ASCOTT RESIDENCE TRUST

A Member of CapitaLand

ASCOTT RESIDENCE TRUST

2019 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT

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Summary of Group Results

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

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

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

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

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

DISTRIBUTION AND BOOK CLOSURE DATE

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

INTRODUCTION

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

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

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

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

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

In January 2018, Ascott Reit completed the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit announced its maiden development project at Nepal Hill, Singapore to build the first coliving property, lyf one-north Singapore, in September 2018. The project will be completed by 2020. On 4 January 2019, Ascott Reit took possession of the site for the development of lyf one-north Singapore.

On 9 January 2019, Ascott Reit entered into a sale and purchase agreement to divest Ascott Raffles Place Singapore for an aggregate sale consideration of S$353.3 million. The sale price is 64.3% above the book value of the property and the divestment was completed on 9 May 2019.

Ascott Reit announced the acquisition of Felix Hotel, its first limited-service business hotel in Australia, on 27 March 2019. The property was rebranded as Citadines Connect Sydney Airport upon completion of the acquisition on 1 May 2019.

As at 30 June 2019, Ascott Reit's portfolio comprises 73 operating properties[1] with 11,434 apartment units in 37 cities across 14 countries.

Ascott Reit makes distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Distributions are paid in Singapore dollar. Since its listing, Ascott Reit has paid 100% of its distributable income.

[1] Exclude lyf one-north Singapore (under development).

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

	Note	GROUP 2Q 2019 S$'000	GROUP 2Q 2018 S$'000	Better / (Worse) %	GROUP YTD Jun 2019 S$'000	GROUP YTD Jun 2018 S$'000	Better / (Worse) %
Revenue	A.1	132,494	130,499	2	248,409	243,283	2
Direct expenses	A.2	(64,839)	(67,361)	4	(126,139)	(131,478)	4
Gross Profit	A.1	**67,655**	**63,138**	7	**122,270**	**111,805**	9
Finance income	A.3	388	233	67	739	601	23
Other operating income	A.4	139	266	(48)	303	395	(23)
Finance costs	A.3	(13,008)	(11,652)	(12)	(26,379)	(23,248)	(13)
Manager's management fees		(6,039)	(6,108)	1	(11,440)	(11,459)	–
Trustee's fee		(145)	(122)	(19)	(292)	(252)	(16)
Professional fees	A.5	(521)	(663)	21	(1,122)	(1,316)	15
Audit fees	A.6	(595)	(666)	11	(1,082)	(1,369)	21
Foreign exchange gain / (loss)	A.7	3,145	(6,490)	n.m.	3,342	(3,290)	n.m.
Other operating expenses	A.8	(579)	(866)	33	(1,108)	(1,464)	24
Share of results of associate (net of tax)		(2)	(14)	86	(24)	(41)	41
Net income before changes in fair value of financial derivatives, investment properties and assets held for sale		**50,438**	**37,056**	**36**	**85,207**	**70,362**	**21**
Net change in fair value of financial derivatives	A.9	600	396	52	604	282	114
Net change in fair value of investment properties and assets held for sale	A.10	9,006	26,696	(66)	144,030	26,696	440
Loss upon divestment		–	–	n.m.	–	(488)	n.m.
Assets written off		–	(13)	n.m.	–	(13)	n.m.
Total return for the period before tax		**60,044**	**64,135**	**(6)**	**229,841**	**96,839**	**137**
Income tax expense	A.11	(12,663)	(14,080)	10	(16,916)	(17,231)	2
Total return for the period after tax		**47,381**	**50,055**	**(5)**	**212,925**	**79,608**	**167**
Attributable to:							
Unitholders and perpetual securities holders		48,580	46,526		212,545	74,657	
Non-controlling interests		(1,199)	3,529		380	4,951	
Total return for the period		**47,381**	**50,055**	**(5)**	**212,925**	**79,608**	**167**

RECONCILIATION OF TOTAL RETURN FOR THE PERIOD ATTRIBUTABLE TO UNITHOLDERS TO TOTAL UNITHOLDERS' DISTRIBUTION

	Note	GROUP 2Q 2019 S$'000	 2Q 2018 S$'000	Better / (Worse) %	GROUP YTD Jun 2019 %	 YTD Jun 2018 S$'000	Better / (Worse) %
Total return for the period attributable to Unitholders and perpetual securities holders		48,580	46,526		212,545	74,657	
Net effect of non-tax deductible / chargeable items and other adjustments	A.12	(649)	(1,960)		(128,401)	3,807	
Total amount distributable for the period		**47,931**	**44,566**	**8**	**84,144**	**78,464**	**7**
Amount distributable:							
- Unitholders		43,144	39,779		74,623	68,943	
- Perpetual securities holders		4,787	4,787		9,521	9,521	
		47,931	**44,566**	**8**	**84,144**	**78,464**	**7**
Comprises:							
- from operations [1]		10,738	11,977		8,338	128,346	
- from unitholders' contributions		32,406	27,802		66,285	(59,403)	
		43,144	**39,779**	**8**	**74,623**	**68,943**	**8**

[1] Unitholders' distribution from operations was higher in YTD Jun 2018 due to dividend income recognised at the Trust arising from the profit from divestment of the two China properties.

1(a)(ii) Explanatory Notes to Consolidated Statement of Total Return

A.1 Revenue and Gross profit

Revenue for 2Q 2019 of S$132.5 million comprised S$18.5 million (14% of total revenue) from properties on Master Leases, S$21.7 million (16%) from properties on management contracts with minimum guaranteed income and S$92.3 million (70%) from properties on management contracts.

Revenue for 2Q 2019 increased by S$2.0 million or 2% as compared to 2Q 2018. This was mainly attributed to the additional revenue of S$0.8 million from the acquisition of Citadines Connect Sydney Airport in May 2019 and higher revenue of S$2.3 million from the existing properties in Philippines, United Kingdom and Japan, partially offset by the decrease in revenue of S$1.1 million from the divestment of Ascott Raffles Place Singapore.

The Group achieved a revenue per available unit ("REVPAU") of S$158 for 2Q 2019, an increase of 2% as compared to 2Q 2018.

Gross profit for 2Q 2019 of S$67.6 million comprised S$16.6 million (25% of total gross profit) from properties on Master Leases, S$9.8 million (14%) from properties on management contracts with minimum guaranteed income and S$41.2 million (61%) from properties on management contracts.

As compared to 2Q 2018, gross profit increased by S$4.5 million or 7% due to higher revenue and the adoption of FRS 116 *Leases* with effect from 1 January 2019. Please refer to paragraph 5 for more details on the impact arising from the adoption of this accounting standard.

On a same store basis and excluding the FRS 116 adjustments, gross profit increased by S$0.2 million.

Please refer to Para 8(a) for a more detailed analysis.

A.2 Direct expenses include the following items:

	GROUP			GROUP		
	2Q 2019 S$'000	2Q 2018 S$'000	Better / (Worse) %	YTD Jun 2019 S$'000	YTD Jun 2018 S$'000	Better / (Worse) %
Depreciation and amortisation [1]	(3,059)	(3,043)	(1)	(6,075)	(6,313)	4
Staff costs	(14,708)	(14,748)	–	(28,665)	(28,968)	1

[1] Depreciation and amortisation were lower in YTD Jun 2019 mainly due to fully depreciated assets.

A.3 Finance income / Finance costs

Finance income was higher in 2Q 2019 due to fixed deposit placements with the divestment proceeds from Ascott Raffles Place Singapore, prior to the repayment of bank loans.

Finance costs were higher in 2Q 2019 due to the interest expense of S$2.8 million recognised on the lease liability arising from the adoption of FRS 116.

