 Review

According to the Philippine Statistics Authority, the Philippine economy grew by 6.7% in 2017. This is continued to be driven largely by increased government spending and the accelerated growth of the services, industrial and manufacturing sectors. Private spending continued to increase due to rising remittances and rapid credit expansion. FDI reached US\$8.7 billion in January to November 2017, up 20.1% YoY, and exceeding the full year projection. According to the country's Department of Tourism, tourist arrivals reached an all-time high of 6.6 million, an increase of 11% YoY.

The hospitality market in Metro Manila is seeing a growth in hotel rooms of at least 3,400 being completed in 2017². Yet, despite the boom in the industry, occupancy rates remain stable, hovering around 65% to 70%³ in 2017 as visitor arrivals continue to remain robust. Ascott Makati began the second phase of its renovation in November 2017. The refurbishment is focused on the 183 apartments of Tower 1 and is expected to be completed in 2Q 2018. Somerset Millennium Makati has completed its refurbishment in the first quarter of 2017 and has seen a 14% increase in ADR. Overall, RevPAU of our properties in the Philippines has seen a marked increase of 11% YoY, from S\$106 in 2016 to S\$118, largely driven by the increase in room rates due to the refurbishments.

2018 Outlook

The IMF estimated the Philippine economy to continue to expand at a rate of 6.7% in 2018 driven by private consumption and infrastructure development⁴. The growth momentum of the economy is predicated on the government's capacity to implement effectively the twin initiatives of a reform to the tax system and the building of the country's infrastructure⁵.

Opportunities in the Philippines' hospitality sector continue to lie in tapping various industries that have remained resilient, such as that of call centres, where these industries have continued to post strong growth rates. To further expand the current market base, our Philippine sales team will be embarking on international sales calls via roadshows in the United States, China, Hong Kong and Singapore to tap into new accounts for long-stay, focused primarily on relocation companies and to build strong rapport with the multinational companies. However, the expected annual increase of 1,900 new rooms in Metro Manila from 2019 to 2021² may potentially cause downward pressure on room rates.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Ascott Makati	18,471	16,205	87.5
Somerset Millennium Makati	3,918	3,591	12.7

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Ascott Makati	133	118
Somerset Millennium Makati	78	72

1 Bangko Sentral ng Pilipinas (2018)

2 Colliers (2018)

3 Business World Online (2018)

4 The Philippine Star (2018)

5 ABS-CBN (2018)

OPERATIONS REVIEW

Spain



Citadines Ramblas Barcelona

Ascott Reit owns one freehold serviced residence in Barcelona which operates under management contract with minimum guaranteed income. The 131-unit Citadines Ramblas Barcelona is located on the famous Las Ramblas boulevard, a top tourist and entertainment district in downtown Barcelona.

The average length of stay at the property is less than one month.

2017 Review

According to the Spain's National Statistics Institute, the economy expanded by 3.1% in 2017. 2017 marked a strong recovery of Spain's economy underpinned by a broad-based economic recovery¹. The unemployment rate has also decreased in November 2017 to 16.7%¹, providing support to private consumption. On the other hand, political tensions in the 2017 Catalan independence movement have resulted in an increased uncertainty over the country's future although economic impact has been limited so far.

The country's tourism industry has also registered another record-breaking year for the fifth time in a row, even in light of the Islamist militant attacks and the political tensions stemming from the Catalan independence movement. According to Spain's National Statistics Institute, tourist arrivals totaled 82 million in 2017, an 8.6% increase YoY, making Spain the world's second most visited country, behind France². Tourist expenditure has also hit a new record with a 12.2% increase YoY. As a result, Citadines Ramblas Barcelona's RevPAU increased 6% YoY from S\$146 in 2016 to S\$155 in 2017.

2018 Outlook

The IMF projected a softer growth of 2.4% for Spain in 2018, citing the potential effects of an increase in political tensions and unease resulting in uncertainty on the business climate and confidence. Despite that, Fitch Ratings has raised its credit rating for the country to "A-" from "BBB", serving as an endorsement for the country's strong economic performance despite the political uncertainty revolving around Catalonia¹.

However, with the hospitality industry reaching saturation point, room rates are likely to face downward pressure due to the new supply³. Despite that, with tourist numbers continuing to grow, stable operating performance can be expected for 2018.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Citadines Ramblas Barcelona	8,215	7,237	56.7

	FY 2017	FY 2016
Revenue Per Available Unit (S\$)		
Citadines Ramblas Barcelona	155	146

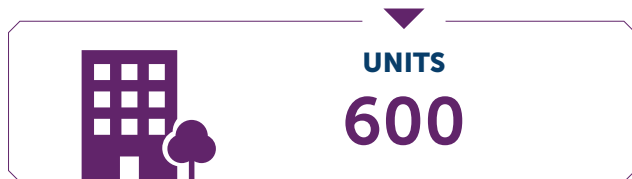
1 Fitch Ratings (2018)

2 Reuters (2018)

3 Hotel Management (2018)

OPERATIONS REVIEW

The United Kingdom



Citadines Holborn-Covent Garden London

Ascott Reit owns four freehold serviced residences in London operating under management contracts with minimum guaranteed income. The 192-unit Citadines Holborn-Covent Garden London is located close to the financial district and West End; the 187-unit Citadines Trafalgar Square London commands a prime location near the River Thames, Trafalgar Square and Buckingham Palace; the 129-unit Citadines Barbican London is situated in the Square Mile; and the 92-unit Citadines South Kensington London is conveniently located close to embassies and popular tourist attractions in the fashionable residential area of Kensington.

The average length of stay at our properties in London is less than one month.

2017 Review

According to the United Kingdom's (UK) Office for National Statistics, the economy grew by 1.8% in 2017. The slowdown in growth was mostly due to a weakness in consumer spending that is exacerbated by inflation and a weakening pound.

Despite that, the depreciating pound has generated higher inflows of tourist arrivals, with the country registering 33.3 million visitors for the months of January to October 2017, up 5% YoY¹. In 2017, London experienced a high growth rate of new hotel supply at 5.6%², posing a challenge to the operating performance of the industry. The overall RevPAU for our properties in the UK dipped slightly by 2% YoY, from S\$216 in 2016, to S\$211 in 2017 due to weaker pound.

As part of the Group's robust asset management strategy, the asset enhancement initiatives at Citadines Barbican London has been completed in the second quarter of 2017, lifting room rates by approximately 10%.

2018 Outlook

The IMF projected the UK's economic growth at 1.5% for 2018, with much of the downward revision attributed to the softer growth in private consumption³.

However, London's hotel market, with its position as a leading international destination, is expected to remain stable in 2018, despite a continued 4.6% increase YoY² in the supply of hotel rooms which may exert pressure on room rates. PricewaterhouseCoopers anticipated an approximate 2.4% RevPAU growth and believes that London's hospitality market remains a buoyant place for the corporate segment as well as an attractive leisure travel destination. Reports have also projected the UK to surpass 40 million tourists in 2018 and a record spending of £27 billion⁴.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Citadines Barbican London	6,951	7,581	75.0
Citadines Trafalgar Square London	18,184	18,447	130.9
Citadines South Kensington London	7,578	7,471	71.1
Citadines Holborn-Covent Garden London	15,991	16,024	127.5

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Citadines Barbican London	144	158
Citadines Trafalgar Square London	255	257
Citadines South Kensington London	213	209
Citadines Holborn-Covent Garden London	212	217

1 VisitBritain (2017)

2 PricewaterhouseCoopers (2017)

3 Independent (2017)

4 The Guardian (2017)

OPERATIONS REVIEW

The United States of America



DoubleTree by Hilton Hotel New York – Times Square South

Ascott Reit made its foray into the United States of America (United States) through the acquisition of a 411-unit leasehold extended-stay hotel, Element New York Times Square West in August 2015. With a prime address on 39th Street between Eighth and Ninth Avenues in New York, the property is strategically located within blocks of 15 subway lines, 3 major commuter hubs, 50 million square feet of office space and 2.7 million square feet of retail space, catering to both leisure and corporate segments. In April 2016, Ascott Reit acquired its second property in the United States, the 369-unit Sheraton Tribeca New York Hotel, located in the heart of Tribeca, adjacent to SoHo, a premier retail district and within proximity to the financial district. In August 2017, Ascott Reit acquired its third property in the United States, the 224-unit freehold DoubleTree by Hilton Hotel New York – Times Square South. It is strategically located in midtown Manhattan, and a stone's throw away from Times Square – the cultural and commercial epicenter of Manhattan and one of the world's most popular tourist attractions.

The three properties operate under management contracts, where the average length of stay is less than one week.

2017 Review

The United States' economy continues to fire on all cylinders with consumption and business investment. According to the Bureau of Economic Analysis, the United States' economy expanded 2.3% in 2017. Unemployment rate is also maintained at 4.1% in December 2017 – an almost 17-year low as recorded by the Bureau of Labour Statistics. Business and consumer confidence remain strong after the Senate passed the tax reform bill in end-2017.

New York City is among the strongest, most diverse, and most dynamic hotel markets in the world. The city's tourism promotion agency, NYC & Company expected the volume of tourism to continue to grow in 2017, to a projected 61.8 million visitors, up slightly more than 2% YoY. However, hotel supply growth has outpaced demand, resulting in a downward pressure on room rates. This has caused the overall RevPAU of our properties in New York to slip by 7%, from S\$326 in 2016 to S\$302 in 2017, though their average occupancies are maintained at a high 95%.

2018 Outlook

According to the IMF, the United States' economy is anticipated to grow 2.7% in 2018, with business and consumer confidence expected to continue rising. The reduction in corporate tax rate will stimulate business investment and growth¹. On the back of a stronger economic outlook, the Federal Reserve forecasted unemployment to fall to 3.9% by the end of 2018².

Based on a report by STR, RevPAU for the United States hotel industry is projected to grow 2.2% in 2018 on the back of a strengthening ADR. However, looking at Manhattan specifically, room supply is expected to increase further by another 6,500 rooms in 2018³. While visitor growth is largely expected to offset the supply increase, majority of the growth comes from the domestic market which commands lower rates. We will continue to adopt proactive pricing strategies to build a viable base of both transient and group customer accounts, allowing us to capture favourable market share and achieve stronger operational performance in 2018.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
DoubleTree by Hilton Hotel New York – Times Square South ⁴	9,825	–	148.4
Element New York Times Square West	45,919	47,728	220.7
Sheraton Tribeca New York Hotel ⁵	40,562	31,489	218.0

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
DoubleTree by Hilton Hotel New York – Times Square South ⁴	317	–
Element New York Times Square West	306	317
Sheraton Tribeca New York Hotel ⁵	294	339

1 Washington Post (2018)

2 Reuters (2017)

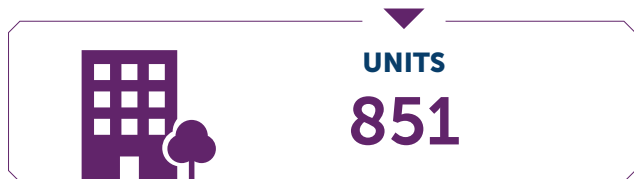
3 HVS (2017)

4 The property was acquired on 17 August 2017.

5 The property was acquired on 29 April 2016.

OPERATIONS REVIEW

Vietnam



Somerset Chancellor Court Ho Chi Minh City

Ascott Reit owns five leasehold properties in Hanoi and Ho Chi Minh City in Vietnam operating under management contracts. The 185-unit Somerset Grand Hanoi is located in the CBD; the 90-unit Somerset West Lake Hanoi is situated in the scenic West Lake; and the 206-unit Somerset Hoa Binh Hanoi is well positioned next to the business and financial districts as well as the flourishing Hoa Lac high technology development zone. The 172-unit Somerset Chancellor Court Ho Chi Minh City is located in the CBD that attracts expatriates working for large MNC offices within the vicinity. The newly renovated 198-unit Somerset Ho Chi Minh City is also strategically located in District 1, a prime commercial, diplomatic and shopping district.

The average length of stay at our properties in Vietnam is about six months.

2017 Review

According to the General Statistics Office of Vietnam, the economy grew by 6.8% in 2017. Against the backdrop of a global economic recovery, Vietnam has also seen a boom in new businesses and a surge in export growth. The country also registered US\$35.9 billion in foreign investment capital in 2017, a 44.4% increase YoY¹, where Japan, South Korea and Singapore were the leading foreign investors in Vietnam.

The hospitality and tourism sectors also continued to see a healthy growth momentum, with international visitor arrivals increasing 29.1% YoY², totaling close to 13 million in 2017. On the back of a growing economy coupled with improving operating fundamentals in the hospitality sector, our properties in Vietnam achieved a growth in RevPAU of 9% YoY, from S\$92 in 2016 to S\$100 in 2017.

As part of our strategy to generate higher returns through active asset enhancement initiatives, Somerset Ho Chi Minh City completed its second phase of refurbishment in the first quarter of 2017. Despite the competitive market environment, the property has outperformed its peers, with a high occupancy of approximately 95% for FY 2017. RevPAU has also registered an uplift of approximately 23%.

Somerset Grand Hanoi has also embarked on its refurbishment programme which has been set out in phases since the third quarter of 2017 and is on track for completion in 2018. The commercial component of Somerset Grand Hanoi has remained stable, consistently

outperforming other Grade A office buildings in the city. The commercial component has also achieved close to full occupancy with a number of new potential tenants, which is expected to materialise by the first half of 2018 to reach full occupancy.

2018 Outlook

The IMF estimated a 6.3% growth in Vietnam's economy in 2018, higher than the 2017 GDP estimate. The country is poised to remain one of the world's fastest growing economies as foreign direct investment continues to stream into the country due to its low costs and abundant supply of labour³.

Overall, Vietnam's tourism and business travel market will continue to experience healthy growth over the next few years. As the country continues to pursue structural reforms, more sustainable economic development and improvements in infrastructure across key cities, Vietnam will remain an attractive market with strong growth potential. Ho Chi Minh City is also poised to welcome 7.5 million foreign tourists in 2018, where the government has laid out plans to focus its efforts on developing cultural and MICE sectors of the industry⁴. However, the serviced residence market in Hanoi and Ho Chi Minh City are expected to be challenged by the increased competition from new supply of both serviced apartments and buy-to-let apartments as well as a gradually shrinking accommodation budget for expatriates. More than 3,500 new rooms are expected to be added into the market in Ho Chi Minh City by 2020, and over 2,000 new rooms will be launched by 2020 in Hanoi⁵.

	Gross Rental Income (S\$'000)		Agreed Property Value at Acquisition (S\$'million)
	FY 2017	FY 2016	
Somerset Chancellor Court Ho Chi Minh City	8,871	8,909	69.3
Somerset Grand Hanoi	14,972	14,826	105.7
Somerset Ho Chi Minh City	8,542	5,935	66.8
Somerset Hoa Binh Hanoi	6,656	6,042	54.9
Somerset West Lake Hanoi	2,801	2,390	29.4

Revenue Per Available Unit (S\$)	FY 2017	FY 2016
Somerset Chancellor Court Ho Chi Minh City	106	108
Somerset Grand Hanoi	116	113
Somerset Ho Chi Minh City	113	92
Somerset Hoa Binh Hanoi	78	71
Somerset West Lake Hanoi	82	69

1 Foreign Investment Agency (2017)

2 Vietnam National Administration of Tourism (2018)

3 Forbes (2017)

4 Vietnam News (2017)

5 Jones Lang LaSalle (2017)

FINANCIAL REVIEW

OPERATING PERFORMANCE

Revenue

Ascott Reit's revenue of S\$496.3 million for the financial year ended 31 December 2017 ("FY 2017") comprised S\$73.5 million (15% of total revenue) from serviced residences on master leases, S\$71.1 million (14% of total revenue) from serviced residences on management contracts with minimum guaranteed income and S\$351.7 million (71% of total revenue) from serviced residences on management contracts.

Revenue for FY 2017 increased by S\$20.7 million or 4% as compared to the previous financial year ended 31 December 2016 ("FY 2016"). The increase in revenue was mainly due to the additional revenue of S\$26.1 million from the acquisition of Sheraton Tribeca New York Hotel in April 2016 (the "2016 Acquisition") and the acquisition of

Citadines City Centre Frankfurt, Citadines Michel Hamburg, DoubleTree by Hilton Hotel New York – Times Square South and Ascott Orchard Singapore during the year (the "2017 Acquisitions").

On 26 April 2017, Ascott Reit completed the divestment of 18 rental housing properties in Tokyo, Japan. The divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an, which was announced on 3 July 2017, was completed on 5 January 2018. Operations at Citadines Gaoxin Xi'an and Citadines Biyun Shanghai have ceased in September 2017 and December 2017 respectively. The completed divestment and announced divestment are collectively referred to as the "Divestments".

	Local Currency	FY 2017		FY 2016	
		Revenue million	Gross Profit million	Revenue million	Gross Profit million
Master leases					
Australia	AUD	7.3	6.9	7.2	6.8
France	EUR	23.1	21.1	22.9	21.1
Germany	EUR	8.1	7.4	6.0	5.5
Japan	JPY	533.5	416.2	533.2	412.9
Singapore	S\$	10.8	9.4	8.0	7.3
Management contracts with minimum guaranteed income					
Belgium	EUR	8.5	2.7	6.5	1.4
Spain	EUR	5.5	2.7	4.9	2.3
The United Kingdom	GBP	27.8	12.3	26.7	12.6
Management contracts					
Australia	AUD	27.4	11.2	27.5	11.4
China	RMB	297.8	104.1	302.1	90.7
Indonesia	USD	12.0	4.3	12.4	4.9
Japan	JPY	4,175.1	2,170.3	4,764.6	2,665.4
Malaysia	MYR	16.8	5.5	18.7	6.1
The Philippines	PHP	867.0	271.2	733.4	207.3
Singapore	S\$	23.8	10.0	25.2	10.6
The United States of America	USD	70.1	15.6	57.9	15.5
Vietnam ¹	VND	712.3	389.4	642.1	353.8

1 Revenue and gross profit figures for VND are stated in billions.

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, revenue increased by S\$2.1 million mainly due to higher revenue from the properties in Vietnam, Belgium and Philippines.

Ascott Reit's portfolio occupancy increased from 79% in FY 2016 to 82% in FY 2017. Revenue Per Available Unit (RevPAU) increased by S\$4, or 3%, from S\$140 in FY 2016 to S\$144 in FY 2017.

Gross Profit

Ascott Reit's gross profit of S\$226.9 million for FY 2017 comprised S\$66.1 million (29% of total gross profit) from serviced residences on master leases, S\$30.3 million (13% of total gross profit) from serviced residences on management contracts with minimum guaranteed income and S\$130.5 million (58% of total gross profit) from serviced residences on management contracts.

In line with the increase in revenue, gross profit for FY 2017 increased by S\$4.5 million or 2% as compared to FY 2016.

Ascott Reit's earnings before interest, taxes, depreciation and amortisation (EBITDA) breakdown (excluding corporate expenses) according to the FTSE classification of markets is approximately 72.0% for developed markets and 28.0% for the rest of the markets in the portfolio.

	FY 2017		FY 2016	
	Revenue S\$'million	Gross Profit S\$'million	Revenue S\$'million	Gross Profit S\$'million
Australia	7.8	7.4	7.3	7.0
France	35.7	32.7	35.0	32.2
Germany	12.6	11.5	9.2	8.4
Japan	6.6	5.1	6.7	5.2
Singapore	10.8	9.4	8.0	7.3
Master leases	73.5	66.1	66.2	60.1
Belgium	13.1	4.2	10.0	2.1
Spain	8.6	4.1	7.6	3.4
The United Kingdom	49.4	22.0	50.5	23.7
Management contracts with minimum guaranteed income	71.1	30.3	68.1	29.2
Australia	29.0	11.9	28.2	11.7
China	60.8	21.3	63.0	18.9
Indonesia	16.8	5.9	17.2	6.8
Japan	51.5	26.8	60.3	33.7
Malaysia	5.4	1.7	6.3	2.0
The Philippines	23.8	7.5	21.4	6.0
Singapore	23.8	10.0	25.2	10.6
The United States of America	97.2	21.6	79.9	21.4
Vietnam	43.4	23.8	39.8	22.0
Management contracts	351.7	130.5	341.3	133.1
Group	496.3	226.9	475.6	222.4

FINANCIAL REVIEW

RIGHTS ISSUE

On 11 April 2017, Ascott Reit issued 481,688,010 Units at an issue price of \$0.919 per Unit to raise a total of S\$442.7 million from an underwritten and renounceable rights issue (the "Rights Issue"). The proceeds from the Rights Issue has been fully utilised as follows, as stated in the Offer Information Statement dated 14 March 2017:

- (a) S\$381.6 million was used to part finance the acquisition of Ascott Orchard Singapore, which was completed on 10 October 2017;
- (b) S\$56.0 million was used to part finance the acquisition of Citadines City Centre Frankfurt and Citadines Michel Hamburg; and
- (c) S\$5.1 million was used to pay the underwriting commission and professional and other fees and expense.

