ASCOTT RESIDENCE TRUST

A Member of CapitaLand

MAKING AN IMPACT

ASCOTT RESIDENCE TRUST
ANNUAL REPORT
2019

MAKING AN IMPACT

The art of hospitality is about being two steps ahead and making an impact that lasts.

Beyond our guests, Ascott Residence Trust won the support of Stapled Securityholders for a landmark S$1.9 billion combination with Ascendas Hospitality Trust, consolidating our position as the largest hospitality trust in Asia Pacific. In addition, through active portfolio reconstitution, more than S$200 million in net gains were unlocked in 2019.

The radial patterns found in this report are symbolic of our expanded capabilities and scale. As an enlarged trust, we have greater financial flexibility and access to growth opportunities and capital markets, thereby enabling us to deliver enhanced value to our Stapled Securityholders.

CORPORATE PROFILE

Ascott Residence Trust (ART) is the largest hospitality trust in Asia Pacific with an asset value of S$7.4 billion as at 31 December 2019. Having listed on the Singapore Exchange Securities Trading Limited (SGX-ST) since March 2006, ART's objective is to invest primarily in income-producing real estate and real estate-related assets which are used or predominantly used as serviced residences, hotels, rental housing properties and other hospitality assets in any country in the world.

ART's international portfolio comprises 87 properties with more than 16,000 units in 39 cities across 15 countries in Asia Pacific, Europe and the United States of America as at 31 December 2019.

ART's properties are mostly operated under the Ascott The Residence, Somerset, Quest and Citadines brands. They are mainly located in key gateway cities such as Barcelona, Berlin, Brussels, Guangzhou, Hamburg, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, London, Manila, Melbourne, Munich, New York, Osaka, Paris, Perth, Seoul, Shanghai, Singapore, Sydney and Tokyo.

For three consecutive years, ART was conferred the "Best Hospitality REIT (Platinum Award)" in the Asia Pacific Best of the Breeds REITs Award™ and was ranked third in the Singapore Governance and Transparency Index within the REIT and Business Trust Category for 2018 and 2019. ART was also awarded runner-up for "Singapore Corporate Governance Award" and "Most Transparent Company Award" at the Securities Investors Association (Singapore) (SIAS) 20th Investors' Choice Awards 2019.

ART is a stapled group comprising Ascott Real Estate Investment Trust (Ascott Reit) and Ascott Business Trust (Ascott BT). ART is managed by Ascott Residence Trust Management Limited (as Manager of Ascott Reit) and Ascott Business Trust Management Pte. Ltd. (as Trustee-Manager of Ascott BT), both of which are wholly-owned subsidiaries of CapitaLand Limited, one of Asia's largest diversified real estate groups.

OUR VISION

To be the premier hospitality trust with quality assets in key global cities.

OUR MISSION

To deliver stable and sustainable returns to Stapled Securityholders.

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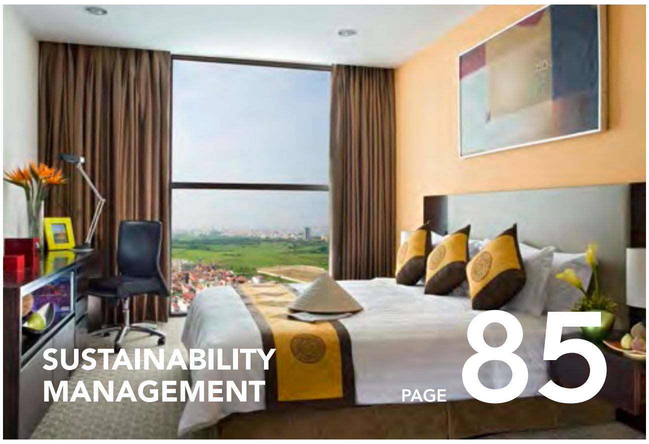
MESSAGE TO STAPLED SECURITYHOLDERS
A banner year for ART, as we actively reconstituted our portfolio, achieving growth and delivering a 6% increase in Distribution per Stapled Security



Testament to our commitment and efforts towards sustainability, Somerset Grand Hanoi was awarded the EDGE Green Certification by World Bank Group's International Finance Corporation

2019 YEAR IN BRIEF
Obtained resounding support from Stapled Securityholders for the proposed combination with Ascendas Hospitality Trust

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BOARDS OF DIRECTORS

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PORTFOLIO OVERVIEW

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Note to readers: This annual report has been prepared based on information available as at early March 2020, being the last practicable date prior to the printing of the report.

ROOM TO GROW

We are going places together with you. From a Pan-Asian hospitality REIT, we have extended our footprint into key cities of Europe and the United States of America, to become the leading, global hospitality trust we are today. Forging ahead, we continue to push frontiers and capture new avenues of growth.

NOVOTEL SYDNEY CENTRAL

The milestone combination with Ascendas Hospitality Trust anchors our position as the largest hospitality trust in Asia Pacific and entrenches our presence in developed Asia, the gateway to capturing growth in the fast-rising travel industry.

MORE TO DISCOVER

Enabled by our enlarged balance sheet and support from our Sponsor, we are exploring new possibilities and bringing to the fore innovative ways to build a stronger portfolio, creating long-term value for our Stapled Securityholders.

SOMERSET LIANG COURT PROPERTY SINGAPORE

The redevelopment of Somerset Liang Court Property Singapore heralds a brand new guest experience, presents potential valuation upside upon completion, and retains our presence in one of Singapore's most-loved lifestyle and entertainment precincts.

HERE TO STAY

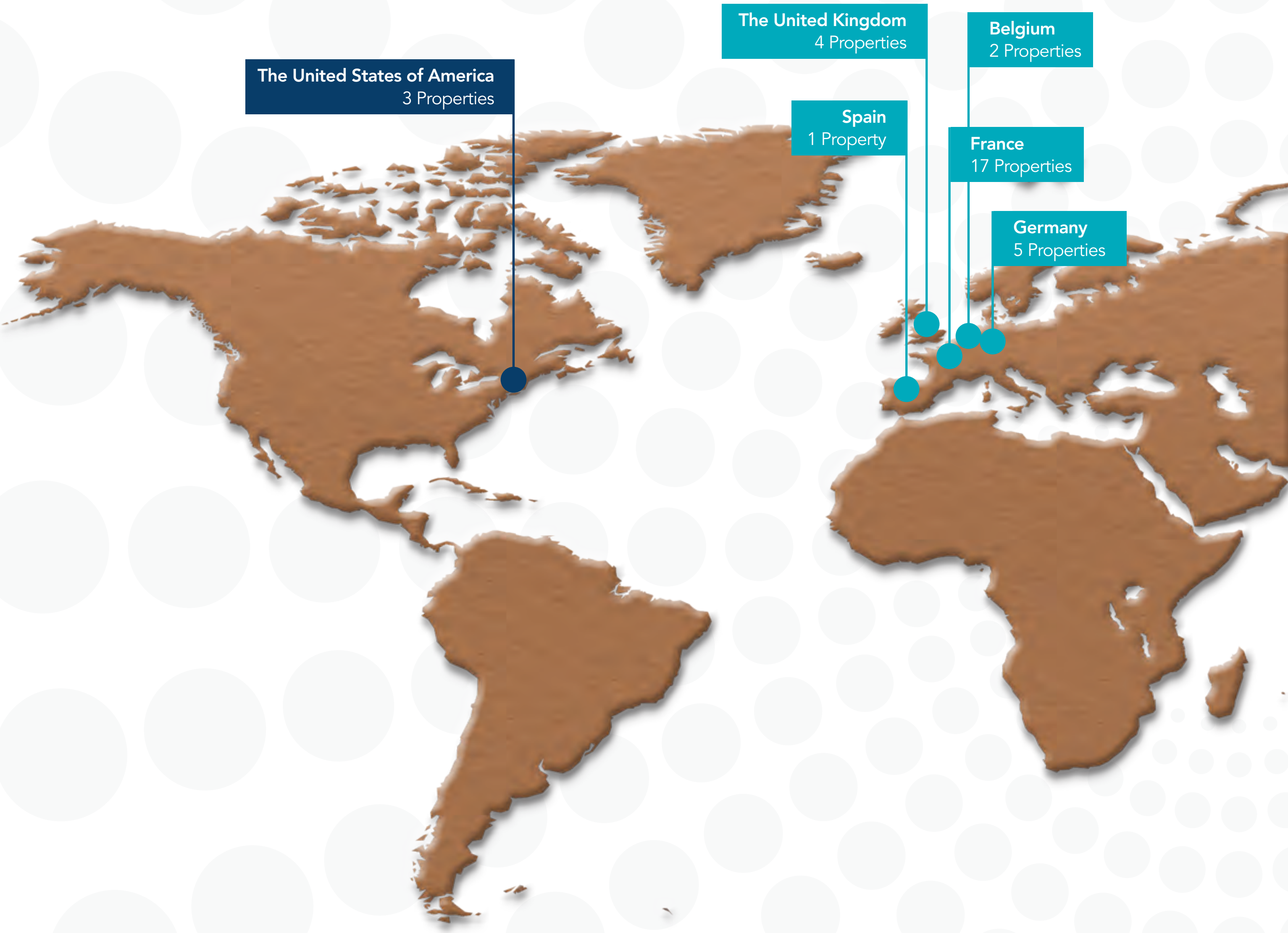
Sustainability is key to us. Our diversified portfolio, proactive asset and capital management bring income resilience, enabling us to deliver sustainable distributions, while our eco-friendly practices make us sustainable for the long haul.

Artist's Impression

LYF ONE-NORTH SINGAPORE

Awarded the Green Mark Gold^{PLUS} by the Building and Construction Authority of Singapore, lyf one-north Singapore features environmentally sustainable design elements. Sited within the Nepal Park precinct, the property contributes to its lush surroundings with landscaped gardens, elevated planters and public activity spaces.

GLOBAL PRESENCE



A Leading Global Hospitality Trust

ART has established a balanced portfolio of stable and growth income sources through our scale, geographical diversification and combination of master leases, management contracts with minimum guaranteed income and management contracts.