Excluding the FRS 116 adjustments, finance costs were lower by S$1.4 million in 2Q 2019 due to refinancing of medium-term notes at lower interest rates and repayment of bank loans with the divestment proceeds from Ascott Raffles Place Singapore.

A.4 Other operating income

Other operating income was higher in 2Q 2018 due to forfeiture of security deposits.

A.5 Professional fees

Professional fees were higher in 2Q 2018 due to expenses incurred in connection with the refund of withholding tax on prior periods' dividends declared by the France subsidiaries.

A.6 Audit fees

Audit fees were lower in 2Q 2019 due to weaker exchange rates.

A.7 Foreign exchange gain / (loss)

The foreign exchange gain recognised in 2Q 2019 mainly relates to realised exchange gain arising from the repayment of foreign currency bank loans with the divestment proceeds from Ascott Raffles Place Singapore.

The foreign exchange loss recognised in 2Q 2018 mainly comprised unrealised exchange loss of S$7.0 million (mainly arising from EUR denominated shareholders' loans extended to the Group's subsidiaries as a result of the depreciation of EUR against SGD as at balance sheet date) and realised exchange gain of S$0.5 million (mainly arising from gain on repayment of shareholders' loan from Europe and gain on the foreign currency forward contracts).

A.8 Other operating expenses

Other operating expenses were lower in 2Q 2019 mainly due to lower non-refundable GST.

A.9 Net change in fair value of financial derivatives

This mainly relates to the fair value change of foreign currency forward contracts (entered into to hedge distribution income).

A.10 Net change in fair value of investment properties and assets held for sale

This relates to the surplus on revaluation of investment properties. The surplus resulted mainly from higher valuation of the Group's properties in Australia, Belgium, Germany and Japan, partially offset by lower valuation from the properties in China, Philippines, Spain and Vietnam.

A.11 Income tax expense

Taxation for 2Q 2019 was lower by S$1.4 million as compared to the corresponding period last year. This was mainly due to lower deferred tax liability provided on the fair value surplus recognised.

A.12 Net effect of non-tax deductible / (chargeable) items and other adjustments include the following:

	GROUP			GROUP		
	2Q 2019 S$'000	2Q 2018 S$'000	Better / (Worse) %	YTD Jun 2019 S$'000	YTD Jun 2018 S$'000	Better / (Worse) %
Depreciation and amortisation	3,059	3,043	(1)	6,075	6,313	4
Manager's management fee payable / paid partially in units	4,383	4,446	(1)	8,392	8,410	–
Trustee's fees [1]	16	23	30	46	48	4
Unrealised foreign exchange loss	142	6,988	98	2,158	5,376	60
Net change in fair value of financial derivatives (Note A.9)	(600)	(396)	52	(604)	(282)	114
Net change in fair value of investment properties and assets held for sale (Note A.10)	(9,006)	(26,696)	(66)	(144,030)	(26,696)	440
Loss upon divestment	–	–	n.m.	–	488	n.m.
Operating lease expense recognised on a straight-line basis	–	775	n.m.	–	1,551	n.m.
Interest expense on lease liabilities [2]	2,801	–	n.m.	5,611	–	n.m.
Lease payments for right-of-use assets [2]	(4,400)	–	n.m.	(8,808)	–	n.m.
Assets written off	–	13	n.m.	–	13	n.m.
Deferred tax expense	5,962	7,767	23	5,916	6,730	12
Effect of non-controlling interests arising from the above	(2,862)	2,013	242	(2,946)	1,883	256

[1] This relates to the Singapore properties only and is not tax deductible.
[2] Due to adoption of FRS 116 *Leases*. Please refer to paragraph 5 for more details.

1(b)(i) **Statement of Financial Position**

	Note	GROUP 30/06/19 S$'000	GROUP 31/12/18 S$'000	TRUST 30/06/19 S$'000	TRUST 31/12/18 S$'000
Non-Current Assets					
Investment properties	B.1	5,055,882	4,679,295	740,158	739,193
Other non-current assets	B.2	–	65,535	–	65,535
Investment property under development	B.2	67,135	–	67,135	–
Plant and equipment		48,441	48,564	9,842	10,807
Subsidiaries		–	–	276,546	276,546
Associate		3,010	3,040	3,056	3,062
Financial derivatives	B.3	2,446	8,294	999	1,879
Deferred tax assets		4,088	4,309	–	–
		5,181,002	**4,809,037**	**1,097,736**	**1,097,022**
Current Assets					
Inventories		333	328	–	–
Assets held for sale	B.4	–	215,000	–	215,000
Trade and other receivables	B.5	61,355	56,919	2,345,475	2,299,467
Financial derivatives	B.3	665	–	665	–
Cash and cash equivalents	B.6	251,095	227,847	44,734	40,112
		313,448	**500,094**	**2,390,874**	**2,554,579**
Total Assets		**5,494,450**	**5,309,131**	**3,488,610**	**3,651,601**
Non-Current Liabilities					
Interest bearing liabilities	B.9	(1,588,994)	(1,835,316)	(189,300)	(424,430)
Financial derivatives	B.3	(11,686)	(6,850)	(9,583)	(5,269)
Trade and other payables		(839)	–	–	–
Deferred tax liabilities		(119,046)	(117,865)	–	–
Lease liabilities	B.8	(279,578)	–	–	–
		(2,000,143)	**(1,960,031)**	**(198,883)**	**(429,699)**
Current Liabilities					
Interest bearing liabilities	B.9	(80,994)	(70,137)	–	–
Financial derivatives	B.3	(63)	(280)	(61)	(191)
Trade and other payables	B.7	(143,120)	(141,252)	(959,760)	(927,844)
Lease liabilities	B.8	(17,867)	–	–	–
Provision for taxation		(9,245)	(6,522)	–	–
		(251,289)	**(218,191)**	**(959,821)**	**(928,035)**
Total Liabilities		**(2,251,432)**	**(2,178,222)**	**(1,158,704)**	**(1,357,734)**
Net Assets		**3,243,018**	**3,130,909**	**2,329,906**	**2,293,867**
Represented by:					
Unitholders' funds		2,756,633	2,644,051	1,932,832	1,896,740
Perpetual securities holders	B.10	397,074	397,127	397,074	397,127
Non-controlling interests		89,311	89,731	–	–
Total Equity	1(d)(i)	**3,243,018**	**3,130,909**	**2,329,906**	**2,293,867**

1(b)(ii) Explanatory Notes to Statement of Financial Position

B.1 Investment properties

The increase in the Group's investment properties as at 30 June 2019 was mainly due to the recognition of the existing operating lease arrangements as right-of-use assets of S$297.4 million upon the adoption of FRS 116 *Leases* with effect from 1 January 2019, acquisition of Citadines Connect Sydney Airport, the increase in valuation on 30 June 2019 and foreign currency translation differences of S$2.5 million arising from translating the Group's investment properties as a result of the appreciation of JPY against SGD, partially offset by the depreciation of EUR and AUD against SGD.

B.2 Investment property under development / other non-current assets

Investment property under development as at 30 June 2019 relates to the reclassification of the costs previously paid for lyf one-north Singapore from "other non-current assets" as at 31 December 2018 upon the possession of the land in January 2019, the additional capital expenditure and interest capitalised in 2019.

Other non-current assets as at 31 December 2018 comprised of the cost of acquisition of 60-year leasehold land for the lyf one-north site, capitalised costs relating to the site and interest incurred on acquisition of the leasehold land.

B.3 Financial derivatives

The financial derivatives relate to the fair value of interest rate swaps (entered into to hedge interest rate risk), fair value of cross currency swaps (entered into to hedge foreign currency risk) and fair value of foreign currency forward contracts (entered into to hedge distribution income).

B.4 Assets held for sale

The assets held for sale as at 31 December 2018 relate to Ascott Raffles Place Singapore.