DISTRIBUTIONS

Ascott Reit achieved unitholders' distribution of S\$152.2 million for FY 2017, S\$17.2 million or 13% higher as compared to FY 2016. DPU for FY 2017 was 7.09 cents, 14% lower than FY 2016, mainly due to the Rights Issue.

Unitholders' distribution for FY 2017 included a one-off partial distribution of the gains from the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an of S\$6.5 million and realised exchange gain of S\$11.9 million

arising from repayment of foreign currency bank loans with the Rights Issue proceeds (pending the deployment of funds for their intended use to part finance the acquisition of Ascott Orchard Singapore).

In March 2016, Ascott Reit issued new units under an equity placement exercise to part finance the 2016 Acquisition which was completed on 29 April 2016.

Unitholders' distribution for FY 2016 included a net realised exchange gain of S\$11.8 million arising from repayment of foreign currency bank loans with the divestment proceeds from Fortune Garden Apartments and repayment of shareholders' loans from the Group's subsidiaries.

FY 2017 DPU was adjusted to exclude the effects of the Rights Issue, the contribution from Ascott Orchard Singapore for 4Q 2017, the one-off realised exchange gain from repayment of bank loans, contribution from the 2016 Acquisition for 1Q 2017 and the divestment gain. DPU for FY 2016 was adjusted to exclude the realised exchange gain and the effect of the equity placement. Adjusted DPU for FY 2017 would have been 7.99 cents and 5% higher than the adjusted DPU for FY 2016 of 7.59 cents.

Ascott Reit continued to pay out 100% of unitholders' distribution, demonstrating a firm commitment to deliver stable returns to unitholders.

Breakdown of total unitholders' distribution for FY 2017 is as follows:

Distribution	1 January 2017 to 30 June 2017	1 July 2017 to 31 December 2017	1 January 2017 to 31 December 2017
Distribution rate per Unit	3.356 cents	3.730 cents	7.086 cents
Payment Date	25 August 2017	28 February 2018	–

Ascott Reit will continue to make distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six months period ending on each of the said dates.

ASSETS

The value of Ascott Reit's total assets as at 31 December 2017 was S\$5,493.1 million, compared with S\$4,791.3 million as at 31 December 2016. The increase of S\$701.8 million was mainly due to the 2017 Acquisitions, increase in the fair value of certain serviced residence properties and higher amount of cash and cash equivalents, partially offset by the divestment of the 18 rental housing properties.

CHANGE IN VALUE OF SERVICED RESIDENCE PROPERTIES AND ASSET HELD FOR SALE

The net change in fair value of serviced residence properties has no impact on the Unitholder's distribution.

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, valuations of Ascott Reit's serviced residence properties are to be conducted once every year. Any increase or decrease in fair value is credited or charged to the Statement of Total Return as net appreciation or depreciation on revaluation of serviced residence properties.

As at 31 December 2017, independent full valuations for the Group's portfolio were carried out by Colliers International (except for Citadines Biyun Shanghai and Citadines Gaoxin Xi'an which were valued at their respective sale consideration).

In determining the fair value of the Group's portfolio, the discounted cash flow approach was used. The valuation method used was consistent with that used for the 31 December 2016 valuation.

The Group's portfolio of serviced residence properties (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 FY 2017. The surplus was mainly due to the fair value gain of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an based on their sale consideration (net of property costs and transaction costs) and higher valuation of the Group's serviced residences in Germany, United Kingdom and Vietnam. The net impact on the Consolidated Statement of Total Return was S\$58.0 million (net of tax and non-controlling interests).

FUNDING AND BORROWINGS

As at year end, 60% of Ascott Reit's total debt was funded by bank borrowings and the balance 40% was tapped from the debt capital market. Ascott Reit adopts a prudent and disciplined approach towards capital management to ensure financial flexibility in its funding structure and mitigate concentration risk.

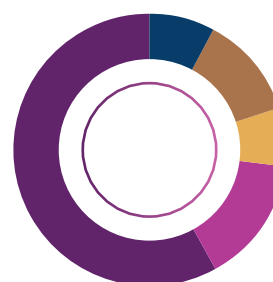
As at 31 December 2017, Ascott Reit's outstanding borrowings was S\$1,945.4 million (2016: S\$1,862.6 million). The effective interest rate was maintained at 2.4% per annum. Approximately 81% of the total borrowings are on fixed interest rates to hedge against rising interest rate. The gearing of the Group as at 31 December 2017 was 36.2% (2016: 39.8%), below the 45.0% gearing limit allowed by the Monetary Authority of Singapore.

Ascott Reit holds derivative financial instruments to hedge its currency and interest rate risk exposures. The fair value of derivatives for FY 2017, which was included in the financial statements as financial derivative assets and financial derivative liabilities were S\$7.2 million and S\$16.1 million respectively. The net amount of S\$8.9 million in liabilities represented 0.3% of the net assets of the Group as at 31 December 2017.

Debt Maturity Profile



2017		
Maturity	S\$'million	%
2018	264.3	13
2019	96.9	5
2020	274.6	14
2021	478.8	25
2022 & after	830.8	43
Total	1,945.4¹	100



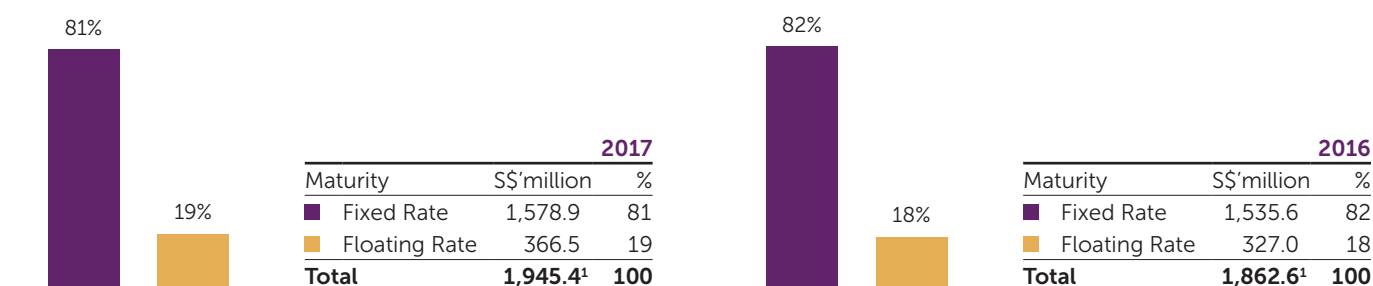
2016		
Maturity	S\$'million	%
2017	147.0	8
2018	216.9	12
2019	134.1	7
2020	284.8	15
2021 & after	1,079.8	58
Total	1,862.6¹	100

Out of the Group's total borrowings, 13% falls due in 2018, 5% falls due in 2019, 14% falls due in 2020, 25% falls due in 2021 and the balance falls due after 2021. The Manager has commenced discussions to refinance the loan facilities due in 2018, ahead of their maturity dates.

1 Net of unamortised transaction costs.

FINANCIAL REVIEW

Fixed vs Floating Rate Profile

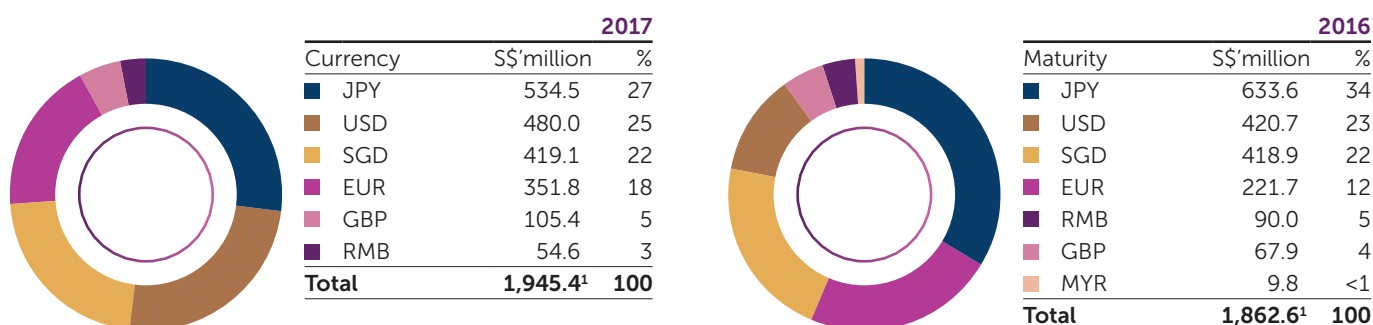


Fixed Rate Loans

This has taken into account the interest rate swaps entered into to convert floating rate loans to fixed rate loans. As at 31 December 2017, S\$1,578.9 million¹ or 81% of the Group's borrowings are on fixed interest rates, including S\$160.6 million¹ due for refinancing in 2018, in line with the maturity dates of the underlying loans.

¹ Net of unamortised transaction costs.

Debt by Currency Profile



¹ Net of unamortised transaction costs.

CASH FLOW

As at 31 December 2017, Ascott Reit's cash and cash equivalents was S\$257.3 million, an increase of S\$114.3 million over last year. The major cash flow movements are as follows:

	S\$'million
Cash generated from operations	201.5
Proceeds from issue of new Units, net of issue expenses	437.8
Proceeds from divestment of serviced residence properties	150.1
Net proceeds from bank borrowings	106.5
Deposits received for divestment of subsidiaries	104.9
Acquisition of serviced residence properties / plant and equipment	(641.6)
Distributions to Unitholders and perpetual securities holders	(163.8)
Payment of interest and income tax	(66.8)
Capital expenditure on serviced residence properties	(12.6)

PORTFOLIO OVERVIEW

LOCATION

Ascott Reit's 64¹ serviced residences and 11 rental housing properties are located in key gateway cities across Singapore, Australia, Belgium, China, France, Germany, Indonesia, Japan, Malaysia, the Philippines, Spain, the United Kingdom, the United States of America and Vietnam. The properties are well served by public transportation and within walking distance to amenities such as restaurants and supermarkets. In Japan, one of the rental housing properties is located in Tokyo while the remaining 10 rental housing properties are located in cities outside of Tokyo, namely Fukuoka, Hiroshima, Osaka, and Sapporo.

BRANDS

Five serviced residences are managed under the Ascott brand, 14 are managed under the Somerset brand while 37¹ are managed under the Citadines brand. Additionally, La Clef Louvre Paris is managed under The Crest Collection. In Japan, the rental housing properties are managed under the local brands. All serviced residences are managed by Serviced Residence Management Companies (SRMCs), with the exception of DoubleTree by Hilton Hotel New York – Times Square South, Element New York Times Square West, Sheraton Tribeca New York Hotel, Madison Hamburg, Quest Campbelltown, Quest Mascot and Quest Sydney Olympic Park, which are managed by third-party operators in their respective brands.

SCALE

The Ascott Limited (Ascott) is the largest international serviced residence owner-operator. Its strong global brand and over 30-year industry track record enable our properties to enjoy worldwide recognition as the preferred accommodation for extended-stay business travellers. Through a combination of serviced residence and rental housing units, Ascott Reit's portfolio of 11,861¹ apartment units cater to a wide range of customer needs. These include studio, one to three-bedroom, and penthouse apartment units. We leverage on Ascott to achieve economies of scale, benefitting from its global recognition, international sales, wide distribution and marketing networks and centralisation of key functions such as finance and procurement.

AWARDS

Our award-winning properties continue to enjoy worldwide recognition as the preferred accommodation for business and leisure travellers alike. These include the World Travel Awards™ 2017 where four of our properties were awarded the titles of "Leading Serviced Apartments" in their respective countries: Citadines Sainte-Catherine Brussels, Citadines Michel Hamburg, Somerset Grand Hanoi and Citadines Shinjuku Tokyo. Ascott Raffles Place Singapore was also awarded the prestigious title of "Best Serviced Residence in Asia Pacific" in the Business Traveller Asia-Pacific Awards 2017. Five of our properties were awarded the TripAdvisor Travellers' Choice Award 2017 and 37 properties were awarded the Certificate of Excellence Award 2017.

OUR EXTENDED-STAY BUSINESS MODEL

Our 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 (GDP) growth and Foreign Direct Investment (FDI), is generally more stable than the seasonal nature of tourism travel. Our flexible business model provides short to long-term accommodation. The average length of stay for properties on serviced residence management contracts is approximately three months, while rental housing properties with leases averaging one to two years offer greater income stability to the portfolio. Shorter-term stay also presents opportunities for yielding growth and higher operating margins. For Ascott Reit, income stability is also supported by master leases and serviced residence management contracts with minimum income guarantee.

MASTER LEASES

28 of our properties, 17 in France, five in Germany, three in Australia, two in Singapore and one in Japan, are on master leases. The master lessees pay fixed net rental per annum to Ascott Reit, with the exception of Ascott Orchard Singapore and Ascott Raffles Place Singapore paying an additional variable component. The master leases in Europe are subject to annual rental revisions pegged to indices representing construction cost, inflation or commercial rental prices. The master leases in Australia are subject to fixed indexation per annum until the next market review. The weighted average remaining tenure of the master leases is around six years.

For new and master leases which were renewed in FY 2017, the weighted average lease expiry based on the date of commencement of the leases is 7.9 years and accounts for 5.5% of the gross revenue.

1 Including Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these two properties in China on 5 January 2018.

PORTFOLIO OVERVIEW

SERVICED RESIDENCE MANAGEMENT CONTRACTS

47¹ of our properties are on serviced residence management contracts, comprising seven properties on serviced residence management contracts with minimum guaranteed income and 40 properties on serviced residence management contracts without minimum guaranteed income. Serviced residence management contracts are entered into between Ascott Reit and Serviced Residence Management Companies (SRMCs) and third-party operators which provide serviced residence management services to Ascott Reit. Unlike the properties under master lease arrangements, guests will lease the units of the serviced residences directly from Ascott Reit or its subsidiaries (for serviced residences outside of Japan) or other entities acting on behalf of Ascott Reit (for serviced residences within Japan²). Therefore, the Manager of Ascott Reit has obtained a waiver from the Monetary Authority of Singapore in relation to paragraphs 11.1(c)(iv) and (v) of the Property Funds Appendix regarding the disclosures of lease maturity profile and weighted average lease expiry for properties under serviced residence management contracts, subject to the following disclosures:

- (1) the average length of stay of guests of properties under the serviced residence management contracts (combined for both serviced residence management contracts with and without minimum guaranteed income) for current year and past five years; and
- (2) the weighted average remaining term of the serviced residence management contracts with minimum guaranteed income.

Serviced Residence Management Contracts with Minimum Guaranteed Income

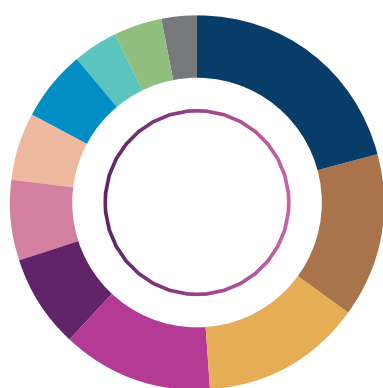
Seven of our properties across United Kingdom, Belgium and Spain are on serviced residence management contracts with minimum guaranteed income. Under the serviced residence management contracts with minimum guaranteed income, the SRMCs have provided a minimum income guarantee to Ascott Reit over the term of such management contracts which helps to ensure a stable income stream for Ascott Reit in the event that the properties under such management contracts do not generate applicable minimum income quantum. The weighted average remaining term of the management contracts is around four years.

Serviced Residence Management Contracts without Minimum Guaranteed Income (Management Contracts)

40¹ of our properties across Australia, China, Indonesia, Japan, Malaysia, the Philippines, Singapore, the United States of America and Vietnam are on management contracts. Under the management contracts, the income stream is dependent on the revenue per available unit of the properties under such management arrangements.

FY 2017 Portfolio Information by Industry³

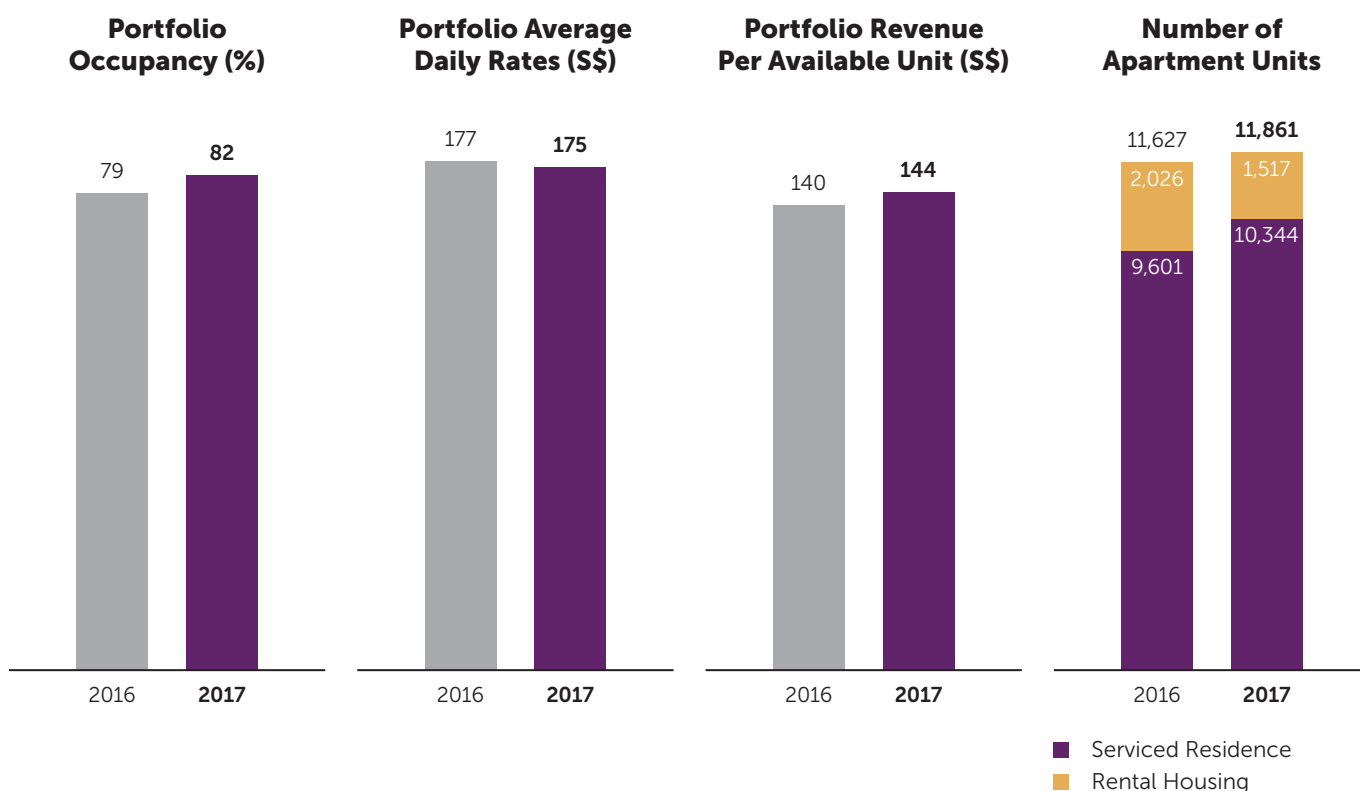
(Portfolio Apartment Rental Income)



	%
Industrial	23
Consumers	15
Financial Institutions	14
Government & NGOs	13
Manufacturing	7
Information Technology	7
Real Estate/ Lodging	7
Energy & Utilities	4
Healthcare	4
Others	3
Media & Telecommunications	3
Total	100

1 Including Citadines Bijun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these two properties in China on 5 January 2018.
 2 In Japan, Ascott Reit's interests in properties are indirectly held as trust beneficial interests through the godo kaisha and tokutei mokusetsu kaisha structures and Singapore special purpose vehicles.
 3 Based on apartment rental income for corporate accounts only.