Note: Statistics as at 31 December 2019, and includes lyf one-north Singapore (currently under development)

87
Properties

>16,000
Units

15
Countries

39
Cities

THE AMERICAS

The United States of America

New York

EUROPE

Belgium

Brussels

France

Cannes
Grenoble
Lille
Lyon
Marseille
Montpellier
Paris

Germany

Berlin
Frankfurt
Hamburg
Munich

Spain

Barcelona

The United Kingdom

London

ASIA PACIFIC

Australia

Brisbane
Melbourne
Perth
Sydney

China

Dalian
Guangzhou
Shanghai
Shenyang
Suzhou
Tianjin
Wuhan

Indonesia

Jakarta

Japan

Fukuoka
Hiroshima
Kyoto
Osaka
Sapporo
Tokyo

Malaysia

Kuala Lumpur

Singapore

Singapore

South Korea

Seoul

The Philippines

Manila

Vietnam

Hanoi
Ho Chi Minh City

2019 HIGHLIGHTS

TOTAL RETURNS TO STAPLED SECURITYHOLDERS

30%

Through trading price appreciation and distributions in FY2019

DISTRIBUTION PER STAPLED SECURITY

7.61 cents

Increased 6% y-o-y

REVENUE PER AVAILABLE UNIT

S$152

Increased 1% y-o-y

EBITDA CONTRIBUTION

>75% Developed Markets

For both FY2019 and FY2018

CREDIT RATING

BBB (Stable Outlook)

As affirmed by Fitch Ratings

DEBT HEADROOM

S$1.5 billion

Additional debt before reaching 45% leverage

EFFECTIVE BORROWING COST

2.0% per annum

Lowered from 2.3% per annum as at 31 December 2018

FINANCIAL HIGHLIGHTS

For the Financial Year	2019[1]	2018	2017	2016	2015
Gross Revenue (S$ million)	**514.9**	514.3	496.3	475.6	421.1
Gross Profit (S$ million)	**252.6**	239.4	226.9	222.4	204.6
Unitholders' Distribution (S$ million)	**165.6**	154.8	152.2	135.0	123.3
Distribution per Stapled Security (DPS) (cents)	**7.61**	7.16	7.09	8.27	7.99
Distribution Yield[2] (%)	**5.72**	6.63	5.81	7.32	6.71

Balance Sheet as at 31 December	2019[1]	2018	2017	2016	2015
Total Assets (S$ million)	**7,422.8**	5,309.1	5,493.1	4,791.3	4,724.6
Stapled Securityholders' Funds (S$ million)	**3,860.6**	2,644.1	2,685.1	2,200.6	2,189.7
Total Borrowings (S$ million)	**2,349.0**	1,905.5	1,945.4	1,862.6	1,815.2

Financial Ratios as at 31 December	2019[1]	2018	2017	2016	2015
Net Asset Value (NAV) per Stapled Security (S$)	**1.25**	1.22	1.25	1.33	1.41
Aggregate Leverage (%)	**33.6**	36.7	36.2	39.8	39.3
Interest Cover Ratio[3] (times)	**5.6**	4.8	4.7	4.3	4.1
Management Expense Ratio[4] (%)	**0.8**	1.2	1.2	1.3	1.2
Financial Derivatives as a Percentage of NAV[5] (%)	**0.3**	0.04	0.3	0.5	0.5

Other Information as at 31 December	2019	2018	2017	2016	2015
Market Capitalisation[2] (S$ million)	**4,100.5**	2,337.8	2,622.6	1,868.4	1,843.0
Number of Stapled Securities in Issue (million)	**3,083.1**	2,164.6	2,149.7	1,653.5	1,548.7

1 With the combination of Ascendas Hospitality Trust (A-HTRUST) and ART being completed on 31 December 2019, ART's financial position as at 31 December 2019 included A-HTRUST's portfolio. However, ART's FY2019 financial performance excluded A-HTRUST, whose financial results will be incorporated only from 1 January 2020 onwards.
2 Based on the closing price on the last trading day of each respective year. 2019: S$1.33, 2018: S$1.08, 2017: S$1.22, 2016: S$ 1.13 and 2015: S$1.19.
3 Refers to EBITDA (earnings before net interest expense, taxes, depreciation and amortisation) before change in fair value of financial derivatives, change in fair value of investment properties, investment property under development and assets held for sale, and foreign exchange differences over net interest expense.
4 Refers to expenses (excluding direct expenses, foreign exchange differences, net interest expense, change in fair value of financial derivatives, change in fair value of investment properties, investment property under development and assets held for sale, assets written off and income tax expense) over net asset value.
5 Financial derivatives refer to the cross currency interest rate swaps, currency forwards and interest rate swaps which ART has entered into.

MESSAGE TO STAPLED SECURITYHOLDERS

TAN BENG HAI, BOB
Chairman

BEH SIEW KIM
Chief Executive Officer

"Through the portfolio reconstitution activities in 2019, ART has unlocked more than S$200 million in net gains and added approximately S$1.9 billion in asset value through the acquisition of quality properties."

Dear Stapled Securityholders,

2019 was a banner year for Ascott Residence Trust (ART) as we continued to pursue strategic investments to strengthen our portfolio and deliver stable returns to Stapled Securityholders. Notably, we cemented our position as the largest hospitality trust in Asia Pacific with an asset value of S$7.4 billion, following our S$1.9 billion combination with Ascendas Hospitality Trust (A-HTRUST) (Combination).

Since listing in 2006, ART's asset size has grown several-fold and we have delivered more than 300%[1] in total returns to Stapled Securityholders. ART's portfolio, which comprised serviced residences in Asia Pacific at listing, has increased significantly in scale to 87 hospitality properties in 39 cities across 15 countries in Asia Pacific, Europe and the United States of America as at 31 December 2019.

With the Combination, ART is now a stapled group, comprising Ascott Real Estate Investment Trust (Ascott Reit), a real estate investment trust (REIT) and Ascott Business Trust (Ascott BT), a business trust.

ACHIEVING GROWTH

Our diversified portfolio of quality assets enables us to enjoy income resilience at different points of the market cycle. Revenue for the financial year ended 31 December 2019 (FY2019) increased by S$0.6 million. This was mainly due to higher revenue from the existing properties and additional contribution from the acquisition of Citadines Connect Sydney Airport, partially offset by the decrease in contribution following the Ascott Raffles Place Singapore and Somerset West Lake Hanoi divestments. Revenue per available unit (RevPAU) of the portfolio increased 1%.

Unitholders' distribution rose 7% to S$165.6 million and Distribution per Stapled Security (DPS) was 6% higher at 7.61 cents, compared to 7.16 cents a year ago.

The increase in unitholders' distribution was due to lower finance costs and distribution of divestment gains. To replace the lost income following the divestment of the properties and to share some of these gains with our Stapled Securityholders, a total of S$17.5 million in divestment gains was distributed for FY2019.

STRENGTHENING LEADERSHIP POSITION THROUGH MILESTONE ACQUISITION

The successful combination with A-HTRUST added 14 quality, predominantly freehold properties to ART's portfolio. It brought two complementary portfolios together, strengthened our foothold in developed markets as well as key gateway cities of Asia Pacific, and marked our entry into a new growth market, Seoul. The majority of A-HTRUST's properties are on master leases, providing greater earnings stability to ART. We will continue with our strategy to invest in developed markets, while maintaining a predominantly Asia Pacific presence. We also seek to maintain a balanced mix of stable and growth income.

The Combination strengthened ART's position as the proxy hospitality trust in Asia Pacific, facilitating its inclusion into the FTSE EPRA Nareit Developed Index (Index). Inclusion into the Index could potentially result in a positive re-rating of ART's stock price, higher trading liquidity and a larger investor base. With the Combination, our debt headroom increased to about S$1.5 billion[2], which offers greater financial flexibility to capture potential opportunities globally. With our enlarged asset base, we have greater capacity to undertake more development and conversion projects.

UNLOCKING VALUE THROUGH PORTFOLIO RECONSTITUTION

We regularly review the portfolio and assess divestment opportunities for our properties. In January 2019, we announced the divestment of Ascott Raffles Place Singapore for S$353.3 million, at approximately 64% above book value, registering a divestment gain of S$135.5 million.

Redeploying part of the divestment proceeds, we acquired Citadines Connect Sydney Airport, a 150-room prime freehold limited-service business hotel for AUD 60.6 million (approximately S$58.8 million).

In October 2019, we divested Somerset West Lake Hanoi, a property which had reached the optimal stage of its life cycle, at 39% (about S$5.0 million) above book value.

In November 2019, we further demonstrated our ability to reconstitute ART's portfolio with our plan to divest partial gross floor area (GFA) of Somerset Liang Court Property Singapore for S$163.3 million and redeploy the net proceeds towards the redevelopment of the retained GFA. The divestment price was 44% above book value and 138% above the acquisition price. ART has recognised total net gains of S$84.3 million from this transaction.

The redevelopment of Somerset Liang Court Property Singapore serves to rejuvenate an aged property, right-sizing the units to cater to the changing needs of travellers, while refreshing the land lease from 57 years to 99 years. The new Somerset serviced residence will have a hotel licence, with the flexibility to cater to corporate travellers on long stays as well as business transient and leisure guests on short stays. When the rejuvenated property is completed and commences operations in the second half of 2024, there could be potential valuation upside to be enjoyed.

Through the portfolio reconstitution activities in 2019, ART has unlocked more than S$200 million in net gains and added approximately S$1.9 billion in asset value through the acquisition of quality properties.

ENHANCING THE PORTFOLIO FOR SUSTAINABLE GROWTH

Post-Combination, ART's enlarged portfolio and balance sheet provide us with greater flexibility to pursue growth and value-enhancing initiatives as we drive the performance of our properties.

1 Source: Bloomberg. Assumes reinvestment of distributions back into the security.
2 Before reaching aggregate leverage of 45%.

MESSAGE TO STAPLED SECURITYHOLDERS

We constantly look at ways to refresh our properties to remain competitive and enrich customer experience. In 2019, we completed the refurbishment of the apartment units and breakfast lounge at Somerset Grand Citra Jakarta, as well as the guestrooms, lobby and public area of Element New York Times Square West.

In 2020, we plan to refurbish the guestrooms and lobby of DoubleTree by Hilton Hotel New York – Times Square South. The refreshed property will be better positioned to compete in the market and benefit from the two major developments in the neighbourhood – Hudson Yards, the largest private real estate development in the United States of America, and the Jacob K. Javits Convention Center.

Construction of ART's maiden development project and first coliving property, lyf one-north Singapore, has begun and the property is on track to open in 2021. lyf one-north Singapore is purpose-built to appeal to the rising millennial and millennial-minded market within Singapore's research and innovation hub, an area which is currently underserved.

The combination with A-HTRUST added 14 quality properties, including Park Hotel Clarke Quay, strengthening our leadership position.

DISCIPLINED CAPITAL AND RISK MANAGEMENT

As we pursue growth, we maintain an active and disciplined approach in our capital and risk management. As at 31 December 2019, ART's gearing stood at 33.6%, comfortably below the 45% limit set by the Monetary Authority of Singapore (MAS) for REITs. About 86% of our borrowings were on fixed interest rates, and our debt maturity profile remained well-staggered with an average maturity term of 3.4 years.

Our BBB investment grade rating, affirmed by Fitch Ratings in August 2019, gave debt investors credit assurance and enabled us to tap various funding sources to raise funds at favourable terms. During the year, we successfully refinanced our borrowings at lower rates and kept our effective cost of debt low at 2.0% per annum. In addition, we issued a new tranche of perpetual securities at a fixed rate of 3.88%, the second lowest amongst REIT issuances historically. We used the proceeds to fund the redemption of the existing S$150.0 million 5.00% perpetual securities at its first call date in October 2019. With the refinancing of the perpetual securities, we expect to achieve savings of about S$1.7 million annually.

In managing our foreign currency exposure, we adopt a natural hedge where possible by borrowing in the currency of the underlying assets and using hedging instruments such as cross currency interest rate swaps to convert a portion of the borrowings to match the currency of the underlying assets. To mitigate the impact of exchange rate fluctuations on our income, we also enter into foreign currency forward contracts. Through our hedging efforts, coupled with a diversified currency portfolio, the impact of foreign exchange movement on our FY2019 gross profit was kept minimal.

COMMITMENT TO CORPORATE GOVERNANCE, SUSTAINABILITY AND EXCELLENCE

ART remains committed to upholding high standards of corporate governance. ART was ranked third in the REIT and Business Trust category of the Singapore Governance and Transparency Index 2019, the second year in a row. In addition, we received the "Best Hospitality REIT (Platinum Award)" in the Asia Pacific Best of the Breeds REITs Award™ for the third year in a row. We were also a runner-up for the "Singapore Corporate Governance Award" and "Most Transparent Company Award" at the Securities Investors Association (Singapore) (SIAS) 20th Investors' Choice Awards 2019.

Going forward, as a stapled group, we remain guided by the MAS Property Funds Appendix and the Singapore Exchange Securities Trading Limited's (SGX-ST) corporate governance requirements for REITs, as well as the Business Trusts Act for business trusts.