The decrease in assets held for sale as at 30 June 2019 was due to the completion of the sale of Ascott Raffles Place Singapore on 9 May 2019.

B.5 Trade and other receivables

The increase in the trade and other receivables as at 30 June 2019 was mainly due to higher trade receivables as a result of higher business activities, and prepaid expense.

B.6 Cash and cash equivalents

The increase in the Group's cash and cash equivalents as at 30 June 2019 was mainly due to the receipt of the output tax on the divestment proceeds of Ascott Raffles Place Singapore, which will be paid to the Inland Revenue Authority of Singapore in August 2019.

B.7 Trade and other payables

The increase in the trade and other payables as at 30 June 2019 was mainly due to the output tax on the divestment proceeds of Ascott Raffles Place Singapore payable in 3Q 2019.

The increase in the trade and other payables was partially offset by the reversal of the S$5.0 million deposit previously received for Ascott Raffles Place Singapore as at 31 December 2018 upon completion of the divestment in May 2019, and the reversal of the operating lease expense previously accrued on a straight-line basis upon the initial recognition of FRS 116 *Leases* with effect from 1 January 2019.

B.8 Lease liabilities

The lease liabilities as at 30 June 2019 refer to the liabilities arising from the adoption of FRS 116 *Leases* with effect from 1 January 2019.

B.9 Interest bearing liabilities

	GROUP		TRUST	
	30/06/19	31/12/18	30/06/19	31/12/18
	S$'000	S$'000	S$'000	S$'000
Amount repayable in one year or less or on demand				
- Secured	80,652	69,760	–	–
- Unsecured	498	494	–	–
Less: Unamortised transaction costs	(156)	(117)	–	–
	80,994	70,137	–	–
Amount repayable after one year				
- Secured	687,720	849,503	69,619	216,083
- Unsecured	910,313	995,208	122,660	210,795
Less: Unamortised transaction costs	(9,039)	(9,395)	(2,979)	(2,448)
	1,588,994	1,835,316	189,300	424,430
Total	**1,669,988**	**1,905,453**	**189,300**	**424,430**

Details of collateral

The borrowings of the Group are generally secured by:

- Mortgage on subsidiaries' investment properties and the assignment of the rights, titles and interests with respect to these properties
- Assignment of rental proceeds from the investment properties and insurance policies relating to these properties
- Pledge of shares of some subsidiaries
- Corporate guarantee from the Trust

Capital management

As at 30 June 2019, the Group's gearing was 32.8%, well below the 45 percent gearing limit allowable under the property funds appendix issued by the Monetary Authority of Singapore. In this regard, the lease liabilities recognised by virtue of FRS 116 were excluded as these operating leases were entered into in the ordinary course of business and were in effect before 1 January 2019. The average cost of debts was 2.1 percent per annum, with an interest cover of 5.2 times. S$1,479.0 million or 88% of the Group's borrowings are on fixed interest rates, of which S$20.0 million is due in the next 12 months.

Out of the Group's total borrowings, 1 percent falls due in 2019, 16 percent falls due in 2020, 16 percent falls due in 2021, 25 percent falls due in 2022 and the balance falls due after 2022.

The Manager adopts a proactive capital management strategy and will commence discussions to refinance the loan facilities due in 2020, ahead of their maturity dates.

B.10 Perpetual securities

On 27 October 2014, the Trust issued S$150.0 million of fixed rate perpetual securities with an initial distribution rate of 5.00% per annum, with the first distribution rate reset falling on 27 October 2019 and subsequent resets occurring every five years thereafter.

On 30 June 2015, the Trust issued S$250.0 million of fixed rate perpetual securities with an initial distribution rate of 4.68% per annum, with the first distribution rate reset falling on 30 June 2020 and subsequent resets occurring every five years thereafter.

Distributions are payable semi-annually in arrears at the discretion of the Trust and will be non-cumulative. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the perpetual securities.

1(c) Consolidated Statement of Cash Flows

	GROUP		GROUP	
	2Q 2019 S$'000	**2Q 2018 S$'000**	**YTD Jun 2019 S$'000**	**YTD Jun 2018 S$'000**
Operating Activities				
Total return for the period before tax	60,044	64,135	229,841	96,839
Adjustments for:				
Depreciation and amortisation	3,059	3,043	6,075	6,313
(Gain) / loss on disposal of plant and equipment	(3)	8	(13)	(22)
Assets written off	–	13	–	13
Operating lease expense recognised on a straight-line basis	–	775	–	1,551
Finance costs	13,008	11,652	26,379	23,248
Finance income	(388)	(233)	(739)	(601)
Provision for doubtful debts addition / (reversal)	20	(2)	52	(16)
Manager's management fees payable / paid partially in units	4,383	4,446	8,392	8,410
Unrealised foreign exchange loss	142	6,988	2,158	5,376
Net change in fair value of investment properties and assets held for sale	(9,006)	(26,696)	(144,030)	(26,696)
Net change in fair value of financial derivatives	(600)	(396)	(604)	(282)
Loss upon divestment	–	–	–	488
Share of results of associate	2	14	24	41
Operating profit before working capital changes	**70,661**	**63,747**	**127,535**	**114,662**
Changes in working capital	7,132	(15,677)	4,391	(25,664)
Cash generated from operations	**77,793**	**48,070**	**131,926**	**88,998**
Income tax paid	(4,940)	(3,752)	(9,383)	(7,921)
Cash flows from operating activities	**72,853**	**44,318**	**122,543**	**81,077**
Investing Activities				
Acquisition of plant and equipment	(2,772)	(3,527)	(5,495)	(7,626)
Acquisition of investment properties	(52,235)	–	(58,106)	–
Capital expenditure on investment properties and assets held for sale	(5,736)	(1,205)	(6,181)	(1,332)
Capital expenditure on investment property under development	(536)	–	(2,089)	–
Deposit received for divestment of investment properties	–	–	203	–
Proceeds on disposal of assets held for sale	300,333	–	348,333	90,175
Payment of transaction costs for disposal of assets held for sale	(2,750)	–	(2,750)	–
Interest received	388	233	739	601
Proceeds from sale of plant and equipment	4	14	15	44
Cash flows from / (used in) investing activities	**236,696**	**(4,485)**	**274,669**	**81,862**
Balance carried forward	**309,549**	**39,833**	**397,212**	**162,939**

1(c) Consolidated Statement of Cash Flows

	GROUP		GROUP	
	2Q 2019 S$'000	**2Q 2018 S$'000**	**YTD Jun 2019 S$'000**	**YTD Jun 2018 S$'000**
Balance brought forward	**309,549**	**39,833**	**397,212**	**162,939**
Financing Activities				
Distribution to Unitholders	–	–	(85,848)	(80,183)
Distribution to perpetual securities holders	(9,574)	(9,574)	(9,574)	(9,574)
Dividend paid to non-controlling interests	(703)	(1,806)	(703)	(1,806)
Interest paid [1]	(11,439)	(10,204)	(23,647)	(19,626)
Payment of lease liabilities [1]	(1,816)	(829)	(3,932)	(1,681)
Proceeds from bank borrowings	291,383	64,843	458,483	151,474
Repayment of bank borrowings	(525,619)	(75,155)	(707,861)	(262,843)
Change in restricted cash deposits for bank facilities	6	(115)	(106)	(131)
Payment of transaction costs on bank borrowings	(1,446)	(290)	(1,574)	(290)
Cash flows used in financing activities	**(259,208)**	**(33,130)**	**(374,762)**	**(224,660)**
Increase / (decrease) in cash and cash equivalents	**50,341**	**6,703**	**22,450**	**(61,721)**
Cash and cash equivalents at beginning of the period	**197,300**	**188,819**	**225,516**	**255,253**
Effect of exchange rate changes on balances held in foreign currencies	1,017	(991)	692	999
Cash and cash equivalents at end of the period	**248,658**	**194,531**	**248,658**	**194,531**
Restricted cash deposits	2,437	2,223	2,437	2,223
Cash and cash equivalents in the Statement of Financial Position	**251,095**	**196,754**	**251,095**	**196,754**

[1] Increase due to adoption of FRS 116 *Leases*. Please refer to Note A.12 for the interest expense on lease liabilities and paragraph 5 for more details on the impact arising from the adoption of this accounting standard. In 2Q 2018, the payment of operating lease expense was captured under the "Changes in working capital".