Key Statistics of Ascott Reit's Portfolio¹



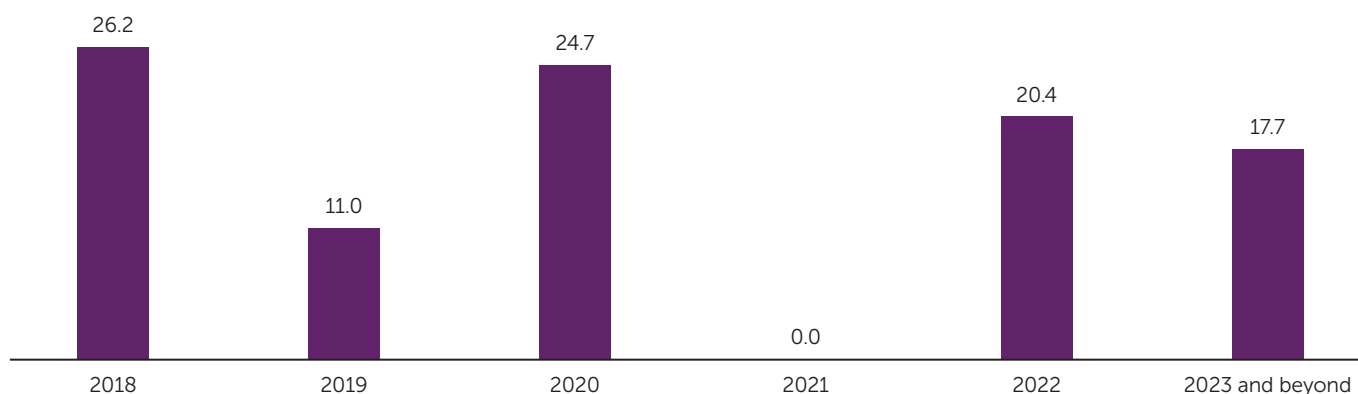
¹ Portfolio Occupancy, Portfolio Average Daily Rates and Portfolio Revenue per Available Unit information do not include statistics on the rental housing properties and properties on master leases.

Top 10 Corporate Clients of Ascott Reit by Apartment Rental Income

Corporate Client	Industry	% of Total Apartment Rental Income
Embassies of OECD Countries	Government & NGOs	1.1%
Samsung	Consumers	0.8%
Qantas Airways	Consumers	0.7%
Toyota Motor Asia Pacific	Consumers	0.5%
Mitsubishi/Bank of Tokyo	Financial Institutions	0.5%
Standard Chartered Bank	Financial Institutions	0.4%
Thai Airways	Consumers	0.4%
BNP Paribas	Financial Institutions	0.4%
Hitachi	Consumers	0.3%
Honda	Consumers	0.3%
Total		5.4%

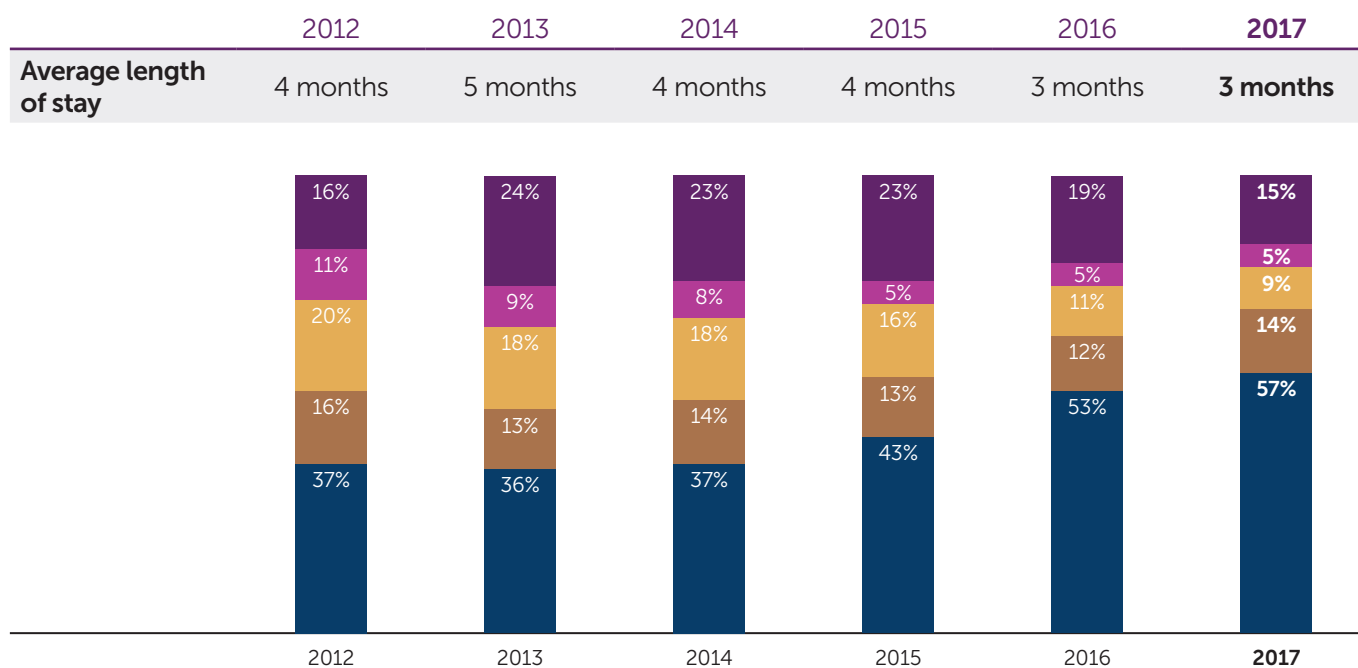
PORTFOLIO OVERVIEW

Lease Expiry for Master Leases¹ (%)



1 Percentage of gross rental income for master leases expiring at respective years over the total gross rental income for all master leases.

Portfolio Information by Length of Stay^{2,3} (Portfolio Apartment Rental Income)



- 1 week or less
- Less than 1 month
- 1 to 6 months
- 6 to 12 months
- More than 12 months

2 Portfolio information excludes properties on master leases and the 18 rental housing properties in Japan that were divested on 26 April 2017.

3 Historical information is prepared for illustrative purposes only and are not guarantees of future performance.

PORTFOLIO LISTING

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
Australia				
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000, Australia	380	Freehold	–
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000, Australia	85	Freehold	–
Quest Campbelltown	1 Rennie Road, Campbelltown, NSW 2560, Australia	81	Freehold	–
Quest Mascot	108-114 Robey Street, Mascot, NSW 2020, Australia	91	Freehold	–
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127, Australia	140	99	2111
China				
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630, China	207	70	2074
Citadines Biyun Shanghai ¹	Nos. 1-3, 9-12, 15-16, Lane 450 Hongfeng Road, Pudong District, Shanghai, China	180	70	2064
Citadines Gaoxin Xi'an ¹	1-26/F, No. 13 Gaoxin Si Road, Xi'an Hi-Tech Industries Development Zone, Xi'an, Shaanxi Province, China	251	50	2056
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021, China	167	70	2066
Citadines Zhuankou Wuhan	Building C2 and C3, Xiang Long Times Business Center, Plot 3R2, Wuhan Economic and Technological Development Zone, Wuhan, Hubei Province, China	249	40	2043
Somerset Grand Central Dalian	Nos. 128-2 Jinma Road, Dalian Development Area, Dalian 116600, China	195	50	2056
Somerset Heping Shenyang	No. 80 Taiyuan North Street, Heping District, Shenyang 110000, China	270	40	2046
Somerset Olympic Tower Property Tianjin	No. 126 Chengdu Dao, Heping District, Tianjin 300051, China	185	70	2062
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031, China	168	70	2066
Indonesia				
Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230, Indonesia	204	26	2024
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940, Indonesia	203	30	2024

1 The property was divested on 5 January 2018.

PORTFOLIO LISTING

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
Japan				
Citadines Central Shinjuku Tokyo	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo, Japan	206	Freehold	–
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105, Japan	124	Freehold	–
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan	160	Freehold	–
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044, Japan	79	Freehold	–
Japan Rental Housing				
Actus Hakata V-Tower	3-15-10, Hakata Ekimae, Hakata-ku, Fukuoka, Japan	296	Freehold	–
Big Palace Kita 14jo	4-1-6, Kita14jo Nishi, Kita-ku, Sapporo, Japan	140	Freehold	–
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima, Japan	63	Freehold	–
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima, Japan	48	Freehold	–
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima, Japan	29	Freehold	–
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka, Japan	389	Freehold	–
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032, Japan	64	Freehold	–
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka, Japan	178	Freehold	–
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka, Japan	110	Freehold	–
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka, Japan	98	Freehold	–
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka, Japan	102	Freehold	–
Malaysia				
Somerset Ampang Kuala Lumpur	No. 187, Jalan Ampang 50450, Kuala Lumpur, Malaysia	205	Freehold	–
Philippines				
Ascott Makati	4, Ayala Glorietta Centre, Makati City 1224, The Philippines	362	48	2044
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229, The Philippines	133	Freehold	–
Singapore				
Ascott Orchard Singapore	No. 11 Cairnhill Road, Singapore 229724	220	99	2113
Ascott Raffles Place Singapore	No. 2 Finlayson Green, Singapore 049247	146	999	2890 – 2892

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
Singapore				
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	154	96	2105
Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	197	97	2077
Vietnam				
Somerset Chancellor Court Ho Chi Minh City	Nos. 21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City, Vietnam	172	48	2041
Somerset Grand Hanoi	No. 49 Hai Ba Trung Street, Hanoi, Vietnam	185	45	2038
Somerset Ho Chi Minh City	No. 8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City, Vietnam	198	45	2039
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Hanoi, Vietnam	206	36	2042
Somerset West Lake Hanoi	No. 254D Thuy Khue Road, Hanoi, Vietnam	90	49	2041
France				
Citadines Antigone Montpellier	588 boulevard d'Antigone, 34000 Montpellier, France	122	Freehold	–
Citadines Austerlitz Paris	27 rue Esquirol, 75013 Paris, France	50	Freehold	–
Citadines Castellane Marseille	60 rue du Rouet, 13006 Marseille, France	97	Freehold	–
Citadines City Centre Grenoble	9-11 rue de Strasbourg 38000 Grenoble, France	107	Freehold	–
Citadines City Centre Lille	Avenue Willy Brandt – Euralille, 59777 Lille, France	101	Freehold	–
Citadines Croisette Cannes	1 rue le Poussin, 06400 Cannes, France	58	Freehold	–
Citadines Didot Montparnasse Paris	94 rue Didot, 75014 Paris, France	80	Freehold	–
Citadines Les Halles Paris	4 rue des Innocents, 75001 Paris, France	189	Freehold	–
Citadines Maine Montparnasse Paris	67 avenue du Maine, 75014 Paris, France	67	Freehold	–
Citadines Montmartre Paris	16 avenue Rachel, 75018 Paris, France	111	Freehold	–
Citadines Place d'Italie Paris	18 place d'Italie, 75013 Paris, France	169	Freehold	–
Citadines Prado Chanot Marseille	9-11 boulevard de Louvain, 13008 Marseille, France	77	Freehold	–
Citadines Presqu'île Lyon	2 rue Thomassin, 69002 Lyon, France	116	Freehold	–
Citadines République Paris	75 bis, avenue Parmentier, 75011 Paris, France	76	Freehold	–

PORTFOLIO LISTING

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
France				
Citadines Tour Eiffel Paris	132 boulevard de Grenelle, 75015 Paris, France	104	Freehold	–
Citadines Trocadéro Paris	29 bis, rue Saint-Didier, 75116 Paris, France	97	Freehold	–
La Clef Louvre Paris (formerly known as Citadines Suites Louvre Paris)	8 rue de Richelieu, 75001 Paris, France	51	Freehold	–
The United Kingdom				
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH, The United Kingdom	129	Freehold	–
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF, The United Kingdom	192	Freehold	–
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL, The United Kingdom	92	Freehold	–
Citadines Trafalgar Square London	18-21 Northumberland Avenue, London WC2N 5EA, The United Kingdom	187	Freehold	–
Belgium				
Citadines Sainte-Catherine Brussels	51 Quai au Bois à Brûler 1000 Brussels, Belgium	169	Freehold	–
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels, Belgium	154	Freehold	–
Germany				
Citadines City Centre Frankfurt	Europa-Allee 23, 60327 Frankfurt am Main, Germany	165	Freehold	–
Citadines Arnulfpark Munich	Arnulfstrasse 51, 80636 München, Germany	146	Freehold	–
Citadines Kurfürstendamm Berlin	Olivaer Platz 1, 10707 Berlin-Wilmersdorf, Germany	117	Freehold	–
Citadines Michel Hamburg	Ludwig-Erhard-Strasse 7, 20459 Hamburg, Germany	127	99	2111
Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg, Germany	166	Freehold	–
Spain				
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona, Spain	131	Freehold	–
The United States of America				
DoubleTree by Hilton Hotel New York - Times Square South	341 West 36th Street, New York, New York 10018, The United States of America	224	Freehold	–
Element New York Times Square West	311 West 39th Street, between 8th and 9th Avenue, New York, New York 10018, The United States of America	411	99	2112
Sheraton Tribeca New York Hotel	350 and 370-372 Canal Street, New York, New York 10013, The United States of America	369	99	2112

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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 113 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
2 March 2018

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 113 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 2017, 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
2 March 2018

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 2017, 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 113 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 2017 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.

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF ASCOTT RESIDENCE TRUST

(Constituted under a Trust Deed in the Republic of Singapore)

Valuation of serviced residence properties **(Refer to Note 4 – Serviced residence properties and Note 32 – Fair value measurement)**

Risk:

The Group has a portfolio of serviced residences, including rental housing properties, which represents the single largest category of asset on the Statement of Financial Position at \$4.9 billion as at 31 December 2017.

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.

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.

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF ASCOTT RESIDENCE TRUST

(Constituted under a Trust Deed in the Republic of Singapore)

Accounting for significant acquisitions
(Refer to Note 33 – Acquisition of serviced residence properties)

Risk:

The Group makes acquisitions as part of its business strategy. Such transactions can be complex and judgement is involved in determining whether an acquisition is a business combination or the acquisition of an asset, each of which have different accounting treatments.

Our response:

We assessed the Group's process on the classification and accounting for the acquisitions. We also challenged the accounting of the acquisitions by examining legal and contractual documents to determine whether the acquisitions are appropriately classified and accounted for.

We also considered the adequacy of disclosures for the acquisitions made during the financial year.

Our findings:

The Group has a process in place to ensure that each investment acquired is identified, appropriately classified and the relevant accounting treatment is consistently applied.

The judgement applied by the Group in determining whether each acquisition is a business combination or an acquisition of assets was fair. Estimates used in allocating the purchase price to assets and liabilities acquired in significant acquisition of assets were appropriate. We also found the disclosures of significant acquisitions 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.
- 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.

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF ASCOTT RESIDENCE TRUST

(Constituted under a Trust Deed in the Republic of Singapore)

- 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

2 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current assets					
Serviced residence properties	4	4,908,400	4,504,416	950,156	553,002
Plant and equipment	5	49,768	51,808	13,844	3,998
Subsidiaries	6	–	–	340,889	333,396
Associate	8	2,992	3,505	2,993	3,990
Financial derivative assets	9	7,169	7,125	2,090	3,709
Deferred tax assets	10	5,770	5,891	–	–
		<u>4,974,099</u>	<u>4,572,745</u>	<u>1,309,972</u>	<u>898,095</u>
Current assets					
Inventories		214	201	–	–
Trade and other receivables	11	66,573	68,712	2,369,264	2,293,713
Assets held for sale	12	194,820	6,549	–	–
Cash and cash equivalents	13	257,345	143,074	12,598	5,778
		<u>518,952</u>	<u>218,536</u>	<u>2,381,862</u>	<u>2,299,491</u>
Total assets		<u>5,493,051</u>	<u>4,791,281</u>	<u>3,691,834</u>	<u>3,197,586</u>
Non-current liabilities					
Financial liabilities	14	1,681,106	1,715,659	351,782	260,323
Financial derivative liabilities	9	15,960	17,745	13,570	13,935
Deferred tax liabilities	10	119,211	94,078	–	–
		<u>1,816,277</u>	<u>1,827,482</u>	<u>365,352</u>	<u>274,258</u>
Current liabilities					
Financial liabilities	14	264,267	146,973	78,388	36,798
Financial derivative liabilities	9	165	104	121	104
Trade and other payables	15	237,069	132,991	916,739	929,462
Liabilities held for sale	12	1,065	–	–	–
Current tax liabilities		2,525	1,468	–	–
		<u>505,091</u>	<u>281,536</u>	<u>995,248</u>	<u>966,364</u>
Total liabilities		<u>2,321,368</u>	<u>2,109,018</u>	<u>1,360,600</u>	<u>1,240,622</u>
Net assets		<u>3,171,683</u>	<u>2,682,263</u>	<u>2,331,234</u>	<u>1,956,964</u>
Represented by:					
Unitholders' funds	16	2,685,129	2,200,625	1,934,107	1,559,837
Perpetual securities holders	17	397,127	397,127	397,127	397,127
Non-controlling interests	7	89,427	84,511	–	–
		<u>3,171,683</u>	<u>2,682,263</u>	<u>2,331,234</u>	<u>1,956,964</u>
Units in issue ('000)	17	<u>2,149,688</u>	<u>1,653,471</u>	<u>2,149,688</u>	<u>1,653,471</u>
Net asset value per Unit attributable to Unitholders (\$)		<u>1.25</u>	<u>1.33</u>	<u>0.90</u>	<u>0.94</u>

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2017

		Group		Trust	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gross revenue	18	496,288	475,590	34,497	33,130
Direct expenses	19	(269,370)	(253,217)	(15,121)	(15,130)
Gross profit		226,918	222,373	19,376	18,000
Finance income	20	1,581	1,799	245	62
Dividend income		–	–	117,495	59,757
Other income		558	865	10,367	8,615
Finance costs	20	(46,668)	(50,045)	(24,660)	(27,388)
Manager's management fees	21	(22,358)	(22,178)	(22,358)	(22,178)
Professional fees	22	(2,651)	(2,739)	(926)	(1,382)
Trustee's fees		(495)	(476)	(495)	(476)
Audit fees		(2,380)	(2,486)	(283)	(261)
Foreign exchange gain/(loss)		16,225	4,068	(14,068)	(35,694)
Other operating expenses		(3,232)	(1,426)	(2,092)	(15,190)
Net income/(loss) before share of results of associate		167,498	149,755	82,601	(16,135)
Share of results of associate (net of tax)		(38)	(6)	–	–
Net income/(loss)	23	167,460	149,749	82,601	(16,135)
Net change in fair value of serviced residence properties and assets held for sale		85,640	29,987	1,621	(10,758)
Net change in fair value of financial derivatives		1,121	322	(1,569)	(3,575)
Profit from divestments	24	20,844	–	–	–
Assets written off	4	(621)	(543)	–	–
Total return for the year before income tax		274,444	179,515	82,653	(30,468)
Income tax expense	25	(51,944)	(31,751)	–	–
Total return for the year		222,500	147,764	82,653	(30,468)
Total return attributable to:					
Unitholders of the Trust/perpetual securities holders		214,247	143,312	82,653	(30,468)
Non-controlling interests	7	8,253	4,452	–	–
		222,500	147,764	82,653	(30,468)
Earnings per Unit (cents)	26				
Basic		9.46	7.40 ¹	3.08	(2.96) ¹
Diluted		9.40	7.35 ¹	3.06	(2.94) ¹

¹ The figures have been restated for the effect of the Rights Issue undertaken by the Trust in April 2017.

DISTRIBUTION STATEMENTS

Year ended 31 December 2017

	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Amount available for distribution to Unitholders at beginning of the year		72,667	64,134	72,667	64,134
Total return attributable to Unitholders/perpetual securities holders		214,247	143,312	82,653	(30,468)
Less: Total return attributable to perpetual securities holders		(19,200)	(19,253)	(19,200)	(19,253)
Distribution adjustments	A	(42,859)	10,932	88,735	184,712
Income available for distribution to Unitholders	B	152,188	134,991	152,188	134,991
Amount available for distribution to Unitholders		224,855	199,125	224,855	199,125
Distributions to Unitholders during the year					
– Distribution of 4.14 cents per Unit for the period from 1 July 2015 to 31 December 2015		–	(64,087)	–	(64,087)
– Distribution of 1.59 cents per Unit for the period from 1 January 2016 to 22 March 2016		–	(24,604)	–	(24,604)
– Distribution of 2.29 cents per Unit for the period from 23 March 2016 to 30 June 2016		–	(37,767)	–	(37,767)
– 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)	–
		(144,629)	(126,458)	(144,629)	(126,458)
Amount available for distribution to Unitholders at end of the year		80,226	72,667	80,226	72,667

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2017

Note A – Distribution adjustments

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Distribution adjustment items:				
– Net change in fair value of serviced residence properties and assets held for sale	(85,640)	(29,987)	(1,621)	10,758
– Net change in fair value of financial derivatives	(1,121)	(322)	1,569	3,575
– Profit from divestments	(20,844)	–	–	–
– Assets written off	621	543	–	–
– Depreciation of plant and equipment	13,250	12,941	1,569	1,757
– Manager's management fees paid/payable in Units	16,051	15,892	16,051	15,892
– Trustee's fees	89	59	89	59
– Foreign exchange (gain)/loss – unrealised	(2,441)	4,844	19,201	56,119
– Operating lease expense recognised on a straight-line basis	3,499	3,208	–	–
– Deferred tax expense	25,048	4,597	–	–
– Non-controlling interests' share of adjustments	1,841	(1,076)	–	–
– Partial distribution of divestment gain	6,500	–	–	–
– Other adjustments	35	233	38	126
– Impairment losses on non-trade amounts due from subsidiaries reversed	–	–	(2,826)	(8,051)
– Impairment of subsidiaries (reversed)/recognised	–	–	(7,058)	14,563
– Impairment loss on non-trade amount due from associate recognised	253	–	775	–
– Net overseas income* not distributed to the Trust	–	–	60,948	89,914
Net effect of distribution adjustments	(42,859)	10,932	88,735	184,712

* Net overseas income is defined in Significant accounting policies (see Note 3.15).