Sustainability remains key for us, and we will continue to invest in properties with sustainable design features and advocate environmentally-friendly best practices at our properties. In January 2020, two of our properties were recognised for their environmentally-friendly design features. lyf one-north Singapore obtained Green Mark Gold^{PLUS} by the Building and Construction Authority of Singapore and Somerset Grand Hanoi was awarded the EDGE Green Certification by World Bank Group's International Finance Corporation.

Testament to the quality of ART's portfolio, more than 20 of our properties were conferred the TripAdvisor Certificate of Excellence and several properties were awarded "Leading Serviced Apartments" accolades at the World Travel Awards 2019.

LOOKING FORWARD

In FY2019, we are pleased to have delivered total returns of about 30% through trading price appreciation and distributions. The completion of the Combination on 31 December 2019 has also heralded a new chapter, with the new ART Stapled Securities trading on the SGX-ST beginning 2 January 2020.

Since January 2020, concerns over the COVID-19 outbreak have affected the global economy and travel industry. The global growth outlook for 2020 is expected to be fragile, as the full impact of the outbreak is dependent on how long the situation persists. The world's largest economies have pledged their commitment to using appropriate policy tools to achieve strong, sustainable growth and safeguard against downside risks, and countries including China, Singapore and the United States of America have announced monetary or fiscal stimulus to boost the recovery of the economy.

For ART, the downside risks are mitigated by our geographically diversified portfolio and balanced mix of stable and growth income streams. As most of our properties are serviced residences mainly catering to corporate or long-staying guests, the long average length of stay helps to support occupancy levels. The well-being of our guests and employees remains our top priority, and we believe that by staying resolute, we will overcome this challenge together.

In the longer term, we believe that the outlook for travel remains positive. According to United Nations World Tourism Organization (UNWTO), there were a record 1.5 billion international tourist arrivals in 2019, equivalent to 4 million arrivals a day. The growth of 4% over 2018 was achieved despite macroeconomic and geopolitical headwinds, including uncertainty surrounding Brexit, trade tensions and a general global economic slowdown during the year[1].

We remain confident that business and leisure travel will resume when the COVID-19 situation eases, and demand for accommodation will recover. Our strong financial position and diversified portfolio positions ART well to create long-term value for our Stapled Securityholders. With the support of our Sponsor, The Ascott Limited, we will continue to enhance the portfolio through active asset management and grow through yield-accretive acquisitions. Our enlarged asset base has provided ART with the capacity to undertake further development and conversion projects. With the development of lyf one-north Singapore and the upcoming Somerset Liang Court Property Singapore under our belt, ART is still well within the 10% development limit for REITs as guided by the MAS.

ACKNOWLEDGMENTS

With the Combination, the Audit Committee (AC) and Executive Committee of Ascott BT were established. It is intended for the composition of the committees of Ascott BT to mirror that of Ascott Reit. Under the Business Trusts Regulations, the AC of a registered business trust shall, amongst others, comprise three or more members, all of whom shall be independent of management and business relationships with the trustee-manager. Accordingly, Mr Lim Cho Pin Andrew Geoffrey has stepped down from his position as member of the AC. The Boards of Directors would like to express their appreciation to Mr Lim for his invaluable service and contributions to the AC. Mr Lim remains a member of the Boards as a non-executive non-independent director.

We would like to thank our Stapled Securityholders, guests and business partners for your continued support in ART and the successful combination with A-HTRUST. To our employees, especially those taking care of the well-being of our guests during these trying times, a note of appreciation for your hard work and dedication; and to our fellow members of the Boards, for your counsel and contribution throughout the year.

Tan Beng Hai, Bob
Chairman

Beh Siew Kim
Chief Executive Officer

3 March 2020

1 Source: UNWTO (2020)

2019 YEAR IN BRIEF

JANUARY

> **Announced the divestment of Ascott Raffles Place Singapore for S$353.3 million, 64% above book value.**

> Achieved unitholders' distribution of S$154.8 million for FY2018 with distribution per Stapled Security (DPS) of 7.16 cents.

MARCH

> **Announced the acquisition of Citadines Connect Sydney Airport, a prime freehold limited-service business hotel, for AUD 60.6 million (S$58.8 million).**

APRIL

> Held the Annual General Meeting at The Star Gallery Singapore.

> Achieved unitholders' distribution of S$31.5 million and DPS of 1.45 cents for the first quarter of 2019.

> Completed the refurbishment of the apartment units and breakfast lounge at Somerset Grand Citra Jakarta.

> Completed the refurbishment of the guestrooms, lobby and public area of Element New York Times Square West.

JUNE

> Citadines Sainte-Catherine Brussels, Citadines Arnulfpark Munich and Citadines Ramblas Barcelona won "Leading Serviced Apartments 2019" for Belgium, Germany and Spain respectively at the World Travel Awards 2019.

> Ground-breaking for lyf one-north Singapore, ART's maiden development project.

JULY

> **Announced the S$1.9 billion combination with A-HTRUST, consolidating ART's position as the largest hospitality trust in Asia Pacific.**

> Achieved unitholders' distribution of S$43.1 million and DPS of 1.98 cents for the second quarter of 2019.

AUGUST

> Fitch Ratings affirmed ART's BBB investment grade rating with a Stable Outlook.

> Ranked third in the REIT and Business Trust category of the Singapore Governance and Transparency Index for the second year in a row.

SEPTEMBER

- Awarded the "Best Hospitality REIT (Platinum Award)" in the Asia Pacific Best of the Breeds REITs Award™ 2019.
- Issued S$150.0 million 3.88% fixed rate perpetual securities with first call date in September 2024 to refinance the 5.00% fixed rate perpetual securities with first call date in October 2019, which is expected to bring about annual savings of approximately S$1.7 million.

- **Runner-up for the "Singapore Corporate Governance Award" and "Most Transparent Company Award" at the SIAS 20th Investors' Choice Awards 2019.**

OCTOBER

- Received strong approval from Stapled Securityholders at the Extraordinary General Meeting and Scheme Meeting for the combination with A-HTRUST at Raffles City Convention Centre.
- Achieved unitholders' distribution of S$41.6 million and DPS of 1.91 cents for the third quarter of 2019.

- **Completed the divestment of Somerset West Lake Hanoi for USD 10.0 million (S$13.7 million).**

- Ascott Jakarta won "Asia's Leading Serviced Apartment 2019" and Citadines Shinjuku Tokyo was conferred "Japan's Leading Serviced Apartment 2019" for the third consecutive year at the World Travel Awards 2019.

NOVEMBER

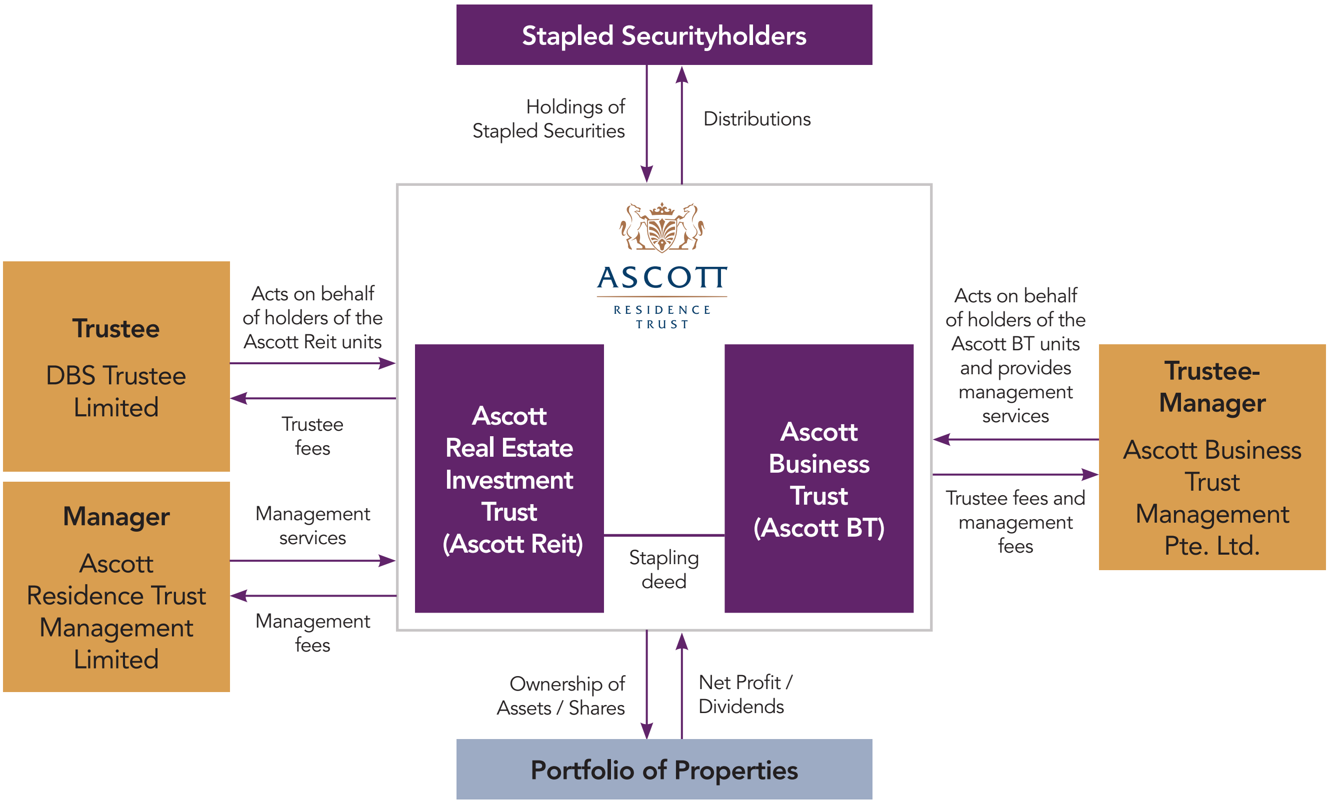
- **Announced the divestment of partial gross floor area (GFA) in Somerset Liang Court Property Singapore and the redevelopment of the retained GFA into a brand new Somerset serviced residence with a hotel licence and refreshed land lease of 99 years.**

DECEMBER

- Completion of the combination of ART and A-HTRUST, cementing ART's position as the proxy hospitality trust in Asia Pacific with total assets of S$7.4 billion.
- Formation of Ascott Residence Trust (ART), a stapled group, comprising Ascott Real Estate Investment Trust and Ascott Business Trust.

TRUST STRUCTURE

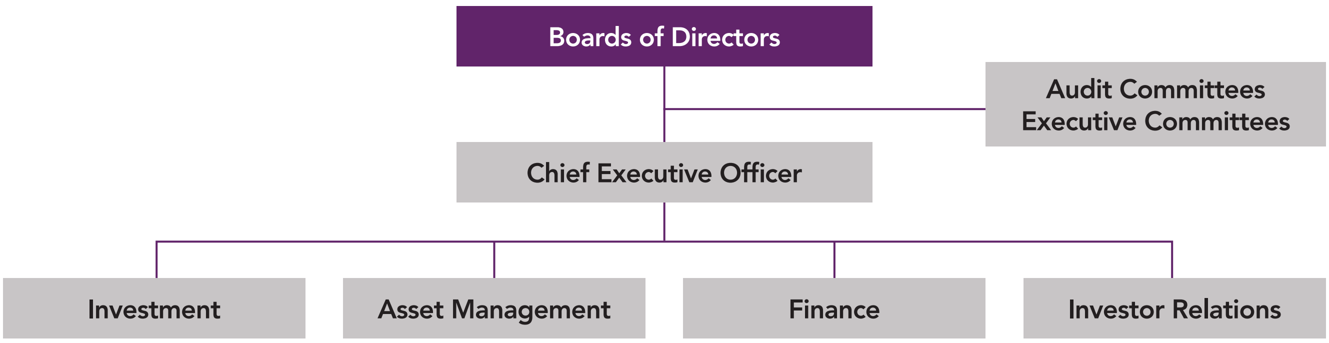
Ascott Residence Trust (ART) is a stapled group comprising Ascott Real Estate Investment Trust (Ascott Reit), a real estate investment trust, and Ascott Business Trust (Ascott BT), a business trust, with the following structure:



Post-combination with A-HTRUST, ART now has a real estate investment trust and an active business trust component where certain of its income is derived from non-passive income sources[1]. Pursuant to the Monetary Authority of Singapore's Property Funds Appendix (PFA), a real estate investment trust should not derive more than 10% of its revenue from sources other than passive income sources[1]. Accordingly, Ascott BT was established to hold such assets so as to facilitate compliance by ART with the PFA.