1(d)(i) Statement of Movements in Unitholders' Funds

	Note	GROUP 2Q 2019 S$'000	GROUP 2Q 2018 S$'000	GROUP YTD Jun 2019 S$'000	GROUP YTD Jun 2018 S$'000
Unitholders' Contribution					
Balance as at beginning of period		1,726,169	1,731,170	1,744,738	1,771,310
New units issued / to be issued					
- Manager's management fees paid in units		4,382	4,473	8,352	8,459
Distribution to Unitholders		–	–	(22,539)	(44,126)
Balance as at end of period		**1,730,551**	**1,735,643**	**1,730,551**	**1,735,643**
Operations					
Balance as at beginning of period		1,210,246	1,070,456	1,104,734	1,083,116
Adjustment on initial recognition of FRS 116		–	–	9,802	–
Adjusted balance as at beginning of period		**1,210,246**	**1,070,456**	**1,114,536**	**1,083,116**
Total return for the period attributable to Unitholders and perpetual securities holders		48,580	46,526	212,545	74,657
Total return attributable to perpetual securities holders		(4,787)	(4,787)	(9,521)	(9,521)
Transfer between reserves		(139)	–	(351)	–
Distribution to Unitholders		–	–	(63,309)	(36,057)
Balance as at end of period		**1,253,900**	**1,112,195**	**1,253,900**	**1,112,195**
Foreign Currency Translation Reserve					
Balance as at beginning of period		(216,003)	(167,297)	(212,000)	(170,205)
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(11,262)	(24,409)	(15,265)	(22,221)
Change in ownership interests in subsidiaries with a change in control		–	–	–	720
Balance as at end of period		**(227,265)**	**(191,706)**	**(227,265)**	**(191,706)**
Capital Reserve					
Balance as at beginning of period		3,788	2,148	3,576	2,148
Transfer between reserves		139	–	351	–
Balance as at end of period		**3,927**	**2,148**	**3,927**	**2,148**
Hedging Reserve					
Balance as at beginning of period		918	4,037	3,003	(1,240)
Effective portion of change in fair values of cash flow hedges		(4,955)	3,732	(6,675)	8,367
Net change in fair value of cash flow hedges reclassified to Statement of Total Return		(443)	243	(808)	885
Balance as at end of period		**(4,480)**	**8,012**	**(4,480)**	**8,012**
Unitholders' Funds	**1(b)(i)**	**2,756,633**	**2,666,292**	**2,756,633**	**2,666,292**
Perpetual Securities					
Balance as at beginning of period		401,861	401,861	397,127	397,127
Total return attributable to perpetual securities holders		4,787	4,787	9,521	9,521
Distribution to perpetual securities holders		(9,574)	(9,574)	(9,574)	(9,574)
Balance as at end of period	**1(b)(i)**	**397,074**	**397,074**	**397,074**	**397,074**

1(d)(i) **Statement of Movements in Unitholders' Funds**

		GROUP		GROUP	
	Note	2Q 2019 S$'000	2Q 2018 S$'000	YTD Jun 2019 S$'000	YTD Jun 2018 S$'000
Non-controlling Interests					
Balance as at beginning of period		89,967	88,436	89,731	89,427
Total return for the period		(1,199)	3,529	380	4,951
Dividend paid to non-controlling interests		(703)	(1,806)	(703)	(1,806)
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		1,246	1,232	(97)	(1,181)
Balance as at end of period	**1(b)(i)**	**89,311**	**91,391**	**89,311**	**91,391**
Equity	**1(b)(i)**	**3,243,018**	**3,154,757**	**3,243,018**	**3,154,757**

1(d)(i) **Statement of Movements in Unitholders' Funds**

		TRUST		TRUST	
	Note	2Q 2019 S$'000	2Q 2018 S$'000	YTD Jun 2019 S$'000	YTD Jun 2018 S$'000
Unitholders' Contribution					
Balance as at beginning of period		1,726,169	1,731,170	1,744,738	1,771,310
New units issued / to be issued					
- Manager's management fees paid in units		4,382	4,473	8,352	8,459
Distribution to Unitholders		–	–	(22,539)	(44,126)
Balance as at end of period		**1,730,551**	**1,735,643**	**1,730,551**	**1,735,643**
Operations					
Balance as at beginning of period		214,087	228,786	153,534	166,072
Total return for the period attributable to Unitholders and perpetual securities holders		(3,958)	8,750	124,638	112,255
Total return attributable to perpetual securities holders		(4,787)	(4,787)	(9,521)	(9,521)
Distribution to Unitholders		–	–	(63,309)	(36,057)
Balance as at end of period		**205,342**	**232,749**	**205,342**	**232,749**
Hedging Reserve					
Balance as at beginning of period		(2,000)	(2,569)	(1,532)	(3,275)
Effective portion of change in fair values of cash flow hedges		(1,180)	(81)	(1,896)	150
Net change in fair value of cash flow hedges reclassified to Statement of Total Return		119	431	367	906
Balance as at end of period		**(3,061)**	**(2,219)**	**(3,061)**	**(2,219)**
Unitholders' Funds	**1(b)(i)**	**1,932,832**	**1,966,173**	**1,932,832**	**1,966,173**
Perpetual Securities					
Balance as at beginning of period		401,861	401,861	397,127	397,127
Total return attributable to perpetual securities holders		4,787	4,787	9,521	9,521
Distribution to perpetual securities holders		(9,574)	(9,574)	(9,574)	(9,574)
Balance as at end of period	**1(b)(i)**	**397,074**	**397,074**	**397,074**	**397,074**
Equity	**1(b)(i)**	**2,329,906**	**2,363,247**	**2,329,906**	**2,363,247**

1(d)(ii) <u>Details of any change in the units</u>

	TRUST		TRUST	
	2Q 2019 '000	**2Q 2018 '000**	**YTD Jun 2019 '000**	**YTD Jun 2018 '000**
Balance as at beginning of period	2,172,559	2,157,206	2,164,592	2,149,688
Issue of new units:				
- partial payment of Manager's management fees in units	2,218	2,347	10,185	9,865
Balance as at end of period	**2,174,777**	**2,159,553**	**2,174,777**	**2,159,553**

2. <u>Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice</u>

The figures have not been audited but have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements SSRE 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

3. <u>Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)</u>

Please refer to the attached review report.

4. <u>Whether the same accounting policies and methods of computation as in the most recently audited annual financial statements have been applied</u>

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2018.

5. <u>If there are any changes in the accounting policies and methods of computation required by an accounting standard, what has changed, as well as the reasons for the change</u>

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2019. FRS 116 *Leases* has a more significant impact on the Group as described below.

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

The Group has adopted FRS 116 using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information. The Group has applied the practical expedient to grandfather the definition of a lease on transition.

The Group has recognised the existing operating lease arrangements at 31 December 2018 as ROU assets with corresponding lease liabilities under FRS 116. ROU assets which meet the definition of investment properties under the principles of FRS 40 *Investment Property* are included as part of investment properties.

The nature of expenses related to these expenses has changed as FRS 116 replaced the straight-line operating lease expense (previously recognised in "direct expenses") with change in fair value for ROU assets and interest expense on lease liabilities.