Note B – Income available for distribution to Unitholders

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Comprises:				
– from operations	95,042	27,461	95,042	27,461
– from Unitholders' contributions	57,146	107,530	57,146	107,530
Income available for distribution to Unitholders	152,188	134,991	152,188	134,991

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Operations					
At 1 January		898,132	805,254	112,094	192,507
Total return attributable to Unitholders/perpetual securities holders		214,247	143,312	82,653	(30,468)
Total return attributable to perpetual securities holders		(19,200)	(19,253)	(19,200)	(19,253)
Distributions to Unitholders		(9,475)	(30,692)	(9,475)	(30,692)
Change in ownership interests in subsidiaries with no change in control		(397)	(540)	–	–
Transfer between reserves		(191)	51	–	–
At 31 December		1,083,116	898,132	166,072	112,094
Unitholders' contributions					
At 1 January		1,451,627	1,428,452	1,451,627	1,428,452
Creation of Units:					
– Equity placement		–	100,000	–	100,000
– Rights Issue		442,671	–	442,671	–
– Manager's management fees paid in Units		16,022	19,863	16,022	19,863
– Acquisition fees paid in Units		984	–	984	–
Distributions to Unitholders		(135,154)	(95,766)	(135,154)	(95,766)
Issue expenses	27	(4,840)	(922)	(4,840)	(922)
At 31 December		1,771,310	1,451,627	1,771,310	1,451,627
Foreign currency translation reserve					
At 1 January		(153,410)	(36,260)	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(16,795)	(117,150)	–	–
At 31 December		(170,205)	(153,410)	–	–

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Capital reserve					
At 1 January		1,957	2,008	–	–
Transfer between reserves		191	(51)	–	–
At 31 December		2,148	1,957	–	–
Hedging reserve					
At 1 January		2,319	(9,740)	(3,884)	(6,432)
Effective portion of change in fair values of cash flow hedges		(3,559)	12,059	609	2,548
At 31 December		(1,240)	2,319	(3,275)	(3,884)
Unitholders' funds at 31 December		2,685,129	2,200,625	1,934,107	1,559,837
Perpetual securities					
At 1 January		397,127	397,094	397,127	397,094
Issue expenses	27	–	33	–	33
Total return attributable to perpetual securities holders		19,200	19,253	19,200	19,253
Distribution to perpetual securities holders		(19,200)	(19,253)	(19,200)	(19,253)
At 31 December		397,127	397,127	397,127	397,127
Non-controlling interests					
At 1 January		84,511	81,768	–	–
Total return attributable to non-controlling interests		8,253	4,452	–	–
Distribution to non-controlling interests		(2,948)	(4,345)	–	–
Acquisition of subsidiaries		3,119	–	–	–
Change in ownership interests in subsidiaries with no change in control		397	540	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(3,905)	2,096	–	–
At 31 December		89,427	84,511	–	–
		3,171,683	2,682,263	2,331,234	1,956,964

PORTFOLIO STATEMENTS

As at 31 December 2017

By Geography

Group	Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
					2017	2016	2017	2016	2017	2016
							\$'000	\$'000	%	%
Serviced residence properties (including rental housing properties)										
Singapore										
	Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	59 years	60 years	208,809	208,690	7.8	9.5
	Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01 -26 Wilkie Edge, Singapore 228095	Leasehold	96 years	87 years	88 years	131,087	131,040	4.9	6.0
	Ascott Raffles Place Singapore ⁽¹⁾	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	873 years – 875 years	874 years – 876 years	213,439	213,272	7.9	9.7
	Ascott Orchard Singapore ^{(1) (2)}	No. 11 Cairnhill Road, Singapore 229724	Leasehold	99 years	95 years	–	396,821	–	14.8	–
	Balance carried forward						950,156	553,002	35.4	25.2

⁽¹⁾ As at 31 December 2017, these 23 (2016: 20) serviced residence properties are leased to related corporations under master lease arrangements.

⁽²⁾ 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 2017

By Geography (continued)
Group (continued)

Description of Property Group	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						950,156	553,002	35.4	25.2
Australia									
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000	Freehold	Not applicable	Not applicable	Not applicable	21,846	27,517	0.8	1.3
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000	Freehold	Not applicable	Not applicable	Not applicable	164,807	171,353	6.1	7.8
Quest Campbelltown	1 Rennie Road, Campbelltown NSW 2560	Freehold	Not applicable	Not applicable	Not applicable	22,513	21,329	0.8	1.0
Quest Mascot	108-114 Robey Street, Mascot NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	26,071	28,775	1.0	1.3
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park NSW 2127	Leasehold	99 years	94 years	95 years	47,579	46,919	1.8	2.1
Balance carried forward						1,232,972	848,895	45.9	38.7

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

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						1,232,972	848,895	45.9	38.7
People's Republic of China									
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630	Leasehold	70 years	57 years	58 years	103,521	106,105	3.8	4.8
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031	Leasehold	70 years	48 years	49 years	76,917	77,378	2.9	3.5
Somerset Olympic Tower Property Tianjin	No. 126 Chengdu Dao, Heping District, Tianjin 300051	Leasehold	70 years	45 years	46 years	66,394	67,247	2.5	3.1
Citadines Biyun Shanghai ⁽³⁾	Nos. 1-3, 9-12, 15-16, Lane 450 Hongfeng Road, Pudong District, Shanghai	Leasehold	70 years	47 years	48 years	-	67,641	-	3.1
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021	Leasehold	70 years	49 years	50 years	30,401	30,407	1.1	1.4
Balance carried forward						1,510,205	1,197,673	56.2	54.6

⁽³⁾ On 3 July 2017, the Group entered into sale and purchase agreements with Shanghai Zhengxin Enterprise Management Co., Ltd, an unrelated third party, to divest its interest in Citadines Biyun Shanghai and Citadines Gaoxin Xian through the divestment of interests in its property holding companies. 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 properties have been reclassified to assets held for sale (Note 12).

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

PORTFOLIO STATEMENTS

As at 31 December 2017

By Geography (continued) Group (continued)

Description of Property Group	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						1,510,205	1,197,673	56.2	54.6
People's Republic of China (continued)									
Somerset Heping Shenyang	No. 80 Taiyuan North Street, Heping District, Shenyang 110000	Leasehold	40 years	29 years	30 years	83,398	83,952	3.1	3.8
Somerset Grand Central Dalian	Nos. 128-2 Jinma Road, Dalian Development Area, Dalian 116600	Leasehold	50 years	39 years	40 years	106,994	111,054	4.0	5.0
Citadines Gaoxin Xi'an ⁽³⁾	1-26/F, No. 13 Gaoxin Si Road, Xi'an Hi-Tech Industries Development Zone, Xi'an Shaanxi Province	Leasehold	50 years	38 years	39 years	-	50,991	-	2.3
Citadines Zhuankou Wuhan	Building C2 and C3, Xiang Long Times Business Center, Plot 3R2, Wuhan Economic and Technological Development Zone, Wuhan, Hubei Province 430000	Leasehold	40 years	26 years	27 years	45,580	45,560	1.7	2.1
Balance carried forward						1,746,177	1,489,230	65.0	67.8

⁽³⁾ On 3 July 2017, the Group entered into sale and purchase agreements with Shanghai Zhengxin Enterprise Management Co., Ltd, an unrelated third party, to divest its interest in Citadines Biyun Shanghai and Citadines Gaoxin Xi'an through the divestment of interests in its property holding companies. 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 properties have been reclassified to assets held for sale (Note 12).

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

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017	2016	2017	2016
				\$'000	\$'000	\$'000	\$'000	%	%
Balance brought forward				1,746,177	1,489,230	65.0	67.8		
Indonesia									
Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230	Leasehold	26 years	6 years	7 years	60,670	63,912	2.3	2.9
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940	Leasehold	30 years	7 years	8 years	38,020	40,394	1.4	1.8
Japan									
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044	Freehold	Not applicable	Not applicable	Not applicable	43,189	43,190	1.6	2.0
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022	Freehold	Not applicable	Not applicable	Not applicable	110,520	111,298	4.1	5.1
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105	Freehold	Not applicable	Not applicable	Not applicable	59,411	59,732	2.2	2.7
Balance carried forward				2,057,987	1,807,756	76.6	82.3		

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

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017	2016	2017	2016
				\$'000	\$'000	\$'000	\$'000	%	%
Balance brought forward				2,057,987	1,807,756	76.6	82.3		
Japan (continued)									
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032	Freehold	Not applicable	Not applicable	Not applicable	37,475	37,723	1.4	1.7
Asyl Court Nakano Sakaue Tokyo * ⁽⁴⁾	1-14-12 Honcho, Nakano-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	16,480	-	0.8
Gala Hachimanyama I Tokyo * ⁽⁴⁾	2-1-18 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	15,748	-	0.7
Gala Hachimanyama II Tokyo * ⁽⁴⁾	2-1-2 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	3,076	-	0.1
Joy City Koishikawa Shokubutsuen Tokyo * ⁽⁴⁾	3-35-18 Otsuka, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	9,827	-	0.4
Joy City Kuramae Tokyo * ⁽⁴⁾	2-8-1 Kuramae, Taito-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	14,650	-	0.7
Balance carried forward				2,095,462	1,905,260	78.0	86.7		

* collectively known as "Zenith Residences"

⁽⁴⁾ On 26 April 2017, the Group divested the trust beneficiary interest of 18 rental housing properties in Tokyo, Japan to Nikko Zenith GK9 and certain of its related corporations, unrelated third parties. The sale price was agreed on a willing buyer willing seller basis taking into account the valuation of the properties as at 31 December 2016, using the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						2,095,462	1,905,260	78.0	86.7
Japan (continued)									
Zesty Akebonobashi Tokyo * ⁽⁴⁾	1-17 Tomihisacho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	3,455	-	0.2
Zesty Gotokuji Tokyo * ⁽⁴⁾	6-42-5 Matsubara, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	3,418	-	0.2
Zesty Higashi Shinjuku Tokyo * ⁽⁴⁾	6-15-20 Shinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	5,213	-	0.2
Zesty Kagurazaka I Tokyo * ⁽⁴⁾	2-13 Nishigokencho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	5,066	-	0.2
Zesty Kagurazaka II Tokyo * ⁽⁴⁾	123-3 Yaraicho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	5,042	-	0.2
Zesty Kasugacho Tokyo * ⁽⁴⁾	6-4-15 Kasugacho, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	5,750	-	0.3
Balance carried forward						2,095,462	1,933,204	78.0	88.0

* collectively known as "Zenith Residences"

⁽⁴⁾ On 26 April 2017, the Group divested the trust beneficiary interest of 18 rental housing properties in Tokyo, Japan to Nikko Zenith GK9 and certain of its related corporations, unrelated third parties. The sale price was agreed on a willing buyer willing seller basis taking into account the valuation of the properties as at 31 December 2016, using the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						2,095,462	1,933,204	78.0	88.0
Japan (continued)									
Zesty Koishikawa Tokyo * (4)	5-41-7 Koishikawa, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	3,284	-	0.1
Zesty Komazawa Daigaku II Tokyo * (4)	2-12-21 Higashigaoka, Meguro-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	8,839	-	0.4
Zesty Nishi Shinjuku III Tokyo * (4)	3-18-14 Nishishinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	8,912	-	0.4
Zesty Sakura Shinmachi Tokyo * (4)	3-11-3 Tsurumaki, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	5,030	-	0.2
Zesty Shin Ekoda Tokyo * (4)	1-2-2 Toyotamakami, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	-	3,638	-	0.2
Balance carried forward						2,095,462	1,962,907	78.0	89.3

* collectively known as "Zenith Residences"

(4) On 26 April 2017, the Group divested the trust beneficiary interest of 18 rental housing properties in Tokyo, Japan to Nikko Zenith GK9 and certain of its related corporations, unrelated third parties. The sale price was agreed on a willing buyer willing seller basis taking into account the valuation of the properties as at 31 December 2016, using the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2017

By Geography (continued)
Group (continued)

Description of Property Group	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2017	2016	2017	2016	2017	2016
				\$'000	\$'000	\$'000	\$'000	%	%
Balance brought forward				2,095,462	1,962,907	78.0	89.3		
Japan (continued)									
Zesty Shoin Jinja Tokyo * (4)	4-3-3 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	–	4,126	–	0.2	–	0.2
Zesty Shoin Jinja II Tokyo * (4)	4-5-4 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	–	4,651	–	0.2	–	0.2
Actus Hakata V-Tower	3-15-10 Hakata Ekimae, Hakata-ku, Fukuoka	Freehold	Not applicable	43,991	44,307	1.6	2.0		
Big Palace Kita 14jo	4-1-6 Kita14jo Nishi, Kita-ku, Sapporo	Freehold	Not applicable	18,422	18,556	0.7	0.8		
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima	Freehold	Not applicable	7,248	7,300	0.3	0.3		
Balance carried forward				2,165,123	2,041,847	80.6	92.8		

* collectively known as "Zenith Residences"

(4) On 26 April 2017, the Group divested the trust beneficiary interest of 18 rental housing properties in Tokyo, Japan to Nikko Zenith GK9 and certain of its related corporations, unrelated third parties. The sale price was agreed on a willing buyer willing seller basis taking into account the valuation of the properties as at 31 December 2016, using the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2017

By Geography (continued) Group (continued)

Description of Property Group	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						2,165,123	2,041,847	80.6	92.8
Japan (continued)									
Gravis Court Kokutajji	2-1-9, Kokutajjimachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	5,418	5,457	0.2	0.2
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	4,545	4,578	0.2	0.2
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	80,831	81,426	3.0	3.7
Citadines Central Shinjuku	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	130,398	131,049	4.8	6.0
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	17,938	18,068	0.7	0.8
Balance carried forward						2,404,253	2,282,425	89.5	103.7

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

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						2,404,253	2,282,425	89.5	103.7
Japan (continued)									
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	19,998	20,143	0.7	0.9
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	16,604	16,725	0.6	0.8
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	37,569	37,845	1.4	1.7
Malaysia									
Somerset Ampang Kuala Lumpur	No. 187, Jalan Ampang, 50450, Kuala Lumpur	Freehold	Not applicable	Not applicable	Not applicable	52,821	52,135	2.0	2.4
Balance carried forward						2,531,245	2,409,273	94.2	109.5

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

PORTFOLIO STATEMENTS

As at 31 December 2017

By Geography (continued) Group (continued)

Description of Property Group	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						2,531,245	2,409,273	94.2	109.5
The Philippines									
Ascott Makati	4, Ayala Glorietta Centre, Makati City 1224	Leasehold	48 years	27 years	28 years	120,136	128,538	4.5	5.8
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229	Freehold	Not applicable	Not applicable	Not applicable	14,660	15,934	0.5	0.7
United States of America									
Element New York Times Square West	311 West 39 th Street, between 8 th and 9 th Avenue, New York, New York, 10018	Leasehold	99 years	95 years	96 years	226,118	239,120	8.4	10.9
Sheraton Tribeca New York Hotel ⁽⁶⁾	350 and 370-372 Canal Street, New York, New York, 10013	Leasehold	99 years	95 years	96 years	216,452	228,425	8.1	10.4
DoubleTree by Hilton Hotel New York – Times Square South ⁽⁵⁾	341 West 36 th Street, New York, New York, 10018	Freehold	Not applicable	Not applicable	Not applicable	146,501	–	5.5	–
Balance carried forward						3,255,112	3,021,290	121.2	137.3

⁽⁵⁾ 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.

⁽⁶⁾ On 29 April 2016, the Group acquired the Sheraton Tribeca New York Hotel property from FC-Canal Ground Tenant 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 2017

By Geography (continued)
Group (continued)

Description of Property Group	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						3,255,112	3,021,290	121.2	137.3
Vietnam									
Somerset Grand Hanoi	No. 49 Hai Ba Trung Street, Hanoi	Leasehold	45 years	20 years	21 years	110,813	112,641	4.1	5.1
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Hanoi	Leasehold	36 years	24 years	25 years	44,495	46,776	1.7	2.1
Somerset West Lake Hanoi	No. 254D Thuy Khue Road, Hanoi	Leasehold	49 years	24 years	25 years	13,610	14,257	0.5	0.6
Somerset Chancellor Court Ho Chi Minh City	Nos. 21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City	Leasehold	48 years	24 years	25 years	57,495	60,302	2.1	2.8
Somerset Ho Chi Minh City	No. 8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City	Leasehold	45 years	22 years	23 years	52,708	49,366	2.0	2.2
Balance carried forward						3,534,233	3,304,632	131.6	150.1

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

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						3,534,233	3,304,632	131.6	150.1
France									
Citadines City Centre Lille ⁽¹⁾	Avenue Willy Brandt – Euraille, 59777 Lille	Freehold	Not applicable	Not applicable	Not applicable	16,814	15,783	0.6	0.7
Citadines City Centre Grenoble ⁽¹⁾	9–11 rue de Strasbourg 38000 Grenoble	Freehold	Not applicable	Not applicable	Not applicable	11,850	11,079	0.4	0.5
La Clef Louvre Paris ⁽¹⁾	8 rue de Richelieu, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	45,557	47,577	1.7	2.2
Citadines Trocadéro Paris ⁽¹⁾	29 bis, rue Saint-Didier, 75116 Paris	Freehold	Not applicable	Not applicable	Not applicable	45,965	43,601	1.7	2.0
Citadines Presqu'île Lyon ⁽¹⁾	2 rue Thomassin, 69002 Lyon	Freehold	Not applicable	Not applicable	Not applicable	22,738	22,309	0.8	1.0
Citadines Place d'Italie Paris ⁽¹⁾	18 place d'Italie, 75013 Paris	Freehold	Not applicable	Not applicable	Not applicable	51,241	54,179	1.9	2.6
Balance carried forward						3,728,398	3,499,160	138.7	159.1

⁽¹⁾ As at 31 December 2017, these 23 (2016: 20) 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 2017

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	
				2017	2016	2017 \$'000	2016 \$'000	2017 %	2016 %
Balance brought forward						3,728,398	3,499,160	138.7	159.1
France (continued)									
Citadines Montmartre Paris ⁽¹⁾	16 avenue Rachel, 75018 Paris	Freehold	Not applicable	Not applicable	Not applicable	36,509	34,602	1.4	1.6
Citadines Tour Eiffel Paris ⁽¹⁾	132 boulevard de Grenelle, 75015 Paris	Freehold	Not applicable	Not applicable	Not applicable	72,570	68,626	2.7	3.1
Citadines Antigone Montpellier ⁽¹⁾	588 boulevard d'Antigone, 34000 Montpellier	Freehold	Not applicable	Not applicable	Not applicable	15,533	14,721	0.6	0.7
Citadines Castellane Marseille ^{(1) (7)}	60 rue du Rouet, 13006 Marseille	Freehold	20 years	2 years	3 years	12,170	11,230	0.5	0.5
Citadines Austerlitz Paris ^{(1) (7)}	27 rue Esquirol, 75013 Paris	Freehold	20 years	2 years	3 years	10,729	10,016	0.4	0.4
Citadines République Paris ^{(1) (7)}	75 bis, avenue Parmentier, 75011 Paris	Freehold	20 years	2 years	3 years	22,898	20,943	0.9	0.9
Balance carried forward						3,898,807	3,659,298	145.2	166.3

⁽¹⁾ As at 31 December 2017, these 23 (2016: 20) serviced residence properties are leased to related corporations under master lease arrangements.

⁽⁷⁾ As at 31 December 2017, these five (2016: 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 2017

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	
				2017	2016	2017	2016	2017	2016
				\$'000	\$'000	\$'000	\$'000	%	%
Balance brought forward				3,898,807	3,659,298	145.2	166.3		
France (continued)									
Citadines Maine Montparnasse Paris ^{(1) (7)}	67 avenue du Maine, 75014 Paris	Freehold	20 years	2 years	3 years	24,019	22,461	0.9	1.0
Citadines Prado Chanut Marseille ⁽¹⁾	9-11 boulevard de Louvain, 13008 Marseille	Freehold	Not applicable	Not applicable	Not applicable	9,768	9,106	0.4	0.4
Citadines Croisette Cannes ⁽¹⁾	1 rue le Poussin, 06400 Cannes	Freehold	Not applicable	Not applicable	Not applicable	7,526	6,677	0.3	0.3
Citadines Didot Montparnasse Paris ^{(1) (7)}	94 rue Didot, 75014 Paris	Freehold	18 years	1 year	2 years	22,418	20,639	0.8	0.9
Citadines Les Halles Paris ⁽¹⁾	4 rue des Innocents, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	91,434	95,761	3.4	4.4
Balance carried forward				4,053,972	3,813,942	151.0	173.3		

⁽¹⁾ As at 31 December 2017, these 23 (2016: 20) serviced residence properties are leased to related corporations under master lease arrangements.