1 Passive income sources as guided by the Property Funds Appendix refer to: (a) rental payments from the tenants of the real estate held by the property fund; or (b) interest, dividends, and other similar payments from special purpose vehicles and other permissible investments of the property fund.

ORGANISATION STRUCTURE



BOARDS OF DIRECTORS

TAN BENG HAI, BOB
Chairman &
Non-Executive 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

LEE CHEE KOON
Non-Executive Non-Independent Director

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

BOARDS OF DIRECTORS

TAN BENG HAI, BOB, 68

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 2019)
4 years 8 months

Present directorships in other listed companies
- Sembcorp Marine Ltd
- Singapore Post Limited

Present principal commitments
- Jurong Engineering Limited (Chairman)
- NTUC Club Management Council (Member)
- Sentosa Development Corporation (Chairman)
- 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
- NTUC May Day Distinguished Service Award in 2018
- 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 May Day Friend of Labour Award in 2000

BEH SIEW KIM, 49

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 2019)
2 years 8 months

Board committee served on
- 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)
- Vice President, Group Finance, SembCorp Industries Limited (From August 2003 to January 2007)
- Assurance Manager, Ernst & Young (From July 2002 to July 2003)
- Assurance Manager, Arthur Andersen (From August 1999 to July 2002)

ZULKIFLI BIN BAHARUDIN, 60

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 2019)

7 years

Board committee served on

- Audit Committee (Member)

Present directorship in other listed company

- GDS Holdings Limited

Present principal commitments

- Ang Mo Kio - Thye Hua Kwan Hospital Ltd. (Director)
- Global Business Integrators Pte. Ltd. (Director)
- ITL Corporation (Executive Chairman)
- Non-Resident Ambassador to the Republic of Kazakhstan & Uzbekistan
- Omni Holdco, LLC (Director)
- Thye Hua Kwan Moral Charities Limited (Director)
- Virtus HoldCo Limited (Director)

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

- Singapore Post Limited

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, 64

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 Fraud Examiners

Date of first appointment as a Director

1 September 2016

Length of service as a Director (as at 31 December 2019)

3 years 4 months

Board committee served on

- Audit Committee (Chairman)

Present principal commitments

- Catholic Welfare Services (Member, Board of Governors)
- Jurong Town Corporation (Member of the Board)
- Lien Aid Limited (Director)
- 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)

BOARDS OF DIRECTORS

ELAINE CAROLE YOUNG, 55

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 2019)
3 years 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
- 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)
- Tulou Management Limited (Director)
- Asia Property Investment Co., Ltd. (Director)
- Shanghai Tulu Management Consulting Co., Limited (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

LEE CHEE KOON, 45

Non-Executive Non-Independent Director

- Bachelor of Science in Mechanical Engineering (First Class Honours), National University of Singapore
- Master of Science in Advanced 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 2019)
6 years 7 months

Board committee served on
- Executive Committee (Chairman)

Present directorship in other listed company
- CapitaLand Limited

Present principal commitments
- CapitaLand Group (Group Chief Executive Officer)
- EDBI Pte Ltd (Director)
- SkillsFuture Singapore Agency (Director)
- Temasek Foundation Nurtures CLG Limited (Director)

Past directorships in other listed companies held over the preceding three years
- CapitaLand Commercial Trust Management Limited (Manager of CapitaLand Commercial Trust)
- CapitaLand Retail China Trust Management Limited (Manager of CapitaLand Retail China Trust)

Background and working experience
- Group Chief Investment Officer of CapitaLand Limited (From 1 January 2018 to 14 September 2018)
- CEO of The Ascott Limited (From June 2013 to December 2017)
- Deputy CEO of The Ascott Limited (From February 2012 to May 2013)
- Managing Director, North Asia of The Ascott Limited (From July 2009 to May 2013)
- Vice President, Office of the President of CapitaLand Limited (From February 2007 to June 2009)
- Head, International Relations & Economic Strategy of Ministry of Finance (From November 2003 to January 2007)
- Senior Assistant Director, Trade Directorate of Ministry of Trade and Industry (From November 2001 to November 2003)

Awards
- Business China Young Achiever Award in 2017
- National Order of Merit (*Chevalier de l'Ordre National du Mérite*) in 2016

LIM CHO PIN ANDREW GEOFFREY, 50

Non-Executive Non-Independent Director

> Bachelor of Commerce (Economics), University of Toronto, Canada

> Master in Business Administration, Rotman School of Business, University of Toronto, Canada

> Chartered Financial Analyst® and Member, CFA Institute

Date of first appointment as a Director
1 January 2018

Length of service as a Director (as at 31 December 2019)
2 years

Board committee served on
> Executive Committee (Member)

Present directorships in other listed companies
> Ascendas Funds Management (S) Limited (manager of Ascendas Real Estate Investment Trust)

> CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust)

> CapitaLand Malaysia Mall REIT Management Sdn. Bhd. (manager of CapitaLand Malaysia Mall Trust)

> CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust)

Present principal commitments
> Accounting for Sustainability Circle of Practice (Member)

> Accounting Standards Council (Member)

> CapitaLand Group (Group Chief Financial Officer)

> Institute of Singapore Chartered Accountants' CFO Committee (Member)

> Real Estate Investment Trust Association of Singapore (REITAS) (President)

Past directorship in other listed company held over the preceding three years
> CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust)

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)

THE MANAGERS

BEH SIEW KIM

Chief Executive Officer
Executive Non-Independent Director

Ms Beh Siew Kim is a member of the Executive Committees.

Ms Beh is responsible for spearheading the overall strategic planning and leading the implementation of the business, investment and operational strategies for ART. She ensures that the investment, asset management, finance and investor relations functions are managed effectively. She has over 20 years of experience in financial and corporate planning, development and compliance in real estate, as well as auditing in Singapore and Malaysia.

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

Before joining the CapitaLand Group, Ms Beh held other finance and audit positions in SembCorp Industries Limited, Ernst & Young and Arthur Andersen. She holds a Bachelor of Business (Accounting) from the University of Tasmania, Australia, and is a member of the Institute of Singapore Chartered Accountants.

KANG SIEW FONG

Chief Financial Officer

Ms Kang Siew Fong heads the finance team and is responsible for the performance management and reporting functions at ART. Ms Kang has more than 25 years of experience in the finance profession. Prior to joining the Managers, Ms Kang was with The Ascott Limited (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 merger and acquisition 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 ART in 2006.

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.

CHAN KIN LEONG GERRY

Head, Investment and Asset Management

Mr Chan Kin Leong Gerry heads the investment and asset management functions at the Managers, and is responsible for the Managers' investments, divestments, portfolio management and asset enhancements. He has over a decade of relevant experience, having assumed various leadership positions in investment, asset management and capital markets.

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

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

KANG WEI LING

Vice President, Investor Relations and Asset Management

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

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

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

VALUE CREATION

1 GROWTH

In pursuing growth, we actively but selectively explore acquisition opportunities globally and adopt stringent investment criteria to acquire quality properties that enhance ART's portfolio. Our potential acquisition sources include pipeline properties from our Sponsor, The Ascott Limited (Ascott) and third-party assets.

Acquisition Criteria

Yield Accretive
We acquire properties with Stapled Securityholders' interests in mind, investing in properties that yield above or have the growth potential to generate yields above our cost of capital. Acquisitions are made only when there is expected accretion to Stapled Securityholders.

Location (Macro-Economic and Micro-Market Characteristics)
Key indicators such as gross domestic product (GDP) growth, foreign direct investments (FDI), business and trade activities, travel trends (including international and domestic movements) and the resulting demand for lodging products are assessed. The overall impact of an acquisition on ART's geographical diversification is considered as well.

In addition, properties are also assessed based on their micro-market locations. Factors considered include the accessibility to major roads, public transportation, proximity to amenities as well as potential infrastructure and developmental plans within the vicinity.

Value Creation Opportunities
Investments are made in quality properties which have the potential for an increase in revenue per available unit (RevPAU), either through higher occupancy rates and/or average daily rates. The potential for us to create greater value through asset enhancement initiatives (AEI) such as refurbishment and reconfiguration is also assessed.

Building and Facility Specifications
To assess a property's suitability for the intended hospitality operations, due diligence on a building's specifications is performed. In addition, compliance with approved legal and zoning regulations must be adhered to.

Operator's Capabilities and Track Record
Selecting a suitable operator is also key to the acquisition process. The suitability of an operator is assessed based on the operator's property management expertise and experience to effectively generate returns and cash flow from the property.

VALUE CREATION


Citadines Connect Sydney Airport

In 2019, ART acquired Citadines Connect Sydney Airport, a prime freehold limited-service business hotel in Sydney Australia. The acquisition deepened ART's presence in the gateway city of Sydney, adding to the portfolio a quality, yield-accretive asset in a highly sought-after market. The property's strategic location in the vicinity of Sydney Airport positions it well to benefit from the growing transient traveller traffic and demand from transport and logistics-related companies in the area.

On 31 December 2019, ART completed the combination with A-HTRUST, adding 14 quality properties located in developed markets within Asia Pacific into our portfolio. This combination cements ART's position as the largest hospitality trust in Asia Pacific, bolstering our presence in the region, where economic growth and business travel are robust. This acquisition adds resilience and increases the freehold proportion of our portfolio. Moreover, the combination with A-HTRUST enhances ART's financial position, enabling it to seize further growth opportunities in the rising hospitality market.

2 ASSET MANAGEMENT

We adopt a proactive approach in asset management, optimising the operating yields of the properties in order to drive organic growth.

The profitability of ART's portfolio depends primarily on the optimisation of RevPAU. Thus, our yield management and marketing strategies are focused on (i) assessing and adjusting room rental rates based on occupancy levels and demand; and (ii) determining the right balance between higher yielding short-stay guests and stability of income from long-stay guests.

The Managers work closely with and leverage the various property operators' extensive network and platform for sales distribution, revenue and inventory management, as well as procurement. In doing so, ART is able to drive revenue at the properties and increase profit margins through effective cost management without compromising on service quality. Examples include direct marketing through our operators' booking platforms to reduce commission expenses, bulk purchases to achieve economies of scale and centralisation of key functions such as finance and procurement for properties located within the same city or region.

We continuously strive to enhance ART's properties through planned AEIs. Such refurbishment works enhance the properties, providing higher guest satisfaction. Improvement in performance translates into higher real estate value. In 2019, ART completed the AEIs for two properties – Somerset Grand Citra Jakarta and Element New York Times Square West.


Element New York Times Square West

Criteria for Asset Enhancement Initiatives

The portfolio of properties is reviewed regularly for AEI potential, taking into account:

> Age of the property
> Market prospect and outlook
> Yield accretion potential

During AEIs, care is taken to minimise disruption to daily operations and inconvenience to guests.