No significant impact is expected for other leases in which the Group is a lessor.

The impact on the Group's financial statements arising from the adoption of FRS 116 is as follows:

	GROUP
Statement of Financial Position as at 1 Jan 2019	
Increase in investment properties	301,083
Increase in lease liabilities	(301,083)
Decrease in trade and other payables	9,802
Increase in net assets	**9,802**
Increase in Unitholders' Funds	**9,802**

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

In computing the EPU, the weighted average number of Units for the period is used for the computation.

	GROUP		GROUP	
	2Q 2019 S$'000	**2Q 2018 S$'000**	**YTD Jun 2019 S$'000**	**YTD Jun 2018 S$'000**
Total return for the period attributable to Unitholders and perpetual securities holders	48,580	46,526	212,545	74,657
Less: Total return attributable to perpetual securities holders	(4,787)	(4,787)	(9,521)	(9,521)
Total return for the period attributable to Unitholders	**43,793**	**41,739**	**203,024**	**65,136**

Earnings per Unit (EPU)	**2Q 2019**	**2Q 2018**	**YTD Jun 2019**	**YTD Jun 2018**
Weighted average number of units for the period ('000)				
– Basic	2,173,924	2,158,934	2,171,440	2,156,538
– Diluted	2,179,205	2,164,928	2,179,205	2,164,928
EPU (cents) (based on the weighted average number of units for the period)				
– Basic	2.01	1.93	9.35	3.02
– Basic [(1)]	1.76	1.33	2.88	2.41
– Diluted	2.01	1.93	9.32	3.01

(1) Exclude the effects of the net change in fair value of investment properties, net of tax and non-controlling interests.

In computing the DPU, the number of Units as at the end of each period is used for the computation.

Distribution per Unit (DPU)	**2Q 2019**	**2Q 2018**	**YTD Jun 2019**	**YTD Jun 2018**
Number of units on issue at end of period ('000)	2,174,777	2,159,553	2,174,777	2,159,553
DPU (cents)	1.98	1.84	3.43	3.19

7. Net asset value ("NAV") Per Unit / Net Tangible Assets ("NTA") Per Unit

	GROUP		TRUST	
	30/06/19	31/12/18	30/06/19	31/12/18
NAV / NTA per Unit (1) (S$)	1.27	1.22	0.89	0.88
Adjusted NAV / NTA per Unit (excluding the distributable income to Unitholders) (S$)	1.23	1.18	0.85	0.84

(1) NAV / NTA per Unit is computed based on net asset value / net tangible asset over the issued Units at the end of the period.

8. Group Performance Review

8(a) Revenue and Gross Profit Analysis – 2Q 2019 vs. 2Q 2018 (Local Currency ("LC"))

		Revenue[1]				Gross Profit[1]				REVPAU Analysis[2]		
		2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)
		LC'm		LC'm	%	LC'm		LC'm	%	LC/day		%
Master Leases												
Australia	AUD	1.9	1.9	–	–	1.8	1.7	0.1	6	–	–	–
France	EUR	5.4	5.7	(0.3)	(5)	4.9	5.6	(0.7)	(13)	–	–	–
Germany	EUR	2.5	2.4	0.1	4	2.4	2.2	0.2	9	–	–	–
Singapore	S$	4.5	5.4	(0.9)	(17)	3.8	4.6	(0.8)	(17)	–	–	–
Management contracts with minimum guaranteed income												
Belgium	EUR	2.7	2.4	0.3	13	1.1	0.9	0.2	22	84	75	12
Spain	EUR	1.7	1.4	0.3	21	0.9	0.7	0.2	29	128	106	21
United Kingdom	GBP	8.4	7.6	0.8	11	3.8	3.4	0.4	12	144	130	11
Management contracts												
Australia	AUD	6.9	6.3	0.6	10	2.3	2.5	(0.2)	(8)	120	134	(10)
China	RMB	64.9	66.3	(1.4)	(2)	29.1	25.8	3.3	13	455	473	(4)
Indonesia	USD	2.7	2.8	(0.1)	(4)	0.8	0.9	(0.1)	(11)	69	70	(1)
Japan [3]	JPY	1,211.7	1,159.2	52.5	5	661.3	663.6	(2.3)	–	13,238	12,203	8
Malaysia	MYR	2.9	3.2	(0.3)	(9)	0.3	0.8	(0.5)	(63)	153	172	(11)
Philippines	PHP	244.2	206.2	38.0	18	86.2	56.0	30.2	54	4,881	4,145	18
Singapore	S$	6.2	6.1	0.1	2	2.5	2.5	–	–	194	190	2
United States of America	USD	22.4	22.8	(0.4)	(2)	10.1	6.9	3.2	46	240	243	(1)
Vietnam	VND[1]	176.3	168.5	7.8	5	93.2	86.8	6.4	7	1,583	1,528	4

[1] Revenue and Gross Profit figures are stated in millions, except for VND which are stated in billions.
[2] REVPAU for Japan refers to serviced residences and excludes rental housing. REVPAU for VND are stated in thousands.
[3] Revenue and gross profit for Infini Garden have been classified under "Management contracts" category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for 2Q 2018 have been reclassified from "Master lease" category to "Management contracts" category.

8(a) **Revenue and Gross Profit Analysis – 2Q 2019 vs. 2Q 2018 (S$)**

	Revenue				Gross Profit				REVPAU Analysis[1]		
	2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)		2Q 2019	2Q 2018	Better/ (Worse)
	S$'m		S$'m	%	S$'m		S$'m	%	S$/day		%
Master Leases											
Australia	1.8	1.9	(0.1)	(5)	1.7	1.7	–	–	–	–	–
France	8.3	9.1	(0.8)	(9)	7.4	8.9	(1.5)	(17)	–	–	–
Germany	3.9	3.8	0.1	3	3.7	3.5	0.2	6	–	–	–
Singapore	4.5	5.4	(0.9)	(17)	3.8	4.6	(0.8)	(17)	–	–	–
Sub-total	**18.5**	**20.2**	**(1.7)**	**(8)**	**16.6**	**18.7**	**(2.1)**	**(11)**	–	–	–
Management contracts with minimum guaranteed income											
Belgium	4.2	3.9	0.3	8	1.7	1.4	0.3	21	129	120	8
Spain	2.7	2.3	0.4	17	1.4	1.2	0.2	17	197	169	17
United Kingdom	14.8	13.8	1.0	7	6.7	6.2	0.5	8	255	236	8
Sub-total	**21.7**	**20.0**	**1.7**	**9**	**9.8**	**8.8**	**1.0**	**11**	**209**	**192**	**9**
Management contracts											
Australia	6.6	6.3	0.3	5	2.2	2.5	(0.3)	(12)	115	135	(15)
China	13.0	13.8	(0.8)	(6)	5.8	5.4	0.4	7	91	99	(8)
Indonesia	3.7	3.7	–	–	1.2	1.3	(0.1)	(8)	94	93	1
Japan [2]	14.8	14.1	0.7	5	8.1	8.1	–	–	162	149	9
Malaysia	1.0	1.1	(0.1)	(9)	0.1	0.3	(0.2)	(67)	50	58	(14)
Philippines	6.3	5.2	1.1	21	2.2	1.4	0.8	57	127	105	21
Singapore	6.2	6.1	0.1	2	2.5	2.5	–	–	194	190	2
United States of America	30.5	30.2	0.3	1	13.7	9.1	4.6	51	326	323	1
Vietnam	10.2	9.8	0.4	4	5.4	5.0	0.4	8	92	89	3
Sub-total	**92.3**	**90.3**	**2.0**	**2**	**41.2**	**35.6**	**5.6**	**16**	**149**	**149**	–
Group	**132.5**	**130.5**	**2.0**	**2**	**67.6**	**63.1**	**4.5**	**7**	**158**	**155**	**2**

[1] REVPAU for Japan refers to serviced residences and excludes rental housing.
[2] Revenue and gross profit for Infini Garden have been classified under "Management contracts" category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for 2Q 2018 have been reclassified from "Master lease" category to "Management contracts" category.