⁽⁷⁾ As at 31 December 2017, these five (2016: five) freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

PORTFOLIO STATEMENTS

As at 31 December 2017

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	
				2017	2016	2017 \$'000	2016 \$'000	2017 %	2016 %
Balance brought forward						4,053,972	3,813,942	151.0	173.3
United Kingdom									
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH	Freehold	Not applicable	Not applicable	Not applicable	74,226	71,131	2.8	3.2
Citadines Trafalgar Square London	18-21 Northumberland Avenue, London WC2N 5EA	Freehold	Not applicable	Not applicable	Not applicable	164,912	159,033	6.1	7.2
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL	Freehold	Not applicable	Not applicable	Not applicable	72,813	68,449	2.7	3.1
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF	Freehold	Not applicable	Not applicable	Not applicable	156,346	149,691	5.8	6.8
Belgium									
Citadines Sainte-Catherine Brussels	51 Quai au Bois à Brûler 1000 Brussels	Freehold	Not applicable	Not applicable	Not applicable	31,707	29,389	1.2	1.3
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels	Freehold	Not applicable	Not applicable	Not applicable	29,119	27,340	1.1	1.2
Balance carried forward						4,583,095	4,318,975	170.7	196.1

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

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ASCOTT RESIDENCE TRUST

As at 31 December 2017

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	
				2017	2016	2017 \$'000	2016 \$'000	2017 %	2016 %
Balance brought forward						4,583,095	4,318,975	170.7	196.1
Germany									
Citadines Kurfürstendamm Berlin ⁽¹⁾	Olivaer Platz 1, 10707 Berlin-Wilmersdorf	Freehold	Not applicable	Not applicable	Not applicable	21,361	17,665	0.8	0.8
Citadines Arnulfpark Munich ⁽¹⁾	Arnulfstrasse 51, 80636 München	Freehold	Not applicable	Not applicable	Not applicable	38,167	35,057	1.4	1.6
Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg	Freehold	Not applicable	Not applicable	Not applicable	77,022	66,486	2.9	3.0
Citadines City Centre Frankfurt ⁽¹⁾⁽⁸⁾	Europa-Allee 23, 60327 Frankfurt am Main	Freehold	Not applicable	Not applicable	Not applicable	65,653	–	2.4	–
Citadines Michel Hamburg ⁽¹⁾⁽⁸⁾	Ludwig-Erhard-Strasse 7, 20459 Hamburg, Germany	Leasehold	99 years	93 years	–	51,241	–	1.9	–
Balance carried forward						4,836,539	4,438,183	180.1	201.5

⁽¹⁾ As at 31 December 2017, these 23 (2016: 20) serviced residence properties are leased to related corporations under master lease arrangements.

⁽⁸⁾ 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 2017

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	
				2017	2016	2017	2016	2017	2016
						\$'000	\$'000	%	%
Balance brought forward						4,836,539	4,438,183	180.1	201.5
Spain									
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	Freehold	Not applicable	Not applicable	Not applicable	71,861	66,233	2.7	3.1
Portfolio of serviced residence properties									
Other assets and liabilities (net)									
Net assets of Group						4,908,400	4,504,416	182.8	204.6
Perpetual securities						(1,736,717)	(1,822,153)	(64.7)	(82.8)
Non-controlling interests						3,171,683	2,682,263	118.1	121.8
Unitholders' funds						(397,127)	(397,127)	(14.8)	(18.0)
						(89,427)	(84,511)	(3.3)	(3.8)
						2,685,129	2,200,625	100.0	100.0

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

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As at 31 December 2017

No secondary segment has been presented as the Group invests predominantly in serviced residences and rental housing properties.

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 Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku, 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 14).

On 31 December 2016, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Citadines Biyun Shanghai, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Gaoxin Xi'an, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Zenith Residences, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Somerset Ampang Kuala Lumpur, Element New York Times Square West, Sheraton Tribeca New York Hotel, 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 14).

PORTFOLIO STATEMENTS

As at 31 December 2017

Trust	Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
					2017	2016	2017	2016	2017	2016
							\$'000	\$'000	%	%
Serviced residence properties										
Singapore										
	Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	59 years	60 years	208,809	208,690	10.8	13.4
	Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	87 years	88 years	131,087	131,040	6.8	8.4
	Ascott Raffles Place Singapore ⁽¹⁾	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	873 years – 875 years	874 years – 876 years	213,439	213,272	11.0	13.7
	Ascott Orchard Singapore ^{(1) (2)}	No. 11 Cairnhill Road, Singapore 229724	Leasehold	99 years	95 years	–	396,821	–	20.5	–
Portfolio of serviced residence properties										
Other assets and liabilities (net)										
Net assets of Trust										
Perpetual securities										
Unitholders' funds										
							950,156	553,002	49.1	35.5
							1,381,078	1,403,962	71.4	90.0
							2,331,234	1,956,964	120.5	125.5
							(397,127)	(397,127)	(20.5)	(25.5)
							1,934,107	1,559,837	100.0	100.0

⁽¹⁾ As at 31 December 2017, these two (2016: one) serviced residence properties are leased to related corporations under master lease arrangements.

⁽²⁾ 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 2017

No secondary segment has been presented as the Trust invests predominantly in serviced residence properties.

On 31 December 2017 and 2016, 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 14).

On 31 December 2017, the Manager engaged independent valuers, Colliers International, to carry out valuations of the Group's serviced residences and rental housing properties.

On 31 December 2016, the Manager engaged independent valuers, CBRE, to carry out valuations of the Group's serviced residences and rental housing properties, except for Somerset Ampang Kuala Lumpur. Somerset Ampang Kuala Lumpur was valued by Raine & Horne International Zaki + Partners Sdn. Bhd. (as consultant to CBRE).

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	Group	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Total return for the year before income tax		274,444	179,515
Adjustments for:			
Depreciation of plant and equipment		13,250	12,941
Operating lease expense recognised on a straight-line basis		3,499	3,208
Finance costs		46,668	50,045
Finance income		(1,581)	(1,799)
Foreign exchange (gain)/loss – unrealised		(2,441)	4,844
Loss/(gain) on disposal of plant and equipment		235	(86)
Manager's management fees paid/payable in Units		16,051	15,892
Net change in fair value of serviced residence properties and assets held for sale		(85,640)	(29,987)
Net change in fair value of financial derivatives		(1,121)	(322)
Profit from divestments		(20,844)	–
Assets written off		621	543
Impairment loss/write-off of trade and other receivables		527	283
Share of results of associate (net of tax)		38	6
Operating income before working capital changes		243,706	235,083
Changes in working capital:			
Inventories		(22)	95
Trade and other receivables		(25,340)	617
Trade and other payables		(16,803)	(13,159)
Cash generated from operations		201,541	222,636
Income tax paid		(20,202)	(22,510)
Net cash from operating activities		181,339	200,126
Cash flows from investing activities			
Acquisition of serviced residence properties, net of cash acquired	33	(627,963)	(214,046)
Capital expenditure on serviced residence properties		(12,577)	(40,670)
Deposits received from divestment of subsidiaries		104,909	–
Proceeds from disposal of assets held for sale		7,394	74,512
Proceeds from divestment of serviced residence properties		150,088	–
Interest received		1,581	1,799
Proceeds from sale of plant and equipment		58	291
Purchase of plant and equipment		(13,665)	(16,694)
Net cash used in investing activities		(390,175)	(194,808)
Balance carried forward		(208,836)	5,318

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Group	
	2017 \$'000	2016 \$'000
Balance brought forward	(208,836)	5,318
Cash flows from financing activities		
Distributions to Unitholders	(144,629)	(126,458)
Distributions to perpetual securities holders	(19,200)	(19,253)
Dividends paid to non-controlling interests	(2,948)	(4,345)
Interest paid	(46,554)	(49,272)
Payment of finance lease	(3,165)	(2,954)
Proceeds from borrowings	680,988	689,283
Proceeds from issue of medium term notes	–	120,000
Payment of transaction costs on issue of perpetual securities	–	(17)
Proceeds from issue of Units	442,671	100,000
Payment of transaction costs on issue of Units	(4,840)	(922)
Repayment of borrowings	(574,516)	(790,301)
Net cash from/(used in) financing activities	<u>327,807</u>	<u>(84,239)</u>
Net increase/(decrease) in cash and cash equivalents	118,971	(78,921)
Cash and cash equivalents at 1 January	143,074	220,467
Effect of exchange rate changes on balances held in foreign currency	(2,197)	1,528
Cash and cash equivalents reclassified to assets held for sale	(2,503)	–
Cash and cash equivalents at 31 December	<u>257,345</u>	<u>143,074</u>

Significant Non-Cash transactions

A total of 13,688,341 (2016: 13,891,775) Units were issued or will be issued as payment of the Manager's management fees amounting to \$16,051,000 (2016: \$15,892,000) in respect of the year ended 31 December 2017.

During the financial year ended 31 December 2017, 836,645 (2016: Nil) Units were issued to the Manager as payment of the acquisition fee amounting to \$984,000 (2016: Nil) in relation to the completion of the acquisition of serviced residence properties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 2 March 2018.

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 CapitalLand 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1 GENERAL (CONTINUED)

(ii) Manager's fees (continued)

Management fees (continued)

- (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.

The base management fees payable in cash and in the form of Units shall be payable quarterly in arrears. With effect from 1 January 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1 GENERAL (CONTINUED)

(ii) Manager's fees (continued)

Management fees (continued)

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.

(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 10.0% 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 6.0% 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 each property.

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").

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

2 BASIS OF PREPARATION (CONTINUED)

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.

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 33 – 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 32 – 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (continued)

Measurement of fair values (continued)

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.

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 2017. The adoption of these standards did not result in substantial changes to the accounting policies and had no significant effect on the financial performance or position of the Group and the Trust except as described below.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 14).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Year ended 31 December 2017

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 reporting date are translated to the functional currency at the exchange rate 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 that 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

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.

(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. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 investment properties acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Serviced residence properties are accounted for as investment properties and are stated at initial cost on acquisition and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Transaction costs are included in the initial measurement. 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:

- 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

(i) Recognition and measurement

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.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of plant and equipment) is recognised within other income/other expenses in the Statement of Total Return.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in total return as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised as an expense 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Renovation	–	8 to 12 years
Motor vehicles	–	5 years
Office equipment, computers and furniture	–	3 to 8 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Financial instruments

(i) Non-derivative financial assets

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

A financial asset is recognised if the Group becomes a party to the contractual provisions of the financial asset. 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. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position 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.

Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the Statement of Cash Flows, 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.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. 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.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value less 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 comprise loans and borrowings, and trade and other payables (excluding advance rental and liability for employee benefits).

(iii) Derivative financial instruments, including hedge accounting

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 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.

On initial designation of the derivative as the hedging instrument, the Group formally documents the 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, and whether the actual results of each hedge are within a range of 80% – 125%. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(iii) Derivative financial instruments, including hedge accounting (continued)

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in the Statement of Total Return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the hedging reserve in Unitholders' funds to the extent that the hedge is effective. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statement of Total Return.

When the hedged item is a non-financial asset, the amount accumulated in the hedging reserve is reclassified to the Statement of Total Return in the same period or periods during which the non-financial item affects total return. In other cases as well, the amount accumulated in the hedging reserve is reclassified to the Statement of Total Return in the same period that the hedged item affects total return.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in the hedging reserve is reclassified to the Statement of Total Return.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the Statement of Total Return. The hedged item is adjusted to reflect change in its fair value in respect of the risk being hedged, with any gain or loss being recognised in the Statement of Total Return.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the Statement of Total Return.

(iv) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Trust that requires 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 that would be recognised if they were accounted for as contingent liabilities. 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

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(v) 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.

(vi) 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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Year ended 31 December 2017

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

Year ended 31 December 2017

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 for 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes 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.

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 regressed 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

The following new FRSs, amendments to and interpretations of FRSs are effective from 1 January 2018.

- FRS 115 *Revenue from Contracts with Customers* and Amendments to FRS 115 *Clarifications to FRS 115*;
- FRS 109 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to FRS 102);
- *Transfers of Investment Property* (Amendments to FRS 40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to FRS 101);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to FRS 28); and
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

The Group and the Trust have performed an assessment and do not expect that the adoption of the above standards and interpretations to have a significant impact on the financial statements in the year of initial application, except for FRS 115 and FRS 109 for the Group and the Trust.

(a) FRS 115

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information and the Group does not expect the adoption of FRS 115 to have any significant impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 115 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 New standards and interpretations not adopted (continued)

(b) FRS 109

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group expects that all its existing hedges that are designated in an effective hedging relationship will continue to qualify for hedge accounting under FRS 109. The relaxation of hedge accounting rules is likely to present more opportunities for the Group to adopt hedge accounting.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information and the Group does not expect the adoption of FRS 109 to have any significant impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

Impairment

FRS 109 requires the Group to record expected credit losses on all of its loans, cash at bank and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all loans, cash at bank and trade receivables. The Group does not expect the impairment calculated using the expected credit loss model to have a significant impact on the financial statements.

(c) FRS 116

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and it has approximately \$563.8 million of undiscounted leases commitments as of 31 December 2017. The Group expects that the adoption of FRS 116 will result in increase in total assets, total liabilities, earnings before interest, depreciation and amortisation and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively using the modified retrospective approach as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

4 SERVICED RESIDENCE PROPERTIES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	4,504,416	4,289,711	553,002	563,091
Acquisition of serviced residence properties and subsidiaries (Note 33)	644,278	211,857	394,856	–
Capital expenditure	13,561	40,670	447	284
Divestments of serviced residence properties	(129,969)	–	–	–
Net change in fair value of serviced residence properties	10,785	33,133	1,621	(10,758)
Assets written off	(621)	(543)	–	–
Transfer to assets and liabilities held for sale	(116,975)	–	–	–
Transfer from plant and equipment (Note 5)	11,157	3,481	230	385
Translation difference	(28,232)	(73,893)	–	–
At 31 December	4,908,400	4,504,416	950,156	553,002

Certain serviced residence properties of the Group with an aggregate carrying value of \$2,270,974,000 (2016: \$2,459,831,000) are pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 14).

The Group assessed the classification of its serviced residence properties as investment properties or property, 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 five (2016: 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 2017, the carrying value of these serviced residence properties was \$92,234,000 (2016: \$85,289,000).

The serviced residence properties of the Trust with an aggregate carrying value of \$344,526,000 (2016: \$344,312,000) are pledged as securities to banks for banking facilities granted to the Trust (see Note 14).

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 \$621,000 (2016: \$543,000) were written off.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

5 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 2016	8,984	395	89,128	4,642	103,149
Acquisition of serviced residence properties and subsidiaries (Note 33)	–	–	2,189	–	2,189
Additions	336	166	14,213	1,979	16,694
Disposals	(18)	(177)	(4,628)	(7)	(4,830)
Transfer to serviced residence properties (Note 4)	–	–	(1,815)	(1,666)	(3,481)
Reclassifications	–	–	2,658	(2,658)	–
Translation difference	(92)	(24)	(6,657)	(189)	(6,962)
At 31 December 2016	9,210	360	95,088	2,101	106,759
At 1 January 2017	9,210	360	95,088	2,101	106,759
Acquisition of serviced residence properties and subsidiaries (Note 33)	–	–	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 12)	–	(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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

5 PLANT AND EQUIPMENT (CONTINUED)

	Renovation \$'000	Motor vehicles \$'000	Office equipment, computers and furniture \$'000	Assets under construction \$'000	Total \$'000
Group					
Accumulated depreciation					
At 1 January 2016	6,572	202	43,869	–	50,643
Charge for the year	433	127	12,381	–	12,941
Disposals	(12)	(172)	(4,441)	–	(4,625)
Translation difference	(42)	(14)	(3,952)	–	(4,008)
At 31 December 2016	6,951	143	47,857	–	54,951
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 12)	–	(37)	(2,190)	–	(2,227)
Translation difference	(255)	1	(604)	–	(858)
At 31 December 2017	7,443	287	54,677	–	62,407
Carrying amounts					
At 1 January 2016	2,412	193	45,259	4,642	52,506
At 31 December 2016	2,259	217	47,231	2,101	51,808
At 31 December 2017	3,370	30	45,768	600	49,768

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

5 PLANT AND EQUIPMENT (CONTINUED)

	Office equipment, computers and furniture \$'000	Assets under construction \$'000	Total \$'000
Trust			
Cost			
At 1 January 2016	17,361	385	17,746
Additions	1,255	–	1,255
Disposals	(499)	–	(499)
Transfer to serviced residence properties (Note 4)	–	(385)	(385)
At 31 December 2016	<u>18,117</u>	<u>–</u>	<u>18,117</u>
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	<u>28,886</u>	<u>3</u>	<u>28,889</u>
Accumulated depreciation			
At 1 January 2016	12,837	–	12,837
Charge for the year	1,757	–	1,757
Disposals	(475)	–	(475)
At 31 December 2016	<u>14,119</u>	<u>–</u>	<u>14,119</u>
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	<u>15,045</u>	<u>–</u>	<u>15,045</u>
Carrying amounts			
At 1 January 2016	<u>4,524</u>	<u>385</u>	<u>4,909</u>
At 31 December 2016	<u>3,998</u>	<u>–</u>	<u>3,998</u>
At 31 December 2017	<u>13,841</u>	<u>3</u>	<u>13,844</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6 SUBSIDIARIES

	Trust	
	2017 \$'000	2016 \$'000
Unquoted equity shares, at cost	356,357	355,922
Allowance for impairment loss	(15,468)	(22,526)
	<u>340,889</u>	<u>333,396</u>

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. In 2016, the Trust recognised an impairment loss of \$14,563,000 on its investment in certain subsidiaries due to lower valuations of the properties held by these subsidiaries. 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	
		2017 %	2016 %
Somerset FG Pte. Ltd.	China/Singapore	100	100
Ascott REIT MTN Pte. Ltd.	Singapore	100	100
Ascott REIT MTN (Euro) Pte. Ltd.	Singapore	100	100

(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	
		2017 %	2016 %
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), (d)}	China	100	100
Gain Mark Properties (Shanghai) Ltd. ^{(a), (d)}	China	100	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6 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	
		2017 %	2016 %
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), (c)}	Germany	93	–
Citadines Hamburg Michel GmbH & Co., KG ^{(a), (c)}	Germany	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)	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
Barrydale SM LLC ^{(a), (e)}	United States of America	100	–
Hanoi Tower Center Company Limited ^(a)	Vietnam	76	76
Mekong-Hacota Joint Venture Company Limited ^(a)	Vietnam	64	65
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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6 SUBSIDIARIES (CONTINUED)

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 2 May 2017, the Group acquired:
 - (i) an effective interest of 93% in Citadines Michel Hamburg through the acquisition of 94% of the issued shares in Citadines Investments B.V.. Citadines Investments B.V. holds 99% of Citadines Hamburg Michel GmbH & Co., KG, which in turn holds Citadines Michel Hamburg. See Note 33.
 - (ii) an effective interest of 93% in Citadines City Centre Frankfurt through the acquisition of 94% of the issued shares in Citadines (Netherlands) B.V.. Citadines (Netherlands) B.V. holds 99% of Citadines Europaviertel (Frankfurt) GmbH & Co., KG, which in turn holds Citadines City Centre Frankfurt. See Note 33.
- (d) 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. (collectively, known as the "disposal group"). The divestments were anticipated to be completed within 12 months and accordingly, all the assets and liabilities held by the disposal group were reclassified to assets held for sale and liabilities held for sale respectively. The divestments were completed on 5 January 2018.
- (e) The subsidiary is wholly-owned by Barrydale Hotel REIT LLC, which itself is 100% owned by the Trust. These two subsidiaries were established in the United States of America. See Note 33.