3 UNLOCKING VALUE

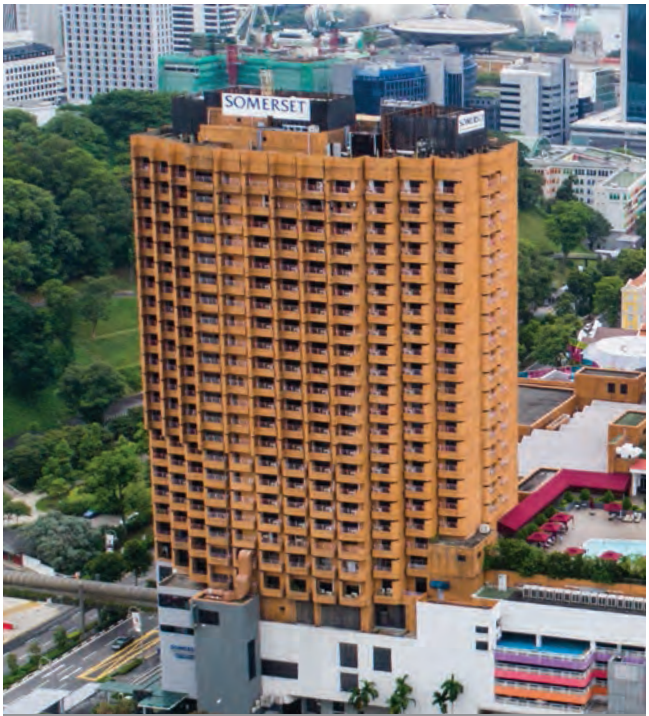
We constantly monitor and evaluate the growth potential of ART's properties to rejuvenate the portfolio. Divestment opportunities are sought for properties that have reached the optimal stage of their life cycle, or whose growth prospects have been limited by the operating environment. Sale proceeds would then be channeled into new investment opportunities that will offer better growth prospects for ART. Proceeds from the divestments could also be deployed towards repayment of borrowings and/or capital distribution to Stapled Securityholders.

Factors Driving Potential Divestments

- Property life cycle and market conditions
- Requirement for additional capital outlay
- Opportunistic divestment

ART actively seeks various opportunities to unlock value for our Stapled Securityholders. During the year, ART announced the sale of partial gross floor area (GFA) of Somerset Liang Court Property Singapore and the redevelopment of the retained GFA into a new Somerset serviced residence property at the same location. This transaction enabled ART to realise gains on the appreciation of the property's value and fund the redevelopment with the divestment proceeds, seizing the opportunity to retain our presence in a prime location with a brand new property operating under a hotel licence and a refreshed 99-year lease term. Where necessary, the sale proceeds could also be paid out as capital distributions to Stapled Securityholders, to make up for the loss of income during the development period. With a robust financial position, ART is able to partake in the redevelopment of the property and potentially enjoy valuation upside when the property is completed and turns operational in the second half of 2024.

In 2019, ART also divested Ascott Raffles Place Singapore and Somerset West Lake Hanoi, as part of our strategy to regularly evaluate and rejuvenate the portfolio to unlock value and optimise returns for our Stapled Securityholders. The properties were divested at approximately 64% and 39% above their respective book values.



Somerset Liang Court Property Singapore

The FY2019 distributions included S$17.5 million of divestment gains and S$5.7 million of realised exchange gain arising from the repayment of foreign currency bank loans. Since listing in 2006 to 2019, ART has divested about 30 properties and recognised more than S$0.4 billion[1] in net divestment gains.

4 CAPITAL AND RISK MANAGEMENT

ART endeavours to achieve an optimal capital structure through a robust and disciplined approach towards capital and risk management. The Managers balance the cost of capital to optimise returns to the Stapled Securityholders, while maintaining gearing at a comfortable range, well within the regulatory limit of the Monetary Authority of Singapore for REITs. Acquisitions are funded by debt, equity or a combination of both, while AEIs are mainly funded by operating cash flows. In August 2019, Fitch Ratings affirmed ART's long-term issuer default rating at BBB with a Stable Outlook.

1 Excludes the divestment of partial GFA of Somerset Liang Court Property Singapore, which is expected to complete in the second quarter of 2020.

VALUE CREATION

Secure Diversified Funding Sources

The Managers utilise various funding sources including bank borrowings, the issuance of bonds and notes in the debt capital markets and the issuance of perpetual securities. We can also exercise the option to raise equity capital through the issuance of stapled securities, when appropriate.

In managing liquidity risks, ART has established a S$1.0 billion multicurrency medium term notes (MTN) programme and a USD 2.0 billion EUR MTN programme, in addition to credit lines with financial institutions. Following the combination with A-HTRUST, another S$1.0 billion multi-currency stapled debt issuance programme was added to the portfolio of funding sources.

Interest Rate Risk Management

We manage the risks associated with interest rates on loan facilities through the use of fixed rate borrowings and interest rate swaps, with the intention to keep variable interest rate borrowings at not more than 20% on a portfolio basis. In view of the low interest rate environment, we have refinanced some of the borrowings at a lower rate in 2019, keeping ART's effective borrowing cost competitive at 2.0% per annum, with 86% of our borrowings on fixed interest rates as at 31 December 2019.

In September 2019, amidst an environment of low interest rates, ART issued S$150.0 million perpetual securities at 3.88% per annum to fund the redemption of a S$150.0 million 5.00% per annum perpetual securities which was called in October 2019. This refinancing is expected to result in savings of S$1.7 million per annum.

Foreign Exchange Risk Management

With properties located in 15 countries, ART's earnings and financial position are subjected to foreign exchange movements. To the extent possible, the Managers adopt a natural hedging strategy by borrowing in the same currency as the underlying asset to minimise the impact of foreign exchange movements and use hedging instruments such as cross currency interest rate swaps to convert a portion of the borrowings to match the currency of the underlying asset.

Where appropriate, hedging instruments such as foreign currency forward contracts are used to mitigate the impact of foreign exchange movements on the properties' cash flow, taking into account the cost of hedging. The geographically diversified nature of ART's portfolio also serves to reduce the impact of foreign exchange fluctuations, as the strengthening of some currencies mitigates the weakening of others.

As a result of our active foreign exchange management and the geographically diversified nature of ART's portfolio, the impact of foreign exchange rate movement on ART's gross profit has been minimal, within a range of +/- 1.4% for the last five years.

5 LEVERAGING SPONSOR

Our Sponsor, Ascott, is one of the leading international lodging owner-operators and a wholly-owned subsidiary of CapitaLand Limited, one of Asia's largest diversified real estate groups.

With a vision to be a leading global lodging asset manager, Ascott's twin engines of growth are its hospitality operating platform and real estate (listed trust and private fund) platform. Having over 30 years of industry track record, Ascott's portfolio comprises a total of 114,000 operating and under development units in over 700 properties across more than 30 countries.

ART's portfolio mainly comprises serviced residences operated under the Ascott The Residence, Somerset, Quest and Citadines Apart'hotel brands of our Sponsor. Ascott's suite of brands enables ART to offer a range of hospitality products, to cater to the different market segments and varying needs of today's travellers. With its scale and operational track record, Ascott is also able to provide guests staying at Ascott-managed properties around the world with a consistent customer experience and service quality.

As an established lodging operator focused on growing its scale, Ascott continuously expands its global operations and footprint into new markets. ART taps on our Sponsor's operational network for centralised procurement to lower operating costs and comprehensive sales and marketing programmes for a wider reach.

Integrating digital technology into its properties and systems is a key agenda for Ascott. Over the years, our Sponsor has invested in various digital initiatives which improve operational efficiencies and heighten service quality to enhance overall guest experience. Such initiatives are critical in keeping the Ascott-managed properties competitive, and ART will benefit from our Sponsor's efforts in leveraging technology.


Somerset Grand Citra Jakarta

ART has been granted a right of first refusal by our Sponsor in respect of any sale of their properties that are used, or predominantly used, as serviced residences or rental housing properties in Europe and the Pan-Asian region. Currently, our Sponsor's pipeline comprises about 20 properties at various developmental and operational stages. Ascott's network of third-party owners and industry partners can also serve as an additional source of investment leads for ART, as ART can consider acquiring properties from or divesting to them.

Being part of a larger CapitaLand group, ART is able to tap on the financing and treasury support and gain wider access to the debt and capital markets for more favorable capital raising terms.

Digital Technology Initiatives

> **Ascott Star Rewards Mobile Application:** This mobile application will allow members of Ascott's loyalty programme, Ascott Star Rewards, to search for and book any Ascott-managed property, earn reward points, check in to their rooms, unlock their rooms (as a digital key), request for service and chat with staff. Through the application, members can also redeem their reward points to pay for any charges during their stay. Slated to launch in 2020, the application seeks to build brand loyalty, increase customer stickiness and bring about cost savings for ART by encouraging more direct bookings on the Ascott booking engine.

> **Robotic Process Automation (RPA):** RPA automates routine, time-consuming back-end tasks, and enables the operating team to focus on higher value functions that can improve property performance. Tasks which RPA has been applied to include automatically making room reservations from email bookings and checking invoices to ensure that the charges are reflected accurately.

> **Digital Breakfast Solution:** With this initiative, guests can access the breakfast lounge with their room keycard. This frees up manpower needed at the breakfast lounge registration while also minimising the probability of error and misuse. The digital breakfast solution has been rolled out at several ART properties such as Ascott Makati and Somerset Xu Hui Shanghai, and is planned to be introduced at other properties in France, Indonesia, Japan, the Philippines, Singapore and Vietnam.

> **Intelligent Energy Saving System:** Currently on pilot at Citadines Mount Sophia Property Singapore, the system optimises the usage of air-conditioning when rooms are vacant, thus saving energy and costs. This is also a green initiative taken towards building a sustainable environment in our properties.

> **Smart Casting:** In line with the increasing trend of people watching content on their smart devices, smart casting allows guests to cast their favourite online content on their in-room TVs, thereby improving their overall stay experience. This initiative is currently available at Ascott Orchard Singapore.

INVESTOR RELATIONS

The Managers are committed to adopting a proactive approach towards timely, consistent and transparent communication to our stakeholders, which include potential and existing retail and institutional investors, sell-side analysts and the media.

The Managers actively engage the various stakeholders through group and one-on-one meetings, conference calls, seminars, roadshows and conferences. These meetings provide a channel for two-way communication, for the discussion of ART's business strategies, latest performance and perspectives on market outlook. Through these meetings, the Managers are able to understand the views of the investment community better, thereby forming a crucial feedback loop to facilitate improved disclosures and communication.

In 2019, ART organised or participated in several events held in Singapore and overseas, including -

> post-results analyst and media briefings and investor luncheon meetings as part of the regular two-way communication with the investment community on ART's performance and business strategy;

> the Annual General Meeting held in April 2019 at The Star Gallery, where the Managers and Boards of Directors reported on ART's FY2018 financial results and interacted with the investors to better understand their concerns;

> non-deal roadshows, where the Managers engaged with existing or potential institutional investors, from both the equity and fixed income markets;

> deal-related activities in relation to the combination with A-HTRUST, which included brokerage presentations and dialogue sessions with retail investors organised by Securities Investors Association (Singapore) (SIAS);

> participation as speakers or panellists in seminars and conferences organised by banks and industry associations, including the DBS Private Banking – REITAS luncheon and REITs Symposium 2019.

A full list of the investor relations activities is tabled under the 2019 Investor Relations Calendar on page 32.