Group

Please refer to para 1(a)(ii)(A.1) for analysis of the Group's revenue and gross profit.

Analysis By Country

A. Master Leases

Australia

Revenue remained stable as compared to 2Q 2018. Gross profit increased by AUD 0.1 million due to lower operation and maintenance expense.

In SGD terms, revenue decreased by S$0.1 million or 5% due to depreciation of AUD against SGD. Gross profit remained at the same level as 2Q 2018.

France

Revenue decreased by EUR 0.3 million or 5% as compared to 2Q 2018 due to lower rent upon renewal of certain master leases. Gross profit was higher in 2Q 2018 due to reversal of provision for business tax no longer required of EUR 0.3 million. Excluding this one-off adjustment, gross profit for 2Q 2019 was lower mainly due to lower revenue.

In SGD terms, revenue decreased by S$0.8 million or 9% due to depreciation of EUR against SGD and lower underlying performance. Gross profit decreased by S$1.5 million or 17%.

Germany

Revenue increased by EUR 0.1 million or 4% due to higher variable rent earned by Madison Hamburg in 2Q 2019. Gross profit increased by EUR 0.2 million or 9% due to higher revenue and refund of property tax in respect of prior periods.

In SGD terms, revenue increased by S$0.1 million or 3% due to stronger underlying performance. Gross profit, in SGD terms, increased by S$0.2 million or 6%.

Singapore

Both revenue and gross profit decreased due to the divestment of Ascott Raffles Place in May 2019. On a same store basis, revenue and gross profit increased by S$0.2 million, as compared to 2Q 2018, due to higher variable rent earned by Ascott Orchard as a result of stronger corporate and leisure demand.

B. Management contracts with minimum guaranteed income

Belgium

Revenue increased by EUR 0.3 million or 13% and REVPAU increased by 12% in 2Q 2019 due to stronger leisure demand.

Gross profit increased by EUR 0.2 million or 22% due to higher revenue, partially offset by higher staff costs.

In SGD terms, revenue increased by S$0.3 million or 8% as compared to 2Q 2018 due to stronger underlying performance, partially offset by depreciation of EUR against SGD. Gross profit, in SGD terms, increased by S$0.3 million or 21%.

Spain

Revenue increased by EUR 0.3 million or 21% and REVPAU increased by 21% due to stronger leisure demand. Gross profit increased by EUR 0.2 million or 29% due to higher revenue.

In SGD terms, revenue increased by S$0.4 million or 17% and gross profit increased by S$0.2 million or 17% due to stronger underlying performance, partially offset by depreciation of EUR against SGD.

United Kingdom

Revenue increased by GBP 0.8 million or 11% and REVPAU increased by 11% as compared to 2Q 2018 due to higher corporate and leisure demand.

Gross profit increased by GBP 0.4 million or 12% due to higher revenue, partially offset by higher marketing expense and management fee.

In SGD terms, revenue increased by S$1.0 million or 7% due to stronger underlying performance, partially offset by depreciation of GBP against SGD. Gross profit, in SGD terms, increased by S$0.5 million or 8%.

C. Management contracts

Australia

Revenue increased by AUD 0.6 million or 10% due to the acquisition of Citadines Connect Sydney Airport in May 2019. REVPAU decreased by 10% in 2Q 2019 due to the acquisition of Citadines Connect Sydney Airport, which had lower REVPAU as compared to the existing properties in Australia.

On a same store basis, revenue and gross profit decreased mainly due to softer leisure and corporate demand in Melbourne.

In SGD terms, revenue increased by S$0.3 million or 5% and gross profit decreased by S$0.3 million or 12% due to depreciation of AUD against SGD.

China

Revenue decreased by RMB 1.4 million or 2% due to softer corporate demand, mitigated by higher commercial rent. REVPAU decreased by 4% as compared to 2Q 2018. Gross profit increased by RMB 3.3 million or 13% due to the adoption of FRS 116.

Excluding the FRS 116 adjustments, gross profit increased by RMB 2.2 million or 9% due to lower staff costs (arising from reversal of over-provision of prior year's expense), marketing expense and depreciation expense (arising from fully depreciated assets), partially offset by lower revenue.

In SGD terms, revenue decreased by S$0.8 million or 6% due to depreciation of RMB against SGD and lower underlying performance. Gross profit increased by S$0.4 million or 7%.

Indonesia

Both revenue and gross profit decreased by USD 0.1 million, and REVPAU decreased by 1% as compared to 2Q 2018 due to softer demand.

In SGD terms, revenue remained stable due to appreciation of USD against SGD offset by lower underlying performance. Gross profit decreased by S$0.1 million or 8%.

Japan

Revenue increased by JPY 52.5 million or 5% and REVPAU increased by 8% as compared to 2Q 2018 due to stronger leisure demand for the serviced residences.

Gross profit decreased by JPY 2.3 million due to higher marketing expense, operation & maintenance expense and staff costs, partially offset by higher revenue.

In SGD terms, revenue increased by S$0.7 million or 5% due to stronger underlying performance. Gross profit remained stable.

Malaysia

Revenue decreased by MYR 0.3 million or 9% and REVPAU decreased by 11% as compared to 2Q 2018 due to keen competition. Gross profit decreased by MYR 0.5 million or 63% due to lower revenue, coupled with higher staff costs (arising from lower reversal of over-provision of prior year's bonus expense as compared to 2Q 2018).

In SGD terms, revenue decreased by S$0.1 million or 9% due to lower underlying performance and depreciation of MYR against SGD. Gross profit decreased by S$0.2 million or 67%.

The Philippines

Revenue increased by PHP 38.0 million or 18% and REVPAU increased by 18% due to higher revenue from the refurbished apartments at Ascott Makati. Gross profit increased by PHP 30.2 million or 54%. Excluding the FRS 116 adjustments, gross profit increased by PHP 20.2 million or 36% due to higher revenue and lower staff costs, partially offset by higher depreciation expense (post renovation) and marketing expense.

In SGD terms, revenue and gross profit increased by S$1.1 million or 21% and S$0.8 million or 57% respectively due to stronger underlying performance and appreciation of PHP against SGD.

Singapore

Revenue increased by S$0.1 million or 2% and REVPAU increased by 2% due to higher market demand.

Gross profit remained stable due to higher revenue, offset by higher marketing expense.

The United States of America

Revenue decreased by USD 0.4 million or 2% and REVPAU decreased by 1% as compared to 2Q 2018 due to softer market demand.

Gross profit increased by USD 3.2 million. Had the FRS 116 adjustments for 2Q 2019 and the straight-line recognition of operating lease expense for 2Q 2018 been excluded, gross profit would have decreased by USD 0.2 million. The lower gross profit was attributed to lower revenue and higher staff costs, partially offset by lower marketing expense.

In SGD terms, revenue increased by S$0.3 million or 1% due to appreciation of USD against SGD, partially offset by lower underlying performance. Gross profit increased by S$4.6 million or 51%.

Vietnam

Revenue increased by VND 7.8 billion or 5% and REVPAU increased by 4% as compared to 2Q 2018 mainly due to stronger corporate and leisure demand, and higher commercial rent. Gross profit increased by VND 6.4 billion or 7% due to higher revenue and lower staff costs, partially offset by higher operation & maintenance expense.

In SGD terms, revenue increased by S$0.4 million or 4% and gross profit increased by S$0.4 million or 8% respectively due to stronger underlying performance.