7 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	
		2017 %	2016 %
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	36.2	35.3
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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

7 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 FRs, 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	Somersset 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		
Profit	964	9,775	7,833	4,418	2,464	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

Year ended 31 December 2017

7 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	Somerset Hoa Binh Joint Venture Company Limited \$'000	West Lake Development Company Limited \$'000	Other individually immaterial subsidiaries \$'000	Total \$'000
2016								
Revenue	7,456	15,536	6,103	9,253	6,434	2,477		
Profit/(loss)	1,209	9,263	716	4,914	495	(745)		
Attributable to NCI:								
– Profit	301	2,223	247	1,622	50	(224)	233	4,452
Non-current assets	46,140	115,794	50,140	63,566	46,522	15,654		
Current assets	4,048	5,207	657	10,928	2,851	555		
Non-current liabilities	–	(14,279)	(8,188)	(13,191)	–	–		
Current liabilities	(4,157)	(9,149)	(1,141)	(2,628)	(14,989)	(5,810)		
Net assets	46,031	97,573	41,468	58,675	34,384	10,399		
Net assets attributable to NCI	19,596	23,418	14,650	19,363	3,438	3,120	926	84,511
Cash flows from operating activities	3,079	8,670	2,012	5,060	2,617	682		
Cash flows used in investing activities	(62)	(1,191)	(6,676)	(8)	(92)	(50)		
Cash flows (used in)/from financing activities	(4,413)	(11,806)	2,379	(3,865)	(2,401)	(1,700)		
Net (decrease)/increase in cash and cash equivalents	(1,396)	(4,327)	(2,285)	1,187	124	(1,068)		
Dividends paid to NCI	(1,823)	(935)	(302)	(916)	(59)	(38)		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

8 ASSOCIATE

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Unquoted equity shares, at cost	*	*	*	*
Loan receivable	3,768	3,990	3,768	3,990
Less: Share of associate post acquisition revenue reserve	(523)	(485)	–	–
Interest in an associate	3,245	3,505	3,768	3,990
Less: Allowance for impairment	(253)	–	(775)	–
	<u>2,992</u>	<u>3,505</u>	<u>2,993</u>	<u>3,990</u>

* Less than \$1,000

The loan to associate is unsecured, interest-free and the settlement of this amount is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Group's and the Trust's investment in associate, it is stated at cost less accumulated impairment loss.

Movement in allowance for impairment loss is as follows:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	–	–	–	–
Charge for the year	253	–	775	–
At 31 December	<u>253</u>	<u>–</u>	<u>775</u>	<u>–</u>

During the year ended 31 December 2017, an impairment loss of \$253,000 (2016: Nil) and \$775,000 (2016: Nil) was recognised for the Group's and Trust's loan to associate. 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% (2016: 40%)

The associate is immaterial to the Group. A member firm of KPMG International is the auditor of the associate. In 2017 and 2016, the Group did not receive any dividends from the associate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

8 ASSOCIATE (CONTINUED)

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:

	2017 \$'000	2016 \$'000
Loss after taxation	(38)	(6)

9 FINANCIAL DERIVATIVES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial derivative assets				
Non-current				
Interest rate swaps	5,079	3,661	–	245
Cross currency interest rate swaps	2,090	3,464	2,090	3,464
	<u>7,169</u>	<u>7,125</u>	<u>2,090</u>	<u>3,709</u>
Financial derivative liabilities				
Non-current				
Interest rate swaps	(4,085)	(7,185)	(1,695)	(3,375)
Cross currency interest rate swaps	(11,875)	(10,560)	(11,875)	(10,560)
	<u>(15,960)</u>	<u>(17,745)</u>	<u>(13,570)</u>	<u>(13,935)</u>
Current				
Interest rate swaps	<u>(165)</u>	<u>(104)</u>	<u>(121)</u>	<u>(104)</u>

The hedge relationships for which hedge accounting have been adopted are effective in the financial year ended 31 December 2017.

At the reporting date, the notional principal amounts of the financial instruments were as follows:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest rate swaps	701,686	697,816	198,066	193,472
Cross currency interest rate swaps	388,476	392,505	388,476	392,505
	<u>1,090,162</u>	<u>1,090,321</u>	<u>586,542</u>	<u>585,977</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

10 DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) are as follows:

Group	At 1 January 2016	Translation differences	At 31 December 2016	Credited/ (charged) to Statement of Total Return (Note 25)	Translation differences	At 31 December 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets						
Unutilised capital allowances	224	(5)	130	(73)	2	59
Unutilised tax losses	2,609	(50)	4,481	899	(102)	5,278
Provisions and accruals	125	(5)	152	57	(8)	201
Unrealised foreign exchange loss – trade	1,025	(45)	1,128	(841)	(55)	232
	3,983	(105)	5,891	42	(163)	5,770
Deferred tax liabilities						
Serviced residence properties	(76,875)	836	(82,428)	(25,227)	625	(107,030)
Unrealised foreign exchange gain – trade	(316)	2	–	–	–	–
Provisions	(1,772)	(27)	(1,721)	1,618	(11)	(114)
Plant and equipment	(9,874)	573	(9,929)	(1,481)	(657)	(12,067)
Unremitted interests	(14)	(1)	–	–	–	–
	(88,851)	1,383	(94,078)	(25,090)	(43)	(119,211)
Net deferred tax (liabilities)/assets	(84,868)	1,278	(88,187)	(25,048)	(206)	(113,441)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

10 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred tax assets	5,770	5,891	–	–
Deferred tax liabilities	(119,211)	(94,078)	–	–

As at 31 December 2017, deferred tax liabilities amounting to \$393,000 (2016: \$599,000) 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Tax losses	56,176	53,758	–	–
Deductible temporary differences	4,441	3,667	–	–
	60,617	57,425	–	–

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 \$7,629,000 (2016: \$7,229,000) expired during the year. In addition, \$6,731,000 (2016: \$7,677,000) of the losses brought forward were utilised to set off against current year's taxable profit. The remaining balance of \$39,398,000 (2016: \$39,433,000) and unrecognised tax losses arising during the year of \$16,778,000 (2016: \$14,325,000) have been carried forward. Tax losses that have been carried forward and are subject to expiration as follows:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expiry dates				
– Within 1 to 5 years	43,536	46,831	–	–
– After 5 years	12,640	6,927	–	–
	56,176	53,758	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

11 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	16,381	18,808	1,282	896
Impairment loss	(394)	(128)	–	–
	15,987	18,680	1,282	896
Non-trade amounts due from subsidiaries	–	–	2,413,547	2,320,925
Impairment loss	–	–	(48,637)	(51,463)
	–	–	2,364,910	2,269,462
Amounts due from related parties:				
– trade	7,952	1,173	276	250
– non-trade	709	6,427	–	–
Deposits	4,304	22,781	39	20,319
Other receivables	12,359	10,335	2,670	2,684
Impairment loss	(5)	(106)	–	–
	12,354	10,229	2,670	2,684
	41,306	59,290	2,369,177	2,293,611
Prepayments	25,267	9,422	87	102
	66,573	68,712	2,369,264	2,293,713

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. The Group's historical experience in the collection of accounts receivables falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. These amounts are written down to their respective recoverable amount 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 is categorised under Level 3 in the fair value hierarchy.

The deposit as at 31 December 2016 mainly relates to the 5% deposit paid upon the execution of the sale and purchase agreement with related corporations for the acquisition of Ascott Orchard Singapore which was completed in 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore	1,282	896	1,282	896
Australia	1,536	1,314	–	–
China	2,107	2,598	–	–
Europe (excluding United Kingdom)	1,007	1,632	–	–
Indonesia	420	776	–	–
Japan	2,125	2,872	–	–
Malaysia	480	478	–	–
Philippines	2,009	1,302	–	–
United Kingdom	2,564	2,465	–	–
United States of America	1,782	3,516	–	–
Vietnam	675	831	–	–
	<u>15,987</u>	<u>18,680</u>	<u>1,282</u>	<u>896</u>

Non-trade amounts due from subsidiaries and related parties are unsecured, interest-free and repayable on demand.

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Impairment		Impairment	
	Gross 2017 \$'000	losses 2017 \$'000	Gross 2016 \$'000	losses 2016 \$'000
Group				
Not past due	9,294	–	11,862	–
Past due 0 – 30 days	4,717	–	4,647	–
Past due 30 – 60 days	1,205	–	1,662	–
Past due more than 60 days	1,165	(394)	637	(128)
	<u>16,381</u>	<u>(394)</u>	<u>18,808</u>	<u>(128)</u>
Trust				
Not past due	972	–	587	–
Past due 0 – 30 days	204	–	192	–
Past due 30 – 60 days	35	–	79	–
Past due more than 60 days	71	–	38	–
	<u>1,282</u>	<u>–</u>	<u>896</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in impairment losses in respect of trade and other receivables during the year is as follows:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	234	460	51,463	59,514
Impairment losses recognised/(reversed)	150	124	(2,826)	(8,051)
Utilised during the year	–	(305)	–	–
Translation difference	15	(45)	–	–
At 31 December	399	234	48,637	51,463

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.

The non-trade amounts due from subsidiaries are written down to their respective recoverable amounts, taking into consideration the fair values of the underlying properties held by the subsidiaries, where applicable.

12 ASSETS AND LIABILITIES HELD FOR SALE

	Note	Group	
		2017 \$'000	2016 \$'000
Fortune Garden Apartments	(a)	–	6,549
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	6,549
The disposal group	(b)		
– Trade and other payables		1,065	–
Liabilities held for sale		1,065	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

12 ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

- (a) 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 view of the Group's commitment to the strata sale plan, the plant and equipment and serviced residence property pertaining to these 81 units were classified as assets held for sale in the consolidated Statement of Financial Position as at 31 December 2013 until completion of the strata sale.

During the year ended 31 December 2017, the remaining five units (2016: 62 units) were divested. Based on the contracted sale price, the fair value less costs to sell was \$6,669,000 (2016: \$74,512,000). Accordingly, a fair value gain of \$120,000 (2016: fair value loss of \$3,146,000) 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.

- (b) 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. (collectively, known as the "disposal group"). The divestments were anticipated to be completed within 12 months and accordingly, all the assets and liabilities held by the disposal group were reclassified to assets held for sale and liabilities held for sale respectively. The divestments were completed on 5 January 2018.

13 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at bank and in hand	145,589	119,268	9,098	3,148
Fixed deposits with financial institutions	111,756	23,806	3,500	2,630
	<u>257,345</u>	<u>143,074</u>	<u>12,598</u>	<u>5,778</u>

As at 31 December 2017, the interest rates per annum for cash and cash equivalents of the Group and the Trust ranged from 0% to 5.1% (2016: 0% to 5.0%) and 0% to 1.1% (2016: 0% to 0.8%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14 FINANCIAL LIABILITIES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current liabilities				
Secured bank loans	918,946	910,681	210,261	234,052
Unsecured bank loans	141,521	26,271	141,521	26,271
Medium term notes	620,098	775,409	–	–
Finance lease liabilities	541	3,298	–	–
	<u>1,681,106</u>	<u>1,715,659</u>	<u>351,782</u>	<u>260,323</u>
Current liabilities				
Intra-group financial guarantees	–	–	1,201	1,285
Secured bank loans	23,574	108,389	–	–
Unsecured bank loans	77,187	35,513	77,187	35,513
Medium term notes	160,566	–	–	–
Finance lease liabilities	2,940	3,071	–	–
	<u>264,267</u>	<u>146,973</u>	<u>78,388</u>	<u>36,798</u>
	<u>1,945,373</u>	<u>1,862,632</u>	<u>430,170</u>	<u>297,121</u>

Finance lease liabilities

The Group had obligations under finance leases that are payable as follows:

	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>

	31 December 2016		
	Principal \$'000	Interest \$'000	Payments \$'000
Repayable:			
Within 1 year	3,071	56	3,127
After 1 year but within 5 years	3,298	18	3,316
	<u>6,369</u>	<u>74</u>	<u>6,443</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14 FINANCIAL LIABILITIES (CONTINUED)

(a) The Group's secured bank loans are secured on the following:

- serviced residence properties with an aggregate carrying value of \$2,270,974,000 (2016: \$2,459,831,000);
- pledge of shares of certain subsidiaries;
- 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 the following:

- serviced residence properties with an aggregate carrying value of \$344,526,000 (2016: \$344,312,000);
- pledge of shares of certain subsidiaries;
- assignment of rental proceeds from the properties; and
- assignment of insurance policies on the properties.

(b) 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 2017, notes issued by the Group comprises:

- under the MTN Programme:
 - (i) \$420.0 million (2016: \$420.0 million) of fixed rate notes maturing between 2018 and 2024; and
 - (ii) JPY19.3 billion (2016: JPY19.3 billion) of fixed rate notes maturing between 2018 and 2022.
- under the EMTN Programme:
 - (i) EUR80.0 million (2016: EUR80.0 million) of fixed rate notes maturing in 2024.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14 FINANCIAL LIABILITIES (CONTINUED)

- (c) 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 2.44% (2016: 2.22%) and 1.52% (2016: 1.77%) respectively.

Included in the Group's and the Trust's bank loans and medium term notes is an amount of \$12,788,000 (2016: \$14,349,000) and \$3,002,000 (2016: \$3,796,000) respectively, relating to unamortised transaction costs. Transaction costs amortised during the year by the Group and the Trust of \$4,370,000 (2016: \$4,168,000) and \$1,387,000 (2016: \$1,227,000) respectively, were recognised as finance costs in the Statement of Total Return.

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					
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>
2016					
Medium term notes	EUR	2.75	2024	121,409	120,875
Medium term notes	SGD	4.00 – 4.30	2018 – 2024	420,000	418,920
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	235,614	235,614
Secured floating rate loans	EUR	0.99 – 1.30	2021	95,472	94,486
Secured floating rate loans	GBP	1.68 – 2.28	2018 – 2021	68,418	67,896
Secured floating rate loans	JPY	0.24 – 6.36	2017 – 2022	338,770	336,164
Secured floating rate loan	MYR	3.86	2021	9,896	9,830
Secured floating rate loans	RMB	4.66 – 5.23	2017 – 2026	89,956	89,946
Secured floating rate loans	USD	1.79 – 4.53	2017 – 2023	427,840	420,748
Unsecured floating rate loans	JPY	1.75 – 1.80	2017 – 2022	63,237	61,784
Finance leases	EUR	1.25	2018 – 2019	6,369	6,369
				<u>1,876,981</u>	<u>1,862,632</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14 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>
2016					
Secured floating rate loans	EUR	0.99 – 1.30	2021	95,472	94,486
Secured floating rate loans	GBP	1.68 – 2.28	2018 – 2021	68,418	67,896
Secured floating rate loan	USD	1.79	2023	72,505	71,670
Unsecured floating rate loans	JPY	1.75 – 1.80	2017 – 2022	63,237	61,784
				<u>299,632</u>	<u>295,836</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 \$43,714,000 (2016: \$50,119,000) granted to subsidiaries which expire in 2020, 2021 and 2022. The earliest period that the guarantees could be called is within one year (2016: 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 \$'000	Amortisation of transaction cost \$'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)	–	277	3,481

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

15 TRADE AND OTHER PAYABLES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables and accrued operating expenses	65,240	60,853	12,779	12,745
Amounts due to:				
– associate (non-trade)	1,891	2,083	–	–
– subsidiaries (non-trade)				
– interest-free	–	–	113,717	132,266
– interest-bearing	–	–	782,019	777,023
– related parties				
– trade	6,139	6,632	1,048	1,187
– non-trade	4,404	5,923	7	–
– loan (interest-bearing)	4,051	–	–	–
– the Manager	3,471	3,449	3,471	3,449
– the Trustee	175	121	175	121
– non-controlling interests (non-trade)	935	1,131	–	–
Interest payable	8,626	8,372	2,184	1,562
Deposits received from divestment of subsidiaries	104,909	–	–	–
Rental deposits and advance rental	37,228	44,427	1,339	1,109
	<u>237,069</u>	<u>132,991</u>	<u>916,739</u>	<u>929,462</u>

Non-trade amounts due to subsidiaries are unsecured and repayable on demand. The interest-bearing amounts due to subsidiaries bore interest rates ranging from 1.17% to 4.30% (2016: 1.17% to 4.30%) per annum. Non-trade amounts due to associate and related parties are unsecured, interest-free and repayable on demand.

16 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, the 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

Year ended 31 December 2017

16 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 with effect from 1 January 2017, 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 Baa3 (2016: Baa3) from Moody's and BBB from Fitch Ratings. The Aggregate Leverage of the Group as at 31 December 2017 was 36.2% (2016: 39.8%) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

17 UNITS IN ISSUE AND PERPETUAL SECURITIES

(a) Units in issue

	Group and Trust	
	2017	2016
	Number of Units '000	Number of Units '000
At 1 January	1,653,471	1,548,736
Issue of new Units:		
– Rights Issue	481,688	–
– Equity placement	–	94,787
– As Manager’s management fees paid in Units	13,692	9,948
– As Manager’s acquisition fees paid in Units	837	–
At 31 December	2,149,688	1,653,471

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 in relation to the completion of the acquisition of an effective interest of 93% in two serviced residence properties in Germany.

During the financial year ended 31 December 2016, the Trust issued Units as follows:

- (a) On 23 March 2016, the Trust issued 94,787,000 Units at an issue price of \$1.055 per Unit amounting to \$100,000,000 by way of an equity placement to institutional and other investors.
- (b) 9,947,694 Units were issued at issue prices ranging from \$1.1162 to \$1.1458 per Unit, amounting to \$11,233,000 as payment of the Manager’s base management fees for the period from 1 October 2015 to 30 September 2016 and Manager’s base performance fees for the period from 1 October 2015 to 31 December 2015.

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;

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

17 UNITS IN ISSUE AND PERPETUAL SECURITIES (CONTINUED)

(a) Units in issue (continued)

- 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.

(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 (2016: \$397,127,000) presented on the Statements of Financial Position represents the \$400,000,000 (2016: \$400,000,000) perpetual securities net of issue costs and include total return attributable to perpetual securities holders from issue date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

18 GROSS REVENUE

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gross rental income	476,001	455,161	34,389	33,009
Hospitality income	18,718	18,668	108	121
Car park income	1,569	1,761	–	–
	<u>496,288</u>	<u>475,590</u>	<u>34,497</u>	<u>33,130</u>

19 DIRECT EXPENSES

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Operations and maintenance expenses	46,651	46,359	3,129	3,493
Staff costs	52,953	49,868	2,338	1,990
Serviced residence management fees	26,504	25,791	1,876	2,035
Property tax	26,197	22,525	1,892	1,662
Depreciation of plant and equipment	13,250	12,941	1,569	1,757
Marketing and selling expenses	26,537	24,122	719	582
Administrative and general expenses	39,882	36,476	2,761	2,921
Operating lease expense	20,820	17,816	–	–
Other direct expenses	16,576	17,319	837	690
	<u>269,370</u>	<u>253,217</u>	<u>15,121</u>	<u>15,130</u>

Included in the Group's and Trust's staff costs are contributions to defined contribution plans of \$5,449,000 (2016: \$5,854,000) and \$243,000 (2016: \$249,000) respectively.

20 FINANCE INCOME AND COSTS

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Finance income				
Bank deposits	<u>1,581</u>	<u>1,799</u>	<u>245</u>	<u>62</u>
Finance costs				
Amortisation of transaction costs	(4,370)	(4,168)	(1,387)	(1,227)
Interest on bank loans and interest rate swaps	(49,138)	(52,151)	(5,959)	(8,968)
Cross currency interest rate swaps*	8,239	7,234	8,239	7,234
Interest on amounts due to subsidiaries	–	–	(24,625)	(23,644)
Others	(1,399)	(960)	(928)	(783)
	<u>(46,668)</u>	<u>(50,045)</u>	<u>(24,660)</u>	<u>(27,388)</u>

* 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

21 MANAGER'S MANAGEMENT FEES

Manager's management fees of the Group and the Trust include base management fees of \$13,755,000 (2016: \$13,513,000) and base performance fees of \$8,603,000 (2016: \$8,665,000).

The total units issued/to be issued for Manager's management fees amounted to 13,688,341 (2016: 13,891,775) Units, amounting to \$16,051,000 (2016: \$15,892,000).

22 PROFESSIONAL FEES

Professional fees of the Group and the Trust include valuation fees of \$483,000 (2016: \$850,000).

23 NET INCOME/(LOSS)

The following items have been included in arriving at net income/(loss) for the year:

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-audit fees paid to*:				
– other auditors	86	59	–	–
Loss/(gain) on disposal of plant and equipment	235	(86)	19	11
Impairment of subsidiaries (reversed)/recognised	–	–	(7,058)	14,563
Impairment loss on non-trade amount due from associate	253	–	775	–
Impairment loss on trade and other receivables recognised/(reversed)	150	124	(2,826)	(8,051)
Write-off of trade and other receivables	124	159	4	–

* Total non-audit fees amounted to \$244,000 (2016: \$59,000), of which \$81,000 (2016: Nil) has been capitalised as capital expenditure and \$77,000 (2016: Nil) has been included in issue expenses.

24 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.

During the year, the Group completed its divestment of 40 car park lots in Fortune Garden Apartments in Beijing for a consideration of \$725,000.