Our Investor Relations Policy states the guiding principles of our approach and can be found on ART's corporate website (https://investor.ascottresidencetrust.com/investor_relations_policy.html)

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 ART's latest corporate developments are disclosed promptly through SGXNet. This information is also archived on ART's corporate website (www.ascottresidencetrust.com) and is readily available to the public. The website is also

regularly updated with information such as ART's stock data, factsheet, publications, tax refund procedures and a list of frequently asked questions. Such information can be found in the Investor Relations section of the website.

ACCOLADES

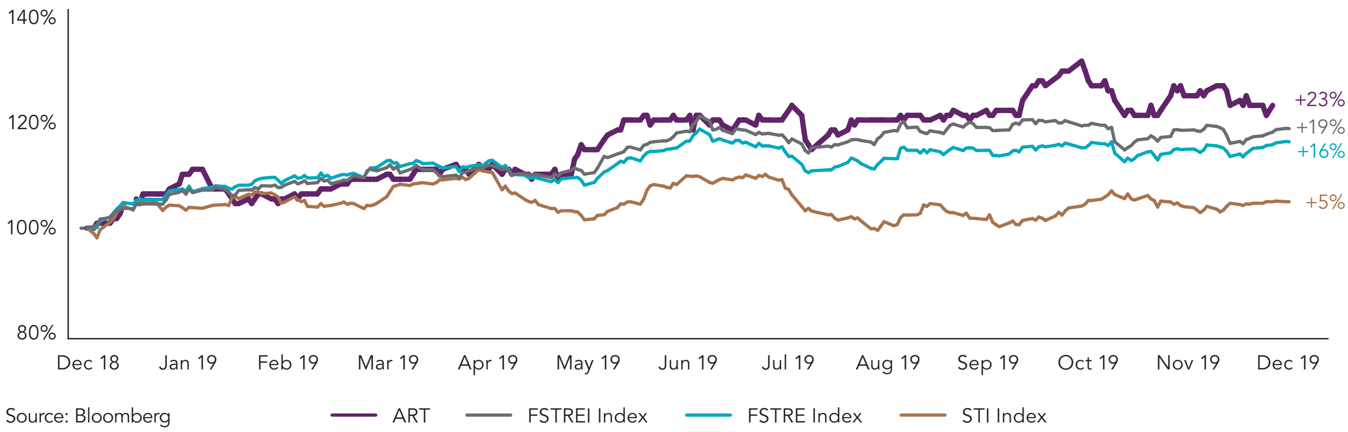
In 2019, for the third time in a row, ART won the "Best Hospitality REIT (Platinum Award)" in the Asia Pacific Best of the Breeds REITs Award™. As a testament of our continuous effort towards good corporate governance and transparency, ART was awarded runner-up for the "Singapore Corporate Governance Award" and "Most Transparent Company Award" at the SIAS 20th Investors' Choice Awards 2019. In the REIT and Business Trust category of the Singapore Governance and Transparency Index, ART continued to rank third amongst the 43 trusts evaluated.

TRADING PRICE PERFORMANCE

Events	2019	2018
Opening price on the first trading day of the year (S$)	1.08	1.23
Closing price on the last trading day of the year (S$)	1.33	1.08
Highest closing price (S$)	1.42	1.27
Lowest closing price (S$)	1.08	1.05
Average closing price (S$)	1.26	1.12
Average daily trading volume (stapled securities)	4,120,957	2,408,748
Total trading volume (stapled securities)	1,009,634,550	604,595,635

Source: Bloomberg

Comparative Trading Performance for FY2019



Source: Bloomberg

INVESTOR RELATIONS

2019 INVESTOR RELATIONS CALENDAR

	Events	Location	2019
1st Quarter	FY2018 post-results briefing to media and analysts	Singapore	29 January
	FY2018 post-results luncheon hosted by DBS	Singapore	29 January
	Non-deal roadshow hosted by BNP Paribas	Hong Kong	30 January
2nd Quarter	Pre-Annual General Meeting with SIAS members	Singapore	3 April
	Annual General Meeting	Singapore	10 April
	1Q2019 post-results luncheon hosted by UOB Kay Hian	Singapore	30 April
	DBS Private Banking – REITAS luncheon	Singapore	7 May
	SGX-REITAS Education Series for Hospitality	Singapore	8 May
	REITs Symposium 2019 jointly organised by REITAS and ShareInvestor	Singapore	18 May
	Nomura Investment Forum Asia 2019	Singapore	27 May
	Citi ASEAN C-Suite Conference	Singapore	25 June
3rd Quarter	Media and analyst briefing on the combination with A-HTRUST	Singapore	3 July
	Investor roadshows for the Combination	Singapore	8 to 12 July
	2Q2019 post-results briefing to media and analysts	Singapore	30 July
	2Q2019 post-results luncheon hosted by Phillip Securities	Singapore	31 July
	CapitaLand & REITs Corporate Day hosted by DBS	Bangkok	14 August
	STR APAC Hospitality Investment Forum 2019	Singapore	20 August
	Citi-REITAS-SGX C-Suite Singapore REITs and Sponsors Forum 2019	Singapore	22 August
	Macquarie ASEAN Conference 2019	Singapore	26 August
	HSBC Private Banking Event – Singapore REITs Corporate Day	Singapore	20 September
4th Quarter	Brokerage presentation on the Combination hosted by OCBC Securities	Singapore	3 October
	Brokerage presentation on the Combination hosted by UOB Kay Hian	Singapore	7 October
	Brokerage presentation on the Combination hosted by Phillip Securities	Singapore	8 October
	SIAS Dialogue Sessions on the Combination for retail investors of ART and A-HTRUST	Singapore	10 to 11 October
	Extraordinary General Meeting and Scheme Meeting for the Combination	Singapore	21 October
	3Q2019 post-results luncheon hosted by Daiwa	Singapore	30 October
	SGX-JP Morgan Singapore Corporate Day	Tokyo	11 November
	Analyst conference call on the redevelopment of Somerset Liang Court Property Singapore	Singapore	21 November

FINANCIAL CALENDAR

Financial Year Ended 31 December 2019	
First Quarter Results Announcement	30 April 2019
Second Quarter Results Announcement	30 July 2019
Payment of Distribution to Stapled Securityholders (six months ended 30 June 2019)	29 August 2019
Third Quarter Results Announcement	30 October 2019
Full Year Results Announcement	30 January 2020
Payment of Distribution to Stapled Securityholders (six months ended 31 December 2019)	10 February 2020
Annual General Meeting	23 April 2020

Financial Year Ending 31 December 2020	Tentative Dates
First Half Results Announcement	July 2020
Payment of Distribution to Stapled Securityholders (six months ending 30 June 2020)	August 2020
Full Year Results Announcement	January 2021
Payment of Distribution to Stapled Securityholders (six months ending 31 December 2020)	February 2021
Annual General Meeting	April 2021

With the recent amendments to Rule 705(2) of the Listing Manual which were effective from 7 February 2020, ART will adopt the announcement of half-yearly financial statements with effect from the financial year ending 31 December 2020 (FY2020). The Managers will continue to proactively engage stakeholders through various communication channels, including providing relevant business updates between the announcements of half-yearly financial statements.

For enquiries or more information about
Ascott Residence Trust, please contact:

Ms Kang Wei Ling
Investor Relations

Ms Joan Tan
Group Communications

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Fax: +65 6713 2121
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Corporate Website: www.ascottresidencetrust.com

PORTFOLIO OVERVIEW

ART's scale, diversified portfolio and balanced mix of stable and growth income sources enable us to deliver resilient performance to our Stapled Securityholders.

SCALE AND PRESENCE

On 31 December 2019, ART completed the milestone combination with A-HTRUST, boosting its portfolio to 87[1] properties with more than 16,000 units across 39 cities in 15 countries. ART's portfolio of properties comprises a range of accommodation types including serviced residences, business hotels and rental housing, catering to both leisure and corporate markets with short or long stay needs. With the opening of lyf one-north Singapore in 2021, ART will also expand its suite of products to include coliving properties.

Our properties are located in key gateway cities across Australia, Belgium, China, France, Germany, Indonesia, Japan, Malaysia, the Philippines, South Korea, Singapore, Spain, the United Kingdom, the United States of America (US) and Vietnam. The properties are strategically located near central business districts and are well-served by public transportation and within walking distance to amenities such as restaurants and supermarkets.

As at 31 December 2019, approximately 68% of ART's total assets are in Asia Pacific, and 32% are in Europe and the US. With a well-balanced and geographically diversified portfolio, serving a spectrum of guests with varying needs, ART is not subjected to concentration risk from any single market.

BRANDS

ART is brand agnostic and the properties under its portfolio are managed by established operators with strong domain knowledge, under reputable brands.

ART's serviced residences are mainly managed by our Sponsor, The Ascott Limited (Ascott), one of the leading international lodging owner-operators with more than 30 years of track record. Brands under Ascott include Ascott The Residence, Quest, Somerset and Citadines Apart'hotel. ART is developing our first coliving property to be operated under our Sponsor's new brand, lyf, which caters to the millennial and millennial-minded market.

Other third-party operators we engage include Accor, Hilton, Marriott and Sotetsu, with properties operating under their established brands such as Pullman, Novotel, DoubleTree, Courtyard, Sheraton and The Splaisir.

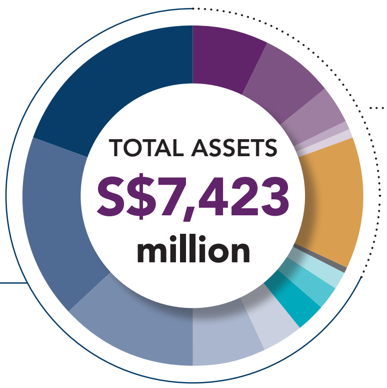
AWARDS

Our award-winning properties continue to enjoy worldwide recognition as the preferred accommodation for business and leisure travellers alike. Citadines Arnulfpark Munich, Citadines Sainte-Catherine Brussels, Citadines Ramblas Barcelona and Citadines Shinjuku Tokyo were conferred "Leading Serviced Apartments" awards of their respective countries at the World Travel Awards 2019. Ascott Jakarta was the winner of Asia's Leading Serviced Apartments 2019. More than 20 of our properties were recipients of the "Certificate of Excellence Award 2019"[2].

Total Assets by Geography

Asia Pacific	68%
Japan	20%
Singapore	17%
Australia	13%
China	7%
Vietnam	4%
South Korea	3%
Philippines	2%
Indonesia	2%
Malaysia	<1%

68% ASIA PACIFIC



32% EUROPE/ AMERICAS

Europe	20%
France	7%
UK	7%
Germany	4%
Spain	1%
Belgium	1%

The Americas	12%
USA	12%

1 Including lyf one-north Singapore (under development).
2 Awarded by TripAdvisor. For the full list of properties, please see https://www.the-ascott.com/en/tripadvisor_awards_2019.html.

OUR BUSINESS MODEL

Business travellers form a significant part of our guest profile, comprising expatriate relocations, corporate assignments and project groups. The demand for corporate travel, which is driven by long-term macroeconomic factors such as gross domestic product and foreign direct investment growth, is generally more stable than leisure travel, which is more seasonal in nature. Our range of accommodation types provides the flexibility to cater to both short and long-staying guests.

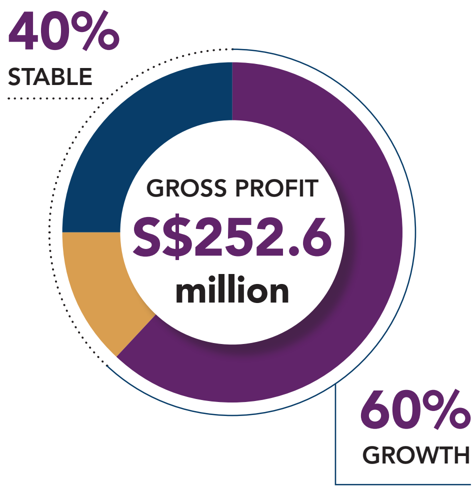
For FY2019, the average length of stay for properties on management contracts was approximately three months. Rental housing properties, with leases averaging more than one year, offer greater income stability to ART. Shorter-term stays, on the other hand, command higher room rates, enhancing yield.