8(b) Revenue and Gross Profit Analysis – YTD Jun 2019 vs. YTD Jun 2018 (Local Currency ("LC"))

		Revenue[1]				Gross Profit[1]				REVPAU Analysis[2]		
		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)
		LC'm		LC'm	%	LC'm		LC'm	%	LC/day		%
Master Leases												
Australia	AUD	3.8	3.8	–	–	3.6	3.4	0.2	6	–	–	–
France	EUR	10.7	11.2	(0.5)	(4)	9.7	10.6	(0.9)	(8)	–	–	–
Germany	EUR	5.0	4.8	0.2	4	4.6	4.4	0.2	5	–	–	–
Singapore	S$	10.5	10.6	(0.1)	(1)	9.1	9.1	–	–	–	–	–
Management contracts with minimum guaranteed income												
Belgium	EUR	4.8	4.4	0.4	9	1.6	1.2	0.4	33	74	67	10
Spain	EUR	2.9	2.5	0.4	16	1.4	1.2	0.2	17	106	92	15
United Kingdom	GBP	15.2	13.6	1.6	12	6.2	5.4	0.8	15	131	116	13
Management contracts												
Australia	AUD	14.1	13.3	0.8	6	5.5	5.6	(0.1)	(2)	138	143	(4)
China	RMB	128.4	129.4	(1.0)	(1)	54.5	49.2	5.3	11	452	461	(2)
Indonesia	USD	5.5	5.8	(0.3)	(5)	1.8	1.9	(0.1)	(5)	71	74	(4)
Japan [3]	JPY	2,315.7	2,204.0	111.7	5	1,241.8	1,219.3	22.5	2	12,216	11,304	8
Malaysia	MYR	6.4	7.0	(0.6)	(9)	1.1	2.0	(0.9)	(45)	173	189	(9)
Philippines	PHP	492.3	405.7	86.6	21	174.0	110.3	63.7	58	4,965	4,097	21
Singapore	S$	12.6	11.3	1.3	12	5.2	4.5	0.7	16	197	177	11
United States of America	USD	35.5	36.6	(1.1)	(3)	12.7	6.8	5.9	87	190	196	(3)
Vietnam	VND[1]	349.8	341.7	8.1	2	191.0	185.8	5.2	3	1,587	1,570	1

[1] Revenue and Gross Profit figures are stated in millions, except for VND which are stated in billions.
[2] REVPAU for Japan refers to serviced residences and excludes rental housing. REVPAU for VND are stated in thousands.
[3] Revenue and gross profit for Infini Garden have been classified under "Management contracts" category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for YTD Jun 2018 have been reclassified from "Master lease" category to "Management contracts" category.

8(b) Revenue and Gross Profit Analysis – YTD Jun 2019 vs. YTD Jun 2018 (S$)

	Revenue				Gross Profit				REVPAU Analysis[1]		
	YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)		YTD Jun 2019	YTD Jun 2018	Better/ (Worse)
	S$'m		S$'m	%	S$'m		S$'m	%	S$/day		%
Master Leases											
Australia	3.7	3.9	(0.2)	(5)	3.5	3.6	(0.1)	(3)	–	–	–
France	16.5	18.0	(1.5)	(8)	14.9	17.0	(2.1)	(12)	–	–	–
Germany	7.8	7.7	0.1	1	7.0	7.1	(0.1)	(1)	–	–	–
Singapore	10.5	10.6	(0.1)	(1)	9.1	9.1	–	–	–	–	–
Sub-total	**38.5**	**40.2**	**(1.7)**	**(4)**	**34.5**	**36.8**	**(2.3)**	**(6)**	–	–	–
Management contracts with minimum guaranteed income											
Belgium	7.5	7.0	0.5	7	2.5	2.0	0.5	25	114	108	6
Spain	4.4	4.1	0.3	7	2.1	2.0	0.1	5	163	148	10
United Kingdom	26.8	24.7	2.1	9	10.8	9.9	0.9	9	231	211	10
Sub-total	**38.7**	**35.8**	**2.9**	**8**	**15.4**	**13.9**	**1.5**	**11**	**187**	**172**	**9**
Management contracts											
Australia	13.6	13.6	–	–	5.3	5.7	(0.4)	(7)	133	147	(10)
China	25.7	26.9	(1.2)	(5)	10.9	10.2	0.7	7	91	96	(5)
Indonesia	7.4	7.6	(0.2)	(3)	2.5	2.6	(0.1)	(4)	97	98	(1)
Japan [2]	28.5	26.8	1.7	6	15.3	14.9	0.4	3	150	137	10
Malaysia	2.1	2.4	(0.3)	(13)	0.4	0.7	(0.3)	(43)	57	64	(11)
Philippines	12.8	10.4	2.4	23	4.5	2.8	1.7	61	129	105	23
Singapore	12.6	11.3	1.3	12	5.2	4.5	0.7	16	197	177	11
United States of America	48.2	48.5	(0.3)	(1)	17.2	8.9	8.3	93	258	259	–
Vietnam	20.3	19.8	0.5	3	11.1	10.8	0.3	3	92	91	1
Sub-total	**171.2**	**167.3**	**3.9**	**2**	**72.4**	**61.1**	**11.3**	**19**	**138**	**137**	**1**
Group	**248.4**	**243.3**	**5.1**	**2**	**122.3**	**111.8**	**10.5**	**9**	**146**	**142**	**3**

[1] REVPAU for Japan refers to serviced residences and excludes rental housing.
[2] Revenue and gross profit for Infini Garden have been classified under "Management contracts" category as the master lease arrangement has expired on 30 June 2018. For comparison purpose, the revenue and gross profit for Infini Garden for YTD Jun 2018 have been reclassified from "Master lease" category to "Management contracts" category.

For the six months ended 30 June 2019 ("YTD Jun 2019"), revenue increased by S$5.1 million or 2% as compared to the corresponding period last year ("YTD Jun 2018"). The increase in revenue was mainly due to higher revenue of S$5.2 million from the existing properties and additional contribution of S$0.8 million from the acquisition of Citadines Connect Sydney Airport, partially offset by decrease in revenue of S$0.9 million from the divestment of Ascott Raffles Place Singapore.

REVPAU increased by 3%, from S$142 in YTD Jun 2018 to S$146 in YTD Jun 2019.

Gross profit for YTD Jun 2019 increased by S$10.5 million or 9% as compared to YTD Jun 2018 due to higher revenue and the FRS 116 adjustments. On a same store basis and excluding the FRS 116 adjustments, gross profit increased by S$0.8 million.

(c) Change in value of serviced residence properties and assets held for sale

The change in value of serviced residence properties and assets held for sale will affect the net asset value but has no impact on the unitholders' distribution.

Any increase or decrease in value is credited or charged to the Statement of Total Return as net appreciation or depreciation on revaluation of serviced residence properties.

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

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

9. <u>Variance from forecast</u>

The Group has not disclosed any forecast to the market.

10. <u>Commentary of the significant trends and the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months</u>

The International Monetary Fund expects the global economy to grow 3.2% in 2019 before increasing to 3.5% in 2020. The global economy remains delicate, as trade tensions continue to weigh on business confidence.

On the back of the uncertain outlook, the US Federal Reserve kept interest rates unchanged at 2.25% to 2.5% in June 2019 and hinted at the possibility of a rate cut. As at 30 June 2019, Ascott Reit's effective interest costs remained low at 2.1%. The 'BBB' investment grade status by Fitch Ratings provides credit assurance to stakeholders, enabling Ascott Reit to continue raising funds at attractive rates and terms.

On the hospitality front, international tourist arrivals grew approximately 4% in the first quarter of 2019, in line with UNWTO's full year forecast. One of the bright spots was Asia Pacific, which grew 6% from the previous year, fueled by North-East Asia which rose 9%. As demand continues to grow, supply in the lodging space has increased.