The disposed rental housing properties contributed a net operating gain of \$1,498,000 from 1 January 2017 to the date of disposal.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

24 PROFIT FROM DIVESTMENTS (CONTINUED)

	Group	
	2017 \$'000	2016 \$'000
Gain on divestment of rental housing properties	20,895	–
Divestment expenses	(776)	–
	20,119	–
Gain on divestment of car park lots	725	–
Profit from divestments	20,844	–

25 INCOME TAX EXPENSE

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current tax expense				
Current year	20,811	20,054	–	–
Under provided in prior years	222	288	–	–
Withholding tax	5,863	6,812	–	–
	26,896	27,154	–	–
Deferred tax expense				
Origination and reversal of temporary differences	25,094	4,939	–	–
Over provided in prior years	(46)	(342)	–	–
	25,048	4,597	–	–
Income tax expense	51,944	31,751	–	–
Reconciliation of effective tax rate				
Total return before income tax	274,444	179,515	82,653	(30,468)
Income tax using the Singapore tax rate of 17% (2016: 17%)	46,655	30,518	14,051	(5,180)
Effect of different tax rates in foreign jurisdictions	27,196	28,713	–	–
Tax rebate/relief/exemption	(42)	(11)	(20,091)	(10,247)
Income not subject to tax	(53,069)	(63,417)	(324)	(89)
Tax benefits not recognised	5,902	3,624	–	–
Expenses not deductible for tax purposes	22,517	29,222	8,079	17,058
Utilisation of previously unrecognised tax losses	(1,539)	(2,114)	–	–
Tax transparency	(1,715)	(1,542)	(1,715)	(1,542)
Under/(over) provision in prior years	176	(54)	–	–
Withholding tax	5,863	6,812	–	–
	51,944	31,751	–	–

No income tax effects have been recognised for those items recognised directly in Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

26 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Total return attributable to Unitholders/perpetual securities holders	214,247	143,312	82,653	(30,468)
Less: Total return attributable to perpetual securities holders	(19,200)	(19,253)	(19,200)	(19,253)
Total return attributable to Unitholders	<u>195,047</u>	<u>124,059</u>	<u>63,453</u>	<u>(49,721)</u>
			Group and Trust	
			2017	2016
			Number of	Number of
			Units	Units
			'000	'000 ¹
Issued Units at the beginning of the year			1,653,471	1,548,736
Effect of issue of new Units:				
– As Rights Issue			399,525	–
– As equity placement			–	73,551
– As Manager's management fees paid in Units			9,389	5,939
– As Manager's acquisition fees paid in Units			376	–
– Adjusted for effect of Rights Issue			–	48,847
Weighted average number of Units outstanding during the year			<u>2,062,761</u>	<u>1,677,073</u>

¹ The figures have been restated for the effect of the Rights Issue undertaken by the Trust in April 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

26 EARNINGS PER UNIT (CONTINUED)

Diluted earnings per Unit (continued)

	Group and Trust	
	2017	2016
	Number of Units '000	Number of Units '000 ¹
Weighted average number of Units used in calculation of basic earnings per Unit	2,062,761	1,628,226
Weighted average number of unissued Units from base and performance fees	11,487	11,496
Adjusted for effect of Rights Issue	–	49,192
Weighted average number of Units outstanding (diluted) during the year	<u>2,074,248</u>	<u>1,688,914</u>

¹ The figures have been restated for the effect of the Rights Issue undertaken by the Trust in April 2017.

27 ISSUE EXPENSES

	Group and Trust	
	2017	2016
	\$'000	\$'000
Underwriting fees and selling commissions	3,708	650
Professional fees	442	159
Other expenses	690	80
	<u>4,840</u>	<u>889</u>
These expenses were deducted/(credited) directly against:		
Unitholders' funds	4,840	922
Perpetual securities	–	(33)*
	<u>4,840</u>	<u>889</u>

* Reversal of over provision of expenses for the issuance of perpetual securities in 2015.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 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

The Manager has overall responsibility for the establishment and oversight of the Group's 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.

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.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

As at 31 December 2017 and 31 December 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONTINUED)

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 2017, the Group has unutilised credit facilities of approximately \$304.0 million (2016: \$528.7 million) expiring between February 2018 and November 2023 (2016: March 2017 and November 2023), that can be drawn down to meet short-term financing needs.

In addition, the Group has put in place a \$1.0 billion MTN Programme, under which notes of \$653.9 million (2016: \$655.6 million) have been issued as at 31 December 2017. In 2011, the Group established a US\$2.0 billion EMTN Programme, under which notes of \$128.1 million (2016: \$121.4 million) have been issued as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding 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					
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*	232,636	(232,636)	(232,636)	–	–
	<u>2,178,009</u>	<u>(2,383,981)</u>	<u>(543,045)</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>2,186,965</u>	<u>(2,351,616)</u>	<u>(536,630)</u>	<u>(1,423,996)</u>	<u>(390,990)</u>
2016					
Non-derivative financial liabilities					
Floating rate loans	1,080,854	(1,164,500)	(163,781)	(869,896)	(130,823)
Fixed rate notes	775,409	(910,987)	(24,816)	(326,515)	(559,656)
Finance lease liabilities	6,369	(6,443)	(3,127)	(3,316)	–
Trade and other payables*	126,289	(126,289)	(126,289)	–	–
	<u>1,988,921</u>	<u>(2,208,219)</u>	<u>(318,013)</u>	<u>(1,199,727)</u>	<u>(690,479)</u>
Derivative financial instruments					
Interest rate swaps					
– assets	(3,661)	4,541	(737)	5,278	–
– liabilities	7,289	(7,763)	(2,957)	(4,806)	–
Cross currency interest rate swaps					
– assets	(3,464)	16,930	1,463	8,896	6,571
– liabilities	10,560	44,110	6,891	27,654	9,565
	<u>10,724</u>	<u>57,818</u>	<u>4,660</u>	<u>37,022</u>	<u>16,136</u>
	<u>1,999,645</u>	<u>(2,150,401)</u>	<u>(313,353)</u>	<u>(1,162,705)</u>	<u>(674,343)</u>

* 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

Year ended 31 December 2017

28 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					
2017					
Non-derivative financial liabilities					
Floating rate loans	428,969	(455,949)	(83,078)	(302,890)	(69,981)
Trade and other payables [^]	916,009	(916,009)	(916,009)	–	–
	<u>1,344,978</u>	<u>(1,371,958)</u>	<u>(999,087)</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>1,356,579</u>	<u>(1,342,135)</u>	<u>(992,301)</u>	<u>(278,692)</u>	<u>(71,142)</u>
2016					
Non-derivative financial liabilities					
Floating rate loans	295,836	(319,650)	(40,280)	(176,555)	(102,815)
Trade and other payables [^]	928,998	(928,998)	(928,998)	–	–
	<u>1,224,834</u>	<u>(1,248,648)</u>	<u>(969,278)</u>	<u>(176,555)</u>	<u>(102,815)</u>
Derivative financial instruments					
Interest rate swaps					
– assets	(245)	242	43	199	–
– liabilities	3,479	(3,629)	(1,847)	(1,782)	–
Cross currency interest rate swaps					
– assets	(3,464)	16,930	1,463	8,896	6,571
– liabilities	10,560	44,110	6,891	27,654	9,565
	<u>10,330</u>	<u>57,653</u>	<u>6,550</u>	<u>34,967</u>	<u>16,136</u>
	<u>1,235,164</u>	<u>(1,190,995)</u>	<u>(962,728)</u>	<u>(141,588)</u>	<u>(86,679)</u>

[^] 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

Year ended 31 December 2017

28 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. As at the reporting date, the carrying amount of these EUR, GBP, JPY and USD denominated borrowings was \$669,373,000 (2016: \$500,891,000) and the fair value of the borrowings was \$669,121,000 (2016: \$503,843,000). As at the reporting date, the fair value of the cross currency interest rate swaps was \$9,785,000 (2016: \$7,096,000). The net investment hedges were effective during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 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
Loan receivables – intra-group and associate	29,500	134,387	–	370,079	113,127	–	–	–	31,442	–	68,670	–	747,205
Trade and other receivables*	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)	(113,127)	–	–	–	(31,442)	–	(65,678)	–	(744,213)
Trade and other payables [^]	(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	47,218	–	–	206,561	–	–	68,476	–	672,405
Add/(less): Loan payables/(receivables) – quasi-equity	29,500	(134,387)	–	(370,079)	(113,127)	–	–	–	(31,442)	–	(28,294)	–	(647,829)
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

* Excluding prepayments.

[^] Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 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 2016													
Loan receivables – intra-group and associate	29,500	142,026	–	278,959	98,625	–	–	–	20,749	–	73,532	–	643,391
Trade and other receivables*	23,866	1,358	10,067	3,398	3,604	–	2,222	3,510	564	5,371	4,067	1,263	59,290
Intra-group receivables	471,116	265,121	87,351	551,380	359,087	(26)	2,318	364,065	9,417	3,602	721,736	–	2,835,167
Cash and cash equivalents	3,392	3,362	20,403	8,266	16,426	2	2,632	40,107	776	9,176	20,787	17,745	143,074
Loan payables – intra-group	(29,500)	(142,026)	–	(278,959)	(98,625)	–	–	–	(20,749)	–	(69,542)	–	(639,401)
Trade and other payables [^]	(11,774)	(4,818)	(33,752)	(11,037)	(9,711)	(14,250)	(3,406)	(11,009)	(1,140)	(5,663)	(927)	(6,810)	(114,297)
Intra-group payables	(471,116)	(265,121)	(87,351)	(551,380)	(359,087)	26	(2,318)	(364,065)	(9,417)	(3,602)	(721,736)	–	(2,835,167)
Financial liabilities	(415,123)	–	(89,691)	(222,716)	(68,418)	–	–	(635,016)	(9,830)	–	(421,838)	–	(1,862,632)
Gross currency exposure	(399,639)	(98)	(92,973)	(222,089)	(58,099)	(14,248)	1,448	(602,408)	(9,630)	8,884	(393,921)	12,198	(1,770,575)
Add/(less): Net exposure denominated in the respective entities' functional currencies	322,979	158,058	15,016	418,426	105,652	(141)	2,318	398,461	39,796	(8,473)	329,382	(12,198)	1,769,276
Add: Loan designated for net investment hedge	–	–	–	216,881	12,135	–	–	202,804	–	–	72,505	–	504,325
Add/(less): Loan payables/(receivables) – quasi-equity	29,500	(142,026)	–	(278,959)	(98,625)	–	–	–	(20,749)	–	(30,780)	–	(541,639)
Net exposure	(47,160)	15,934	(77,957)	134,259	(38,937)	(14,389)	3,766	(1,143)	9,417	411	(22,814)	–	(38,613)

* Excluding prepayments.

[^] Excluding advance rental and liability for employee benefits.

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

Year ended 31 December 2017

28 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 – quasi-equity (associate)	–	–	–	–	–	–	–	–	2,993	2,993
Trade and other receivables*	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 [^]	(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 – quasi-equity (associate)	–	–	–	–	–	–	–	–	(2,993)	(2,993)
Net exposure	–	221,591	9,307	54,239	202,787	(32)	(162,495)	2,979	490,796	819,172

* Excluding prepayments and intra-group receivables.

[^] Excluding advance rental liability for employee benefits and intra-group payables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 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 2016										
Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	3,990	3,990
Trade and other receivables*	23,865	–	–	–	–	–	–	–	284	24,149
Intra-group receivables	416,628	250,538	19,027	416,252	310,812	(34)	238,143	3,191	614,905	2,269,462
Cash and cash equivalents	3,372	1,634	–	57	28	–	621	–	66	5,778
Trade and other payables [^]	(8,418)	–	(9,588)	(1,341)	(63)	–	(24)	–	(276)	(19,710)
Intra-group payables	(413,159)	(12,474)	–	(121,528)	–	–	(279,997)	–	(82,131)	(909,289)
Financial liabilities	3,796	–	–	(95,472)	(68,418)	–	(63,237)	–	(72,505)	(295,836)
Gross currency exposure	26,084	239,698	9,439	197,968	242,359	(34)	(104,494)	3,191	464,333	1,078,544
Less: Net exposure denominated in the respective entities' functional currencies	(26,084)	–	–	–	–	–	–	–	–	(26,084)
Less: Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	(3,990)	(3,990)
Net exposure	–	239,698	9,439	197,968	242,359	(34)	(104,494)	3,191	460,343	1,048,470

* Excluding prepayments and intra-group receivables.

[^] Excluding advance rental liability for employee benefits and intra-group payables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 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	
	2017 \$'000	2016 \$'000
Group		
Singapore Dollar ⁽¹⁾	(5,478)	(4,716)
Australian Dollar ⁽²⁾	1,196	1,593
Chinese Renminbi ⁽²⁾	(8,024)	(7,796)
Euro ⁽²⁾	18,478	13,426
Sterling Pound ⁽²⁾	560	(3,894)
Hong Kong Dollar ⁽²⁾	(1,338)	(1,439)
Indonesian Rupiah ⁽³⁾	258	377
Japanese Yen ⁽⁴⁾	(155)	(114)
Malaysian Ringgit ⁽²⁾	992	942
Philippine Peso ⁽²⁾	43	41
US Dollar ⁽⁵⁾	2,976	(2,281)
Trust		
Australian Dollar ⁽²⁾	22,159	23,970
Chinese Renminbi ⁽²⁾	931	944
Euro ⁽²⁾	5,424	19,797
Sterling Pound ⁽²⁾	20,279	24,236
Hong Kong Dollar ⁽²⁾	(3)	(3)
Japanese Yen ⁽²⁾	(16,250)	(10,449)
Philippine Peso ⁽²⁾	298	319
US Dollar ⁽²⁾	49,080	46,034

⁽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

Year ended 31 December 2017

28 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. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Generally, the interest rate exposure is managed through the use of interest rate swaps and/or fixed rate borrowings.

The Group classifies these interest rate swaps as cash flow hedges which were effective during the year.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group		Trust	
	Carrying amount		Carrying amount	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial liabilities	(817,699)	(775,409)	–	–
Variable rate instruments				
Financial liabilities	(1,127,674)	(1,087,223)	(428,969)	(295,836)

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 2017, the Group and Trust held these financial instruments with a total notional principal amount of \$770.2 million (2016: \$770.3 million) and \$266.5 million (2016: \$266.0 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 profit or loss, 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

Year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis point ("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 2016.

	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 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)	<u>(3,684)</u>	<u>3,684</u>	<u>1,474</u>	<u>(1,474)</u>
31 December 2016				
Variable rate financial liabilities	(11,000)	11,000	–	–
Interest rate swaps/Cross currency interest rate swap	7,703	(7,703)	2,240	(2,240)
Cash flow sensitivity (net)	<u>(3,297)</u>	<u>3,297</u>	<u>2,240</u>	<u>(2,240)</u>
Trust				
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)	<u>(1,655)</u>	<u>1,655</u>	<u>356</u>	<u>(356)</u>
31 December 2016				
Variable rate financial liabilities	(2,996)	2,996	–	–
Interest rate swaps/Cross currency interest rate swap	2,660	(2,660)	665	(665)
Cash flow sensitivity (net)	<u>(336)</u>	<u>336</u>	<u>665</u>	<u>(665)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONTINUED)

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

Year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

	Gross amount of recognised financial assets/ (liabilities) \$'000	Gross amount of recognised financial assets/ (liabilities) offset in the Statement of Financial Position \$'000	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position \$'000	Related amount not offset in the Statement of Financial Position \$'000	Net amount \$'000
Group					
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)
31 December 2016					
Financial assets					
Interest rate swaps	3,661	–	3,661	–	3,661
Cross currency interest rate swaps	3,464	–	3,464	–	3,464
Trade and other receivables	11,992	(11,992)	–	–	–
Financial liabilities					
Interest rate swaps	(7,289)	–	(7,289)	–	(7,289)
Cross currency interest rate swaps	(10,560)	–	(10,560)	–	(10,560)
Trade and other payables	(14,075)	11,992	(2,083)	–	(2,083)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

28 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement (continued)

	Gross amount of recognised financial assets/ (liabilities) \$'000	Gross amount of recognised financial assets/ (liabilities) offset in the Statement of Financial Position \$'000	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position \$'000	Related amount not offset in the Statement of Financial Position \$'000	Net amount \$'000
Trust					
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)
31 December 2016					
Financial assets					
Interest rate swaps	245	–	245	–	245
Cross currency interest rate swaps	3,464	–	3,464	–	3,464
Financial liabilities					
Interest rate swaps	(3,479)	–	(3,479)	–	(3,479)
Cross currency interest rate swaps	(10,560)	–	(10,560)	–	(10,560)

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

Year ended 31 December 2017

29 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Acquisition fees paid/payable to the Manager	2,423	2,133	–	–
Divestment fees paid/payable to the Manager	802	559	–	–
Interest paid/payable to a related corporation	87	–	–	–
Rental income received/receivable from related corporations	(412)	(526)	(86)	(13)
Rental income received/receivable from master lease arrangements with related corporations	(50,184)	(42,939)	(10,752)	(7,987)
Serviced residence management fees paid/payable to related corporations	22,141	22,832	1,876	2,035
Service fee paid/payable to related corporations	17,048	17,082	1,775	1,846

30 FINANCIAL RATIOS

	Group	
	2017 %	2016 %
Ratio of expenses to average net asset value ⁽¹⁾		
– including performance component of Manager's management fees	1.06	1.10
– excluding performance component of Manager's management fees	0.76	0.77
Portfolio turnover rate ⁽²⁾	0.25	2.80

Notes:

⁽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

Year ended 31 December 2017

31 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

Year ended 31 December 2017

31 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 2017								
Gross rental income	34,389	35,359	11,762	58,804	33,057	12,084	16,068	201,523
Other income	108	1,401	1,351	2,036	2,665	527	728	8,816
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

Year ended 31 December 2017

31 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	51,660	5,362	22,389	8,215	48,704	96,306	41,842	274,478	476,001
Other income	6,442	43	1,453	348	711	869	1,605	11,471	20,287
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

Year ended 31 December 2017

31 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 2016								
Gross rental income	33,009	34,279	9,358	61,085	32,469	8,398	16,628	195,226
Other income	121	1,213	675	1,933	2,544	832	605	7,923
Gross revenue	33,130	35,492	10,033	63,018	35,013	9,230	17,233	203,149
Direct expenses	(15,179)	(16,854)	(7,954)	(44,115)	(2,803)	(821)	(10,461)	(98,187)
Segment gross profit	17,951	18,638	2,079	18,903	32,210	8,409	6,772	104,962
Net change in fair value of serviced residence properties and assets held for sale	(10,758)	7,656	40	6,361	(1,771)	6,579	(1,525)	6,582

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

31 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 2016									
Gross rental income	59,852	6,208	19,796	7,237	49,523	79,217	38,102	259,935	455,161
Other income	7,119	48	1,571	390	963	715	1,700	12,506	20,429
Gross revenue	66,971	6,256	21,367	7,627	50,486	79,932	39,802	272,441	475,590
Direct expenses	(28,059)	(4,212)	(15,329)	(4,201)	(26,775)	(58,592)	(17,862)	(155,030)	(253,217)
Segment gross profit	38,912	2,044	6,038	3,426	23,711	21,340	21,940	117,411	222,373
Net change in fair value of serviced residence properties and assets held for sale	33,428	(2,117)	4,075	14,251	(16,533)	(8,608)	(1,091)	23,405	29,987
Finance income									1,799
Finance costs									(50,045)
Unallocated net expense									(24,599)
Reportable segment profit before income tax									179,515
Income tax expense									(31,751)
Total return for the year									147,764

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

31 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
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
2016								
Assets and liabilities								
Reportable segment assets	590,739	300,886	58,284	688,901	518,808	122,806	113,906	2,394,330
Reportable segment liabilities	132,826	5,880	45,037	183,465	398,363	90,525	9,688	865,784
Other Segmental Information								
Capital expenditure:								
– serviced residence properties	284	9	354	4,548	–	370	146	5,711
– plant and equipment	1,255	838	108	1,541	–	–	181	3,923
Depreciation	1,757	804	522	3,900	–	–	744	7,727

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

31 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
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
2016									
Assets and liabilities									
Reportable segment assets	808,289	53,912	171,297	69,399	480,662	501,102	312,290	2,396,951	4,791,281
Reportable segment liabilities	729,187	10,739	18,459	53,019	102,637	275,943	53,250	1,243,234	2,109,018
Other Segmental Information									
Capital expenditure:									
– serviced residence properties	585	5	11,394	38	56	16,472	6,409	34,959	40,670
– plant and equipment	146	187	2,341	1,778	4,772	1,062	2,485	12,771	16,694
Depreciation	522	126	661	186	2,181	483	1,055	5,214	12,941

Major customers

Revenue from related corporations accounted for approximately \$50,184,000 (2016: \$42,939,000) of the gross revenue of the Group. Such revenue is attributable to the France segment, Germany segment and Singapore segment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 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 portfolio 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 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.

On 31 December 2016, the Group's assets held for sale are estimated by the Manager based on the contracted sale price of the remaining units.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) Determining fair value (continued)

(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.