For FY2019, approximately 40% of ART's gross profit was from stable income sources (master leases and management contracts with minimum guaranteed income) and 60% was from growth income sources (management contracts).

FY2019 Gross Profit by Contract Type

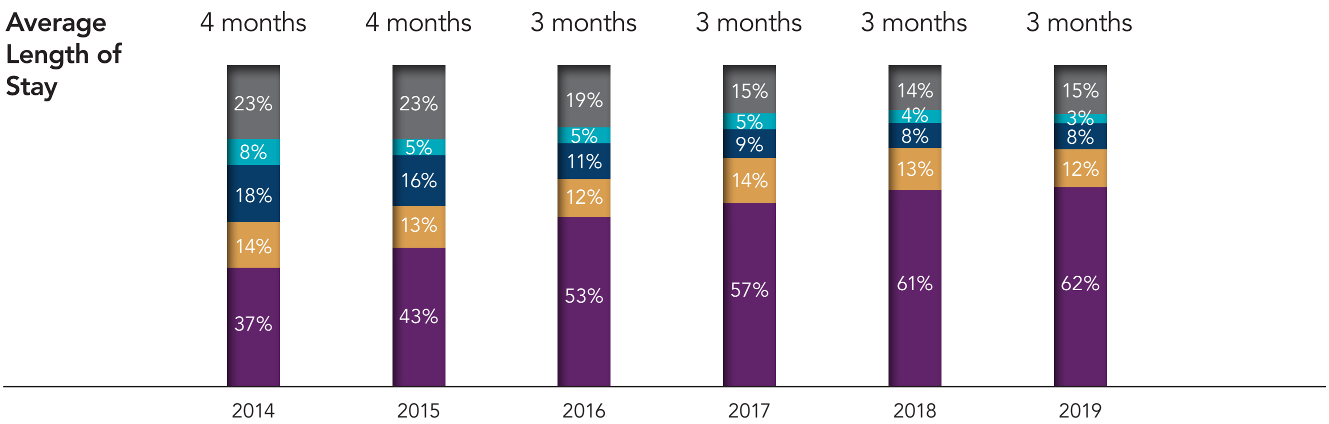
Master Leases	**27%**
France	12%
Germany	6%
Singapore	6%
Australia	3%

Management Contracts with Minimum Guaranteed Income	**13%**
United Kingdom	9%
Belgium	2%
Spain	2%



Management Contracts	**60%**
United States	16%
Japan	12%
Vietnam	9%
China	8%
Singapore	5%
Australia	4%
Philippines	4%
Indonesia	2%
Malaysia	<1%

Portfolio Information by Length of Stay[1] (Portfolio Apartment Rental Income)



1 Historical information is prepared for illustrative purposes only and are not guarantees of future performance. Portfolio information excludes properties on master leases, lyf one-north Singapore (under development) as well as properties under the A-HTRUST portfolio which were acquired on 31 December 2019.

PORTFOLIO OVERVIEW

MASTER LEASES

34 of our operating properties – 17 in France, five in Germany, five in Japan, three in Australia, two in South Korea and two in Singapore are on master leases. 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 annual indexation until the next market review. In Asia, most of the master leases include a variable component, in addition to the fixed rent, providing upside potential. The weighted average remaining tenure of the master leases is about eight years.

There were no master leases renewed in FY2019.

MANAGEMENT CONTRACTS

The remaining 52 of our operating properties are on management contracts, comprising seven properties on management contracts with minimum guaranteed income and 45 properties on management contracts without minimum guaranteed income. Management contracts are entered into between ART and the operators which provide property management services to ART. Unlike the properties under master lease arrangements, guests will lease the units directly from ART, including our subsidiaries (for properties outside of Japan) or other entities acting on behalf of ART (for properties within Japan[1]). Therefore, a waiver from the Monetary Authority of Singapore was obtained 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 management contracts, subject to the following disclosures:

(1) the average length of stay of guests of properties under the management contracts (combined for both management contracts with and without minimum guaranteed income) for current year and past five years; and

(2) the weighted average remaining term of the management contracts with minimum guaranteed income (MCMGI).

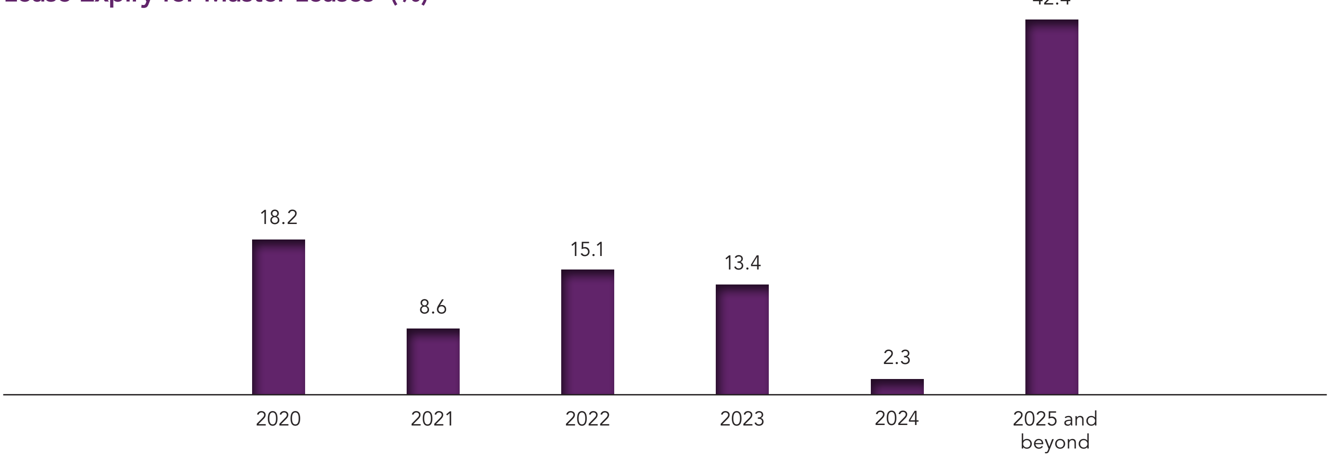
Management Contracts with Minimum Guaranteed Income

Seven of our properties across Belgium, Spain and the United Kingdom are on MCMGI. Under the MCMGI arrangement, the property operators have provided a minimum income guarantee to ART over the term of such management contracts which helps to ensure a stable income stream for ART in the event that the properties under such management contracts do not generate the minimum income. The weighted average remaining term of these management contracts is around two years.

Management Contracts without Minimum Guaranteed Income

45 of our properties across Australia, China, Indonesia, Japan, Malaysia, the Philippines, Singapore, the US and Vietnam are on management contracts without minimum guaranteed income. Under these management contracts, the income stream is dependent on the revenue per available unit of the properties.

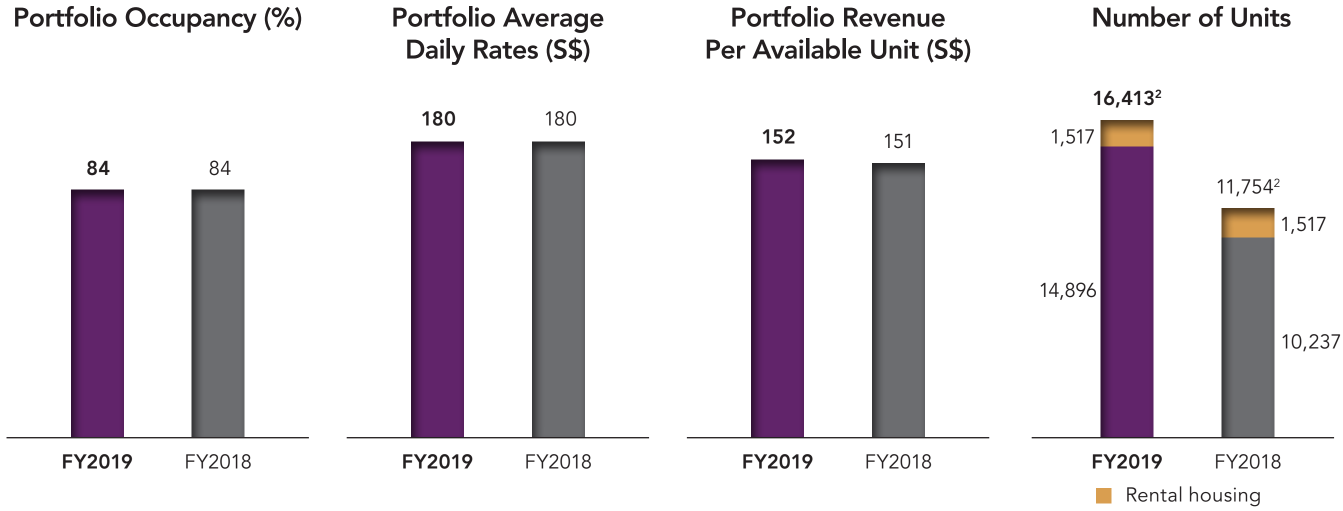
Lease Expiry for Master Leases[2] (%)



1 In Japan, ART's interests in properties are indirectly held as trust beneficial interests through the godo kaisha and tokutei mokuteki kaisha structures and Singapore special purpose vehicles.

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

Key Statistics of ART's Portfolio[1]



FY2019 Portfolio Information by Industry[3]

	Industry	
■	Industrial	22%
■	Consumers	17%
■	Government & NGOs	13%
■	Financial Institutions	11%
■	Manufacturing	11%
■	Information Technology	7%
■	Media & Telecommunications	5%
■	Real Estate/ Lodging	4%
■	Energy & Utilities	4%
■	Healthcare	3%
■	Others	3%
	Total	**100%**

FY2019 Top 10 Corporate Clients of ART by Rental Income

Corporate Client	Industry[4]	% of Total Apartment Income
Embassies of various countries	Government & NGOs	1.5%
Qantas	Consumers	0.8%
Toyota	Manufacturing	0.6%
Mitsubishi	Industrial	0.5%
Honda	Manufacturing	0.4%
Accenture	Consumers	0.3%
Denso	Industrial	0.3%
Samsung	Industrial	0.2%
Intel	Information Technology	0.2%
Bamboo Airways	Consumers	0.2%
Total		**5.0%**

1 Key statistics, other than the number of units, pertain to operational properties only and exclude rental housing and properties on master leases. Properties under the A-HTRUST portfolio which were acquired on 31 December 2019 were excluded as well.
2 Includes lyf one-north Singapore (324 units, subject to change). For FY2019, the number of units also includes 4,744 units from 14 properties under the A-HTRUST portfolio which were acquired on 31 December 2019.
3 Based on rental income for corporate accounts only.
4 Refers to the largest contributing industry for corporate clients with multiple business operations.

OPERATIONS REVIEW

Quest Sydney Olympic Park

Australia

As one of ART's key markets, Australia contributed 7% of total gross profit for FY2019[1], generated from a portfolio of one leasehold and five freehold properties situated across Sydney, Melbourne and Perth.

The 140-unit *Quest Sydney Olympic Park* is a 99-year leasehold property located within Sydney Olympic Park, near ANZ Stadium and Qudos Bank 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, while the 91-unit *Quest Mascot* is a five-minute drive away 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 of over 20 years[2].