With about 40% of gross profit contribution from master leases and management contracts with minimum guaranteed income and a geographically diversified portfolio, Ascott Reit is well positioned to remain competitive and deliver stable returns to Unitholders.

In the longer term, Ascott Reit continues to be positive in the hospitality sector, particularly in Asia Pacific where the demand for business and leisure travel is underpinned by economic growth and an expanding middle-class.

On 3 July 2019, Ascott Reit announced the proposed combination with Ascendas Hospitality Trust. This transaction, which is DPU-accretive on a FY 2018 pro forma basis, will consolidate Ascott Reit's position as the largest hospitality trust in Asia Pacific, increase the portfolio's presence in Asia Pacific where growth remains robust, while enhancing income diversification and resilience. This transaction is subject to Unitholders' approval and is expected to be completed by the end of 2019.

Sources: UNTWO (2019), IMF (2019), Federal Reserve System (2019)

11. DISTRIBUTIONS

11(a) **Current financial period**

Any distributions declared for the current financial period? Yes

Period of distribution : Distribution for 1 January 2019 to 30 June 2019

Distribution Type	Distribution Rate (cents)
Taxable Income	0.670
Tax Exempt Income	0.873
Capital	1.888
Total	**3.431**

11(b) **Corresponding period of the preceding financial period**

Any distributions declared for the corresponding period of the immediate preceding financial period? Yes

Period of distribution : Distribution for 1 January 2018 to 30 June 2018

Distribution Type	Distribution Rate (cents)
Taxable Income	0.610
Tax Exempt Income	1.344
Capital	1.238
Total	**3.192**

11(c) Tax rate : **Taxable Income Distribution**

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Tax-Exempt Income Distribution

Tax-exempt income distribution is exempt from tax in the hands of all unitholders.

Capital Distribution

Capital distribution represents a return of capital to unitholders for tax purposes and is therefore not subject to income tax. For unitholders who are liable to tax on profits from sale of Ascott Reit Units, the amount of capital distribution will be applied to reduce the cost base of their Ascott Reit Units for tax purposes.

11(c) Book closure date : 7 August 2019

11(d) Date payable : 29 August 2019

12. If no distribution has been declared/recommended, a statement to that effect

Not applicable.

13. General mandate for Interested Person Transactions ("IPT")

The Group has not obtained a general mandate from Unitholders for IPT.

14. **<u>Confirmation pursuant to Rule 720(1) of the Listing Manual</u>**

The Manager confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), as required by Rule 720(1) of the Listing Manual.

15. **<u>Confirmation pursuant to Rule 705(5) of the Listing Manual</u>**

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and Trust (comprising the statements of financial position as at 30 June 2019, consolidated statement of total return, consolidated statement of cash flows and statement of movements in unitholders' funds for the six months ended 30 June 2019, together with their accompanying notes), to be false or misleading in any material aspect.

On behalf of the Board
Ascott Residence Trust Management Limited

Tan Beng Hai Chairman	Beh Siew Kim Director

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD
Ascott Residence Trust Management Limited
(Company registration no. 200516209Z)
As Manager of Ascott Residence Trust

Karen Chan
Company Secretary
30 July 2019

KPMG
KPMG LLP
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Report on review of Interim Financial Information

The Board of Directors
Ascott Residence Trust Management Limited
(in its capacity as Manager of Ascott Residence Trust and its subsidiaries)

Introduction

We have reviewed the accompanying interim financial information (the "Interim Financial Information") of Ascott Residence Trust (the "Trust") and its subsidiaries (the "Group") for the six-month period ended 30 June 2019. The Interim Financial Information consists of the following:

- Statement of Financial Position of the Group as at 30 June 2019;
- Statement of Total Return of the Group for the six-month period ended 30 June 2019;
- Statement of Movements in Unitholders' Funds of the Group for the six-month period ended 30 June 2019;
- Distribution Statement of the Group for the six-month period ended 30 June 2019;
- Portfolio Statement of the Group as at 30 June 2019;
- Statement of Cash Flows of the Group for the six-month period ended 30 June 2019; and
- Certain explanatory notes to the above Interim Financial Information.

The management of Ascott Residence Management Limited (the "Manager" of Ascott Residence Trust) is responsible for the preparation and presentation of this Interim Financial Information in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* relevant to interim financial information, issued by the Institute of Singapore Chartered Accountants ("ISCA"). Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Other Matter

The Interim Financial Information for the comparative six-month period ended 30 June 2018 have not been audited or reviewed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with the recommendations of RAP 7 *Reporting Framework for Unit Trusts* relevant to interim financial information issued by the ISCA.

Restriction on use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Interim Financial Information for the purpose of assisting Ascott Residence Trust to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited Listing Manual and comply with the requirements of Rule 25 of Singapore Code of Take-Overs and Mergers, and for no other purpose. Our report is included in the unaudited financial statements announcement of Ascott Residence Trust for the six-month period ended 30 June 2019 for the information of the Unitholders. We do not assume responsibility to anyone other than the Ascott Residence Trust for our work, for our report, or for the conclusions we have reached in our report.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 July 2019

Report from the IFA in respect of the Interim Financial Information

30 July 2019

The Board of Directors (the "**Directors**") of
Ascott Residence Trust Management Limited
(in its capacity as Manager of Ascott Residence Trust)
168 Robinson Road
#30-01 Capital Tower
Singapore 068912

DBS Trustee Limited
(in its capacity as Trustee of Ascott Residence Trust)
12 Marina Boulevard Level 44
Marina Bay Financial Centre Tower 3
Singapore 018982

Dear Sirs,

Report from the IFA in respect of the Interim Financial Information (as defined herein) made in the announcement which was released by Ascott Residence Trust (the "Ascott Reit") on SGXNET on 30 July 2019

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the Joint Announcement in relation to the Combination of Ascott Residence Trust and Ascendas Hospitality Trust dated 3 July 2019.

On 3 July 2019, the Ascott Reit Manager and the A-HTRUST REIT Manager jointly announced the Combination, which shall be effected through acquisition by Ascott Reit of all the issued and paid-up stapled units in A-HTRUST by way of a trust scheme of arrangement in compliance with the Code.

On 30 July 2019, the Directors had approved the unaudited financial statements announcement of Ascott Residence Trust and its subsidiaries (the "**Group**") relating to its financial performance for the six-month period ended 30 June 2019 (the "**Interim Financial Information**").

We have reviewed the Interim Financial Information and have held discussions with the management of Ascott Reit Manager who are responsible for the preparation of the Interim Financial Information.

Except as disclosed in paragraph 5 of the Interim Financial Information, amongst others notably the adoption of the accounting standard FRS 116, the Interim Financial Information were arrived at on bases consistent with the significant accounting policies and methods of computation adopted by the Group for the preparation of the audited consolidated financial statements of the Group for the full year ended 31 December 2018 ("**FY2018**"), which are set out in the annual report of the Group for FY2018.

We have also considered the Report on review of Interim Financial Information dated 30 July 2019 issued by KPMG LLP, being the external independent auditors of the Group, relating to their review of the Interim Financial Information.

Based on the above, we are of the opinion that the Interim Financial Information have been made by the Directors after due and careful enquiry.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with us by the Ascott Reit Manager. Save as provided in this letter, we do not express any other opinion or views on the Interim Financial Information. The Directors remain solely responsible for the Interim Financial Information.

The letter is provided to the Directors solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept any responsibility to any person(s), other than the Ascott Reit and the Directors, in respect of, arising out of, or in connection with this letter.

Yours faithfully
For and on behalf of
Australia and New Zealand Banking Group Limited, Singapore Branch

Sigismund Kwok
Corporate Advisory