(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	
	2017	2016
	%	%
Interest-bearing borrowings	1.18-2.75	1.17-2.75

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 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	Total \$'000
31 December 2017										
Financial assets measured at fair value										
	9	-	5,079	-	-	5,079	-	-	-	5,079
	9	-	2,090	-	-	2,090	-	-	-	2,090
		-	7,169	-	-	7,169	-	-	-	7,169
Financial assets not measured at fair value										
	11	-	-	41,306	-	-	41,306	-	-	41,306
	12	-	-	3,022	-	-	3,022	-	-	3,022
	13	-	-	257,345	-	-	257,345	-	-	257,345
		-	-	301,673	-	-	301,673	-	-	301,673
Financial liabilities measured at fair value										
	9	-	(4,250)	-	-	-	(4,250)	-	-	(4,250)
	9	-	(11,875)	-	-	-	(11,875)	-	-	(11,875)
		-	(16,125)	-	-	-	(16,125)	-	-	(16,125)
Financial liabilities not measured at fair value										
	14	-	-	-	(942,520)	-	(942,520)	-	-	(942,520)
	14	-	-	-	(218,708)	-	(218,708)	-	-	(218,708)
	14	-	-	-	(780,664)	-	(780,664)	-	-	(801,698)
	14	-	-	-	(3,481)	-	(3,481)	-	-	(3,481)
	15	-	-	-	(221,309)	-	(221,309)	-	-	(221,309)
	12	-	-	-	(1,065)	-	(1,065)	-	-	(1,065)
		-	-	-	(2,167,747)	-	(2,167,747)	-	-	(2,167,747)

¹ Excluding prepayments.

² Refer to Note 12 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

Year ended 31 December 2017

32 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			Total \$'000
			Fair value – hedging instruments \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
31 December 2016									
Financial assets measured at fair value									
Interest rate swaps	9	–	3,661	–	–	–	–	3,661	3,661
Cross currency interest rate swaps	9	–	3,464	–	–	–	–	3,464	3,464
		–	7,125	–	–	–	–	7,125	
Financial assets not measured at fair value									
Trade and other receivables ¹	11	–	–	59,290	–	–	–	59,290	
Cash and cash equivalents	13	–	–	143,074	–	–	–	143,074	
		–	–	202,364	–	–	–	202,364	
Financial liabilities measured at fair value									
Interest rate swaps	9	–	(7,289)	–	–	–	–	(7,289)	(7,289)
Cross currency interest rate swaps	9	–	(10,560)	–	–	–	–	(10,560)	(10,560)
		–	(17,849)	–	–	–	–	(17,849)	
Financial liabilities not measured at fair value									
Secured bank loans	14	–	–	–	(1,019,070)	–	–	(1,019,070)	(1,019,070)
Unsecured bank loans	14	–	–	–	(61,784)	–	–	(61,784)	(61,784)
Medium term notes	14	–	–	–	(775,409)	–	–	(775,409)	(788,024)
Finance lease liabilities	14	–	–	–	(6,369)	–	–	(6,369)	(6,369)
Trade and other payables ²	15	–	–	–	(114,297)	–	–	(114,297)	
		–	–	–	(1,976,929)	–	–	(1,976,929)	

¹ Excluding prepayments.

² Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Accounting classifications and fair values (continued)

	Note	Carrying amount				Fair value				
		Designated at fair value \$'000	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
Trust										
31 December 2017										
Financial assets measured at fair value										
Cross currency interest rate swaps	9	2,090	–	–	–	2,090	–	2,090	–	2,090
Financial assets not measured at fair value										
Trade and other receivables ¹	11	–	–	2,369,177	–	2,369,177	–	–	–	–
Cash and cash equivalents	13	–	–	12,598	–	12,598	–	–	–	–
		–	–	2,381,775	–	2,381,775	–	–	–	–
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(1,816)	–	–	(1,816)	–	(1,816)	–	(1,816)
Cross currency interest rate swaps	9	(11,875)	–	–	–	(11,875)	–	(11,875)	–	(11,875)
		(11,875)	(1,816)	–	–	(13,691)	–	–	–	–
Financial liabilities not measured at fair value										
Secured bank loans	14	–	–	–	(210,261)	(210,261)	–	(210,261)	–	(210,261)
Unsecured bank loans	14	–	–	–	(218,708)	(218,708)	–	(218,708)	–	(218,708)
Intra-group financial guarantees	14	–	–	–	(1,201)	(1,201)	–	(1,201)	–	(1,201)
Trade and other payables ²	15	–	–	–	(916,009)	(916,009)	–	(916,009)	–	(916,009)
		–	–	–	(1,346,179)	(1,346,179)	–	(1,346,179)	–	(1,346,179)

¹ Excluding prepayments.

² Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Accounting classifications and fair values (continued)

	Note	Carrying amount				Fair value				
		Designated at fair value \$'000	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
Trust										
31 December 2016										
Financial assets measured at fair value										
Interest rate swaps	9	–	245	–	–	245	–	–	–	245
Cross currency interest rate swaps	9	3,464	–	–	–	3,464	–	–	–	3,464
		3,464	245	–	–	3,709	–	–	–	3,709
Financial assets not measured at fair value										
Trade and other receivables ¹	11	–	–	2,293,611	–	2,293,611	–	–	–	2,293,611
Cash and cash equivalents	13	–	–	5,778	–	5,778	–	–	–	5,778
		–	–	2,299,389	–	2,299,389	–	–	–	2,299,389
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(3,479)	–	–	–	–	–	–	(3,479)
Cross currency interest rate swaps	9	(10,560)	–	–	–	–	–	–	–	(10,560)
		(10,560)	(3,479)	–	–	–	–	–	–	(14,039)
Financial liabilities not measured at fair value										
Secured bank loans	14	–	–	–	(234,052)	–	–	–	–	(234,052)
Unsecured bank loans	14	–	–	–	(61,784)	–	–	–	–	(61,784)
Intra-group financial guarantees	14	–	–	–	(1,285)	–	–	–	–	(1,285)
Trade and other payables ²	15	–	–	–	(928,998)	–	–	–	–	(928,998)
		–	–	–	(1,226,119)	–	–	–	–	(1,226,119)

¹ Excluding prepayments.

² Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 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 2017					
Serviced residence properties	4	–	–	4,908,400	4,908,400
Assets held for sale	12	–	–	191,020	191,020
		–	–	5,099,420	5,099,420
31 December 2016					
Serviced residence properties	4	–	–	4,504,416	4,504,416
Assets held for sale	12	–	–	6,549	6,549
		–	–	4,510,965	4,510,965
Trust					
31 December 2017					
Serviced residence properties	4	–	–	950,156	950,156
31 December 2016					
Serviced residence properties	4	–	–	553,002	553,002

(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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 3 fair value measurements (continued)

(i) Reconciliation of Level 3 fair value (continued)

Group	Serviced residence properties \$'000	Assets held for sale \$'000
2016		
Balance at 1 January 2016	4,289,711	84,207
Acquisition of serviced residence properties and subsidiaries	211,857	–
Capital expenditure	40,670	–
Disposal of assets held for sale	–	(74,512)
Assets written off	(543)	–
Transfer from plant and equipment	3,481	–
Net change in fair value recognised in Statement of Total Return	33,133	(3,146)
Translation difference	(73,893)	–
Balance at 31 December 2016	4,504,416	6,549

(ii) 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	<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: 5.50% – 13.00% (2016: 6.75% – 13.75%) North Asia: 4.00% – 8.50% (2016: 3.80% – 7.75%) Europe and United States of America: 6.00% – 10.00% (2016: 7.75% – 9.75%) 	<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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 3 fair value measurements (continued)

(ii) Valuation techniques and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
		<p>Group</p> <ul style="list-style-type: none"> Terminal capitalisation rate: <ul style="list-style-type: none"> South East Asia and Australia: 3.90% – 8.80% (2016: 4.00% – 9.50%) North Asia: 4.30% – 6.10% (2016: 4.10% – 6.00%) Europe and United States of America: 4.50% – 8.50% (2016: 5.25% – 7.25%) <p>Trust</p> <ul style="list-style-type: none"> Discount rate: <ul style="list-style-type: none"> Singapore: 5.50% (2016: 6.75% – 7.50%) Terminal capitalisation rate: <ul style="list-style-type: none"> Singapore: 3.90% – 4.20% (2016: 4.00% – 4.35%) 	
Assets and liabilities held for sale	The fair values are based on agreed selling price on a willing buyer willing seller basis.	Not applicable	Not applicable
Cross currency interest rate swaps and interest rate swaps	<i>Market comparison technique:</i> The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32 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 2017 and 2016, there were no transfers between Level 1 and 2 of the fair value hierarchy.

33 ACQUISITION OF SERVICED RESIDENCE PROPERTIES AND NON-CONTROLLING INTERESTS, NET OF CASH MOVEMENTS

Acquisition of serviced residence properties and subsidiaries

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..

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

33 ACQUISITION OF SERVICED RESIDENCE PROPERTIES AND NON-CONTROLLING INTERESTS, NET OF CASH MOVEMENTS (CONTINUED)

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.

On 29 April 2016, the Group acquired the property, Sheraton Tribeca New York Hotel, from an unrelated third party.

From the acquisition date to 31 December 2016, Sheraton Tribeca New York Hotel contributed profit after tax of \$1,654,000. If the acquisition had occurred on 1 January 2016, the Manager estimates that the additional contribution to the Group in terms of revenue and loss after tax would have been \$10,476,000 and \$317,000 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 2016.

The cash flows and net assets and liabilities of serviced residence properties and subsidiaries acquired are provided below:

	Recognised values on acquisition	
	2017	2016
	\$'000	\$'000
Serviced residence properties	644,278	211,857
Plant and equipment	10,703	2,189
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	<u>648,986</u>	<u>214,046</u>
Total consideration	(648,986)	(214,046)
Deposit paid in prior year	20,250	–
Cash of subsidiaries acquired	773	–
Cash outflow on acquisition of serviced residence properties	<u>(627,963)</u>	<u>(214,046)</u>

Acquisition of serviced residence properties and subsidiaries are 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 and 2016 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

34 COMMITMENTS

As at the reporting date, the Group and the Trust had the following commitments:

(a) Capital commitments

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Capital expenditure commitments:				
– contracted but not provided for	10,629	5,719	–	372

(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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Within 1 year	72,048	58,609	20,313	5,303
After 1 year but within 5 years	163,447	76,586	56,172	–
After 5 years	96,492	51,143	–	–
	331,987	186,338	76,485	5,303

(c) Operating leases as lessee

The Group leases the land on which three (2016: three) of the serviced residence properties are constructed. The leases have an initial tenure ranging from 25 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	
	2017 \$'000	2016 \$'000
Within 1 year	17,568	18,130
After 1 year but within 5 years	76,085	77,395
After 5 years	470,148	520,243
	563,801	615,768

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

35 SUBSEQUENT EVENTS

On 5 January 2018, the divestment of the disposal group was completed. See Note 12.

On 26 January 2018, the Manager declared a distribution of 3.730 cents per Unit amounting to \$80,199,000 in respect of the period from 1 July 2017 to 31 December 2017.

On 7 February 2018, the Trust issued 7,518,340 Units at an issue price of \$1.1928 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 2017 to 31 December 2017 and the performance fee component of the Management Fees for the period from 1 January 2017 to 31 December 2017. The balance of the Management Fees of \$3,475,562 (excluding applicable goods and services tax) was paid in cash.

ADDITIONAL INFORMATION

INTERESTED PERSON (AS DEFINED IN THE LISTING MANUAL) AND INTERESTED PARTY (AS DEFINED IN THE PROPERTY FUNDS APPENDIX) TRANSACTIONS

The transactions entered into during the financial year are as follow.

Name of Interested Person / Interested Party	Aggregate value ¹ of all interested person/ party transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Unitholders' mandate pursuant to rule 920) S\$'000	Aggregate value ¹ of all interested person/ party transactions during the financial year under review under Unitholders' mandate pursuant to rule 920 (excluding transactions less than S\$100,000) S\$'000
Temasek Holdings (Private) Limited & its subsidiaries		
Digital cable services	369	—
Rental income	137	—
CapitaLand Limited & its subsidiaries		
Master lease income	160,299 ²	—
Acquisition of interest in two serviced residence properties	97,212 ³	—
Serviced residence management fees	32,287	—
Manager's management fees	22,385	—
Service fees	5,347	—
Asset management fees	3,987	—
Acquisition fees	2,423	—
Divestment fee	754	—
Rental income	557	—
DBS Trustee Limited		
Trustee's fee	495	—
Total	326,252	—

¹ The aggregate value is for the contract period.

² S\$101.4 million had been approved by Unitholders at Extraordinary General Meeting held on 19 April 2017.

³ This had been approved by Unitholders at Extraordinary General Meeting held on 19 April 2017.

OPERATING EXPENSES AND TAXATION

According to disclosure requirements under paragraph 11.1 item (i) of the Appendix 6 to Code on Collective Investment Scheme, the total operating expenses incurred by Ascott Reit in FY 2017 was S\$295.4 million. The amount included all fees and charges paid to the Manager and interested parties. This translates to 11.0% of the property fund's net asset value as at 31 December 2017. Taxation incurred was S\$51.9 million.

ADDITIONAL INFORMATION

MANAGER'S MANAGEMENT FEES AND ACQUISITION FEE PAID IN UNITS

A summary of Units issued for payment of the Manager's management fees (part payment) and acquisition fee in respect of the financial year are as follows:

For Period	Issue Date	Units	Issue Price ¹ S\$	Total Value S\$'000
Base Management Fees				
1 January 2017 to 31 March 2017	26 April 2017	2,157,668	1.0931	2,359
1 April 2017 to 30 June 2017	3 August 2017	1,970,261	1.1987	2,362
1 July 2017 to 30 September 2017	2 November 2017	2,042,072	1.1945	2,439
1 October 2017 to 31 December 2017	7 February 2018	2,298,055	1.1928	2,741
				9,901
Performance Management Fees				
1 January 2017 to 31 December 2017	7 February 2018	5,220,285	1.1928	6,227
Acquisition Fee				
	21 July 2017	836,645	1.1757	984
				17,112

¹ Based on the volume weighted average traded price per Unit for all trades done on the SGX-ST in the ordinary course of trading for 5 business days immediately preceding the date of issue of the New Units.

STATISTICS OF UNITHOLDINGS

As at 21 February 2018

ISSUE AND FULLY PAID UNITS

2,157,206,134 (Voting rights: 1 vote per Unit)

Market Capitalisation of S\$2,567,075,299 based on market closing Unit price of S\$1.19 on 21 February 2018

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	65	0.42	1,762	0.00
100 - 1,000	788	5.06	647,112	0.03
1,001 - 10,000	8,035	51.58	44,884,616	2.08
10,001 - 1,000,000	6,640	42.63	317,792,218	14.73
1,000,001 and Above	49	0.31	1,793,880,426	83.16
Total	15,577	100.00	2,157,206,134	100.00

LOCATION OF UNITHOLDINGS

Country	No. of Unitholders	%	No. of Units	%
Singapore	15,095	96.91	2,143,460,338	99.36
Malaysia	310	1.99	8,319,290	0.39
Others	172	1.10	5,426,506	0.25
Total	15,577	100.00	2,157,206,134	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	The Ascott Limited	476,152,416	22.07
2	Somerset Capital Pte Ltd	314,137,188	14.56
3	Citibank Nominees Singapore Pte Ltd	271,775,976	12.60
4	DBS Nominees (Private) Limited	173,807,331	8.06
5	Ascott Residence Trust Management Limited	170,426,052	7.90
6	Raffles Nominees (Pte) Limited	76,186,025	3.53
7	HSBC (Singapore) Nominees Pte Ltd	56,825,893	2.63
8	DBSN Services Pte. Ltd.	46,554,636	2.16
9	OCBC Securities Private Limited	26,901,135	1.25
10	DB Nominees (Singapore) Pte Ltd	23,279,314	1.08
11	NTUC Fairprice Co-Operative Ltd	17,802,000	0.83
12	United Overseas Bank Nominees (Private) Limited	16,208,549	0.75
13	Ko Woon Hong	12,893,500	0.60
14	BNP Paribas Nominees Singapore Pte Ltd	12,131,730	0.56
15	UOB Kay Hian Private Limited	11,827,263	0.55
16	DBS Vickers Securities (Singapore) Pte Ltd	9,111,877	0.42
17	Phillip Securities Pte Ltd	6,762,960	0.31
18	Toh Capital Pte Ltd	6,086,600	0.28
19	OCBC Nominees Singapore Private Limited	5,985,565	0.28
20	Wee Shuk Theng	5,142,500	0.24
Total		1,739,998,510	80.66

STATISTICS OF UNITHOLDINGS

As at 21 February 2018

DIRECTORS' INTERESTS IN UNITS AND CONVERTIBLE SECURITIES AS AT 21 JANUARY 2018

Based on the Register of Directors' Unitholdings, save for those disclosed below, none of the Directors holds any interest in Units and convertible securities issued by Ascott Reit.

Name of Director	No. of Units		Contingent Awards of Units ¹ under the Manager's	
	Direct Interest	Deemed Interest	Performance Unit Plan	Restricted Unit Plan
Tan Beng Hai, Bob	28,611	–	–	–
Lim Ming Yan	334,766	–	–	–
Beh Siew Kim	167,000	–	0 to 215,268 ²	0 to 150,505 ^{2,3}
Zulkifli Bin Baharudin	57,167	–	–	–
Sim Juat Quee Michael Gabriel	5,466	–	–	–
Elaine Carole Young	66,377	–	–	–
Lim Cho Pin Andrew Geoffrey	25,800	–	–	–
Lee Chee Koon	46,440	–	–	–

¹ This refers to the number of Units which are the subject of contingent awards but not released under the Manager's Performance Unit Plan ("PUP") and Restricted Unit Plan ("RUP"). The final number of Units that will be released could range from 0% to a maximum of 200% of the baseline award under the PUP and from 0% to a maximum of 150% of the baseline award under the RUP.

² The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the respective performance periods for PUP and RUP.

³ On the final vesting, an additional number of Units of a total value equal to the value of the accumulated distributions which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of RUP, will also be released.

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS AS AT 21 FEBRUARY 2018

Based on the information available to the Manager, as at 21 February 2018, the unitholdings of Substantial Unitholders of Ascott Reit are as follows:

Name of Substantial Unitholder	Direct Interest		Deemed Interest	
	No. of Units	%	No. of Units	%
Temasek Holdings (Private) Limited (THPL)	–	–	987,913,707 ¹	45.79
CapitaLand Limited (CL)	–	–	960,715,656 ²	44.53
The Ascott Limited (Ascott)	476,152,416	22.07	484,563,240 ³	22.46
Somerset Capital Pte Ltd (SCPL)	314,137,188	14.56	–	–
Ascott Residence Trust Management Limited (ARTML)	170,426,052	7.90	–	–

¹ THPL is deemed to have an interest in the unitholdings in which CL Group and its other subsidiaries and associated companies have direct or deemed interests pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. THPL is wholly owned by the Minister for Finance.

² CL is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, Ascott, SCPL and ARTML.

³ Ascott is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, SCPL and ARTML.

PUBLIC FLOAT

Based on the information available to the Manager as at 21 February 2018, approximately 54% of the Units were held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

CORPORATE INFORMATION

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▼ THE MANAGER

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Chairman & Non-Executive
Independent Director

Lim Ming Yan
Deputy Chairman & Non-Executive
Non-Independent Director

Beh Siew Kim
Chief Executive Officer & Executive
Non-Independent Director

Zulkifli Bin Baharudin
Non-Executive Independent Director

Sim Juat Quee Michael Gabriel
Non-Executive Independent Director

Elaine Carole Young
Non-Executive Independent Director

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

Lee Chee Koon
Non-Executive Non-Independent
Director

AUDIT COMMITTEE

Sim Juat Quee Michael Gabriel
Chairman

Zulkifli Bin Baharudin
Elaine Carole Young
Lim Cho Pin Andrew Geoffrey

CORPORATE DISCLOSURE COMMITTEE

Tan Beng Hai, Bob
Chairman

Beh Siew Kim
Lee Chee Koon

EXECUTIVE COMMITTEE

Lim Ming Yan
Chairman

Beh Siew Kim
Lim Cho Pin Andrew Geoffrey
Lee Chee Koon

JOINT COMPANY SECRETARIES

Karen Chan
Karen Chang

Counter Name: Ascott Reit
Stock Code: A68U

The Annual Report to Unitholders may contain forward-looking statements. Forward-looking statement is subject to inherent uncertainties and is based on numerous assumptions. Actual performance, outcomes and results may differ materially from those expressed in forward-looking statements. Representative examples of factors which may cause the actual performance, outcomes and results to differ materially from those in the forward-looking statements include (without limitation) changes in general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate investment opportunities, competition from other companies, shifts in customers' demands, changes in operating conditions, 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 the current views of management on future events.



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