The 380-unit *Citadines on Bourke Melbourne* is situated in the heart of Melbourne's central business district (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. In May 2019, ART added the freehold 150-unit *Citadines Connect Sydney Airport*[3] to the portfolio. Situated adjacent to Quest Mascot within close proximity to the Sydney Airport, the property is ART's first limited-service business hotel in Australia, targeting business travellers who are constantly online and on the go. The three Citadines properties operate under management contracts, with an average length of stay of less than one month.

On 31 December 2019, ART completed the combination with A-HTRUST and added six freehold properties to the Australia portfolio. The 241-unit *Pullman Sydney Hyde Park* and the 255-unit *Novotel Sydney Central* are business

12
Properties

2,629
Units

S$36.8[1]
million
TOTAL REVENUE (FY2019)

S$17.8[1]
million
TOTAL GROSS PROFIT (FY2019)

S$913.0
million
VALUATION (AS AT 31 DECEMBER 2019)

hotels located in the Sydney CBD, situated near well-known attractions such as the Sydney Darling Harbour and Paddy's Market. *Courtyard by Marriot Sydney-North Ryde* is a 196-unit business hotel centrally located in Macquarie Business Park and close to several commercial buildings popular with multinational corporations. *Novotel Sydney Parramatta* is situated in the Parramatta CBD, Sydney's fast-growing second CBD. The 194-unit business hotel is located close to visitor attractions and the main restaurant and entertainment precinct along Church Street.

The 378-unit *Pullman and Mercure Melbourne Albert Park* is a unique dual-branded hotel comprising 169 Pullman and 209 Mercure units. Overlooking the scenic Albert Park where the annual Australian Formula One Grand Prix is held, the property is also located close to the Melbourne CBD, the popular St Kilda Road precinct and the Royal Botanic Gardens. ART's first property in Brisbane, the 438-unit *Pullman and Mercure Brisbane King George Square* comprises a 16-storey Pullman Tower with 210 units and a 16-storey Mercure Tower with 228 units. Prominently situated in the Brisbane CBD and facing the Brisbane City Hall Museum, the hotel is within walking distance from the city's key attractions and landmarks.

2019 REVIEW

Australia's economy expanded 2.2% in 2019, supported by a stronger-than-expected growth in the final quarter of 2019[4]. Consumer and government spending fuelled the growth, partially offset by a slower construction industry[4].

International visitor arrivals to Australia grew 2.5% in 2019 to hit a record high of 8.7 million[5]. However, RevPAU declined 1.9% nationally, as room supply growth outweighed the growth in room demand[5]. Corporate travel demand also tightened during the year[5].

In line with the market, Citadines on Bourke Melbourne, the main contributor of ART's FY2019 Australia portfolio, saw softer leisure and corporate demand at the property, resulting in a decrease in RevPAU of about 3% y-o-y in FY2019 in AUD terms. Citadines St Georges Terrace Perth also registered a 2% decrease in RevPAU. While the acquisition of Citadines Connect Sydney Airport contributed to higher revenue in FY2019, the lower average room rates of the property, by virtue of its location and smaller room size, resulted in a lower average portfolio RevPAU. On a portfolio basis, RevPAU declined from AUD 149 to AUD 134 y-o-y.

2020 OUTLOOK

Recent climate-related events such as the bushfires and the COVID-19 outbreak have caused significant uncertainty that will temporarily weigh on the Australian economy. In addition, the near-term growth outlook for Australia's major trading partners is expected to be revised lower.

In response, the Australian government will be introducing a multibillion-dollar stimulus package, as it forecasts a 0.7% contraction in economic growth in the first quarter of 2020[6]. Recognising the importance of tourism and hospitality to the Australian economy, the government has also introduced a tourism recovery package, which includes a AUD 20 million domestic tourism campaign and a AUD 25 million campaign to market Australia as an international tourist destination[7].

1 Excluding contributions from properties under the A-HTRUST portfolio, which were acquired on 31 December 2019.
2 Including extension period at lessees' option.
3 The property was acquired on 1 May 2019 with an effective interest of 100%.
4 Source: Australian Bureau of Statistics (2020)
5 Source: CBRE (2020)
6 Source: The Guardian (2020)
7 Source: Tourism Australia (2020)

Novotel Sydney Central

On the supply front, an estimated 600 and 1,600 rooms are expected to enter the Sydney and Melbourne markets in 2020 respectively[1]. Oncoming supply will compress RevPAUs, although mitigated to an extent by sturdy demand from the leisure business segment and the Meetings, Incentives, Conventions and Exhibitions (MICE) component in Sydney[1]. Our Melbourne properties, due to their prime location, are also expected to capture the demand from the traditionally strong calendar of events.

New supply additions to the Perth market are tapering off, and market conditions are expected to improve in 2020 as the supply gets absorbed[2]. New non-stop direct flights to Perth are also expected to drive tourism[2]. Similarly, Brisbane hotels will likely see performance stabilise in the coming years, given the limited new supply and rising corporate demand[1]. A large pipeline of infrastructure projects is also expected to further drive economic activity and demand for accommodation in Brisbane[2].

In February 2020, ART acquired *Quest Macquarie Park Sydney*, a 111-unit freehold serviced residence situated in Macquarie Park Business Centre, Sydney's second largest business district. Operating under a similar lease structure as the other Quest properties, which comprises a fixed rental with annual indexation, the new Quest property will further expand the stable and resilient Australian master lease portfolio. The six hotels from the A-HTRUST portfolio will also start contributing to ART's earnings from 1 January 2020.

Gross Rental Income (AUD'000)		
	FY2019	FY2018
Citadines on Bourke Melbourne	21,659	22,161
Citadines St Georges Terrace Perth	3,625	3,699
Quest Campbelltown	1,824	1,754
Quest Mascot	2,150	2,201
Quest Sydney Olympic Park	3,667	3,555
Citadines Connect Sydney Airport[3]	3,289	–

Revenue Per Available Unit (AUD)		
	FY2019	FY2018
Citadines on Bourke Melbourne	151	156
Citadines St Georges Terrace Perth	113	115
Citadines Connect Sydney Airport[3]	89	–


Citadines Connect Sydney Airport

1 Source: HVS (2019)
2 Source: CBRE (2020)
3 The property was acquired on 1 May 2019 with an effective interest of 100%.

Citadines Toison d'Or Brussels

Belgium

ART owns two freehold serviced residences in Belgium, located in prime locations in Brussels. *Citadines Toison d'Or Brussels* comprises 155 units and is situated in the shopping district of Avenue Louise, close to the Royal Palace and major embassies. The 169-unit *Citadines Sainte-Catherine Brussels* sits on the edge of Brussels' historic centre, within a neighbourhood of cafes, restaurants and shops. It is also near the main business area and Grand Place, the city's central square and a UNESCO World Heritage Site.

Both properties in Belgium operate under management contracts with minimum guaranteed income, with an average length of stay of less than one month.

2019 REVIEW

In 2019, Belgium's GDP grew 1.4%, mainly supported by the service and construction sectors[1]. Strong employment growth, coupled with rising wages, tax cuts and a reduction in energy prices, resulted in higher purchasing power[1].

Overnight stays in Brussels increased 7% y-o-y in 2019[2]. Driven by higher demand, our properties achieved higher occupancy and average room rates, recording a growth in RevPAU of 11% y-o-y in FY2019, in EUR terms.

2020 OUTLOOK

The Organisation for Economic Cooperation and Development (OECD) expects Belgium's GDP growth to moderate to 1.1% in 2020, due to lower business investment and a slowdown in exports, mitigated by higher private consumption, which continues to be an important driver of growth[3].

2
Properties

324
Units

S$16.1
million
TOTAL REVENUE
(FY2019)

S$5.6
million
TOTAL GROSS PROFIT
(FY2019)

S$66.6
million
VALUATION
(AS AT 31 DECEMBER 2019)

The tourism sector's outlook for 2020 could be disrupted by continued global trade tensions and a prolonged softness in travel demand due to a general weakness in the global economy. The COVID-19 situation is likely to put further pressure on travel demand. According to the Brussels Hotels Association, the outbreak of the virus has had a negative impact on tourism in Brussels, with an estimated loss of EUR 10 million worth of hotel bookings since the start of February 2020[4]. On the bright side, on-coming supply into Brussels city centre is expected to moderate to approximately 300 rooms[5] in the next few years, representing only 1.5% of current supply. Brussels' central location in Europe, attractiveness as a conference destination as well as repute as the base for headquarters of international organisations including that of the European Union and NATO, will likely help to drive accommodation demand.

ART's Belgium properties are operating under management contracts with minimum guaranteed income. This enables ART to enjoy the protection of income from downside risks with unlimited upside potential.

Gross Rental Income (EUR'000)		
	FY2019	FY2018
Citadines Sainte-Catherine Brussels	5,273	4,515
Citadines Toison d'Or Brussels	4,307	3,930

Revenue Per Available Unit (EUR)		
	FY2019	FY2018
Citadines Sainte-Catherine Brussels	84	73
Citadines Toison d'Or Brussels	74	68

Citadines Sainte-Catherine Brussels

1 Source: National Bank of Belgium (2020)
2 Source: Visit Brussels (2020)
3 Source: Organisation for Economic Co-operation and Development (2020)
4 Source: Brussels Hotels Association (2020)
5 Source: HVS (2019)

Somerset Olympic Tower Property Tianjin

China

China is one of ART's key markets, contributing 8% of total gross profit for FY2019. ART has seven leasehold serviced residences across China in Dalian, Guangzhou, Shanghai, Shenyang, Suzhou, Tianjin and Wuhan. *Somerset Grand Central Dalian* is a 195-unit property situated in the central business district of the Dalian Development Area; *Ascott Guangzhou* is a 207-unit property that lies within the Tianhe CBD; *Somerset Xu Hui Shanghai* is a 168-unit property located in the exclusive Xu Hui residential district; *Somerset Heping Shenyang* is a 270-unit property that lies in the heart of Shenyang's main commercial and shopping district; *Somerset Olympic Tower Property Tianjin* is a 185-unit property situated in the Heping district, the city's prime commercial, entertainment and residential area; *Citadines Xinghai Suzhou* is a 167-unit property in the heart of the Suzhou Industrial Park; and *Citadines Zhuankou Wuhan* is a 249-unit property situated in the Wuhan Economic and Technological Development Zone. All properties in China are under management contracts. The average length of stay at the properties is more than seven months.

In December 2019, ART entered into sale and purchase agreements for the sale of Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan to unrelated third-party buyers. The divestments are expected to be completed by the second half of 2020.

2019 REVIEW

In 2019, China recorded a GDP growth of 6.1%, the lowest annual growth rate in almost three decades[2]. This was attributed to the trade row with the United States of America (US) as well as softer domestic and international demand[2]. Industrial production and retail sales both slowed as compared to the previous year[2].

7
Properties

1,441
Units

S$50.9
million
TOTAL REVENUE
(FY2019)

S$20.4
million
TOTAL GROSS PROFIT
(FY2019)

S$496.2[1]
million
VALUATION
(AS AT 31 DECEMBER 2019)

Growth in international visitor arrivals to Shanghai and Guangzhou moderated in the first 10 months of 2019, recording a y-o-y growth of 0.3% and 0.6% respectively[3]. Hotel room supply increased about 2% in Shanghai and Guangzhou. In Tianjin, new supply was limited at less than 1%, while that of Dalian and Suzhou was greater at 4% and 7% respectively[3].

Performance of ART's properties in the first-tier cities remained resilient. However, the second-tier cities faced greater competition from new supply. Trade tensions also affected demand from the corporate segment. As a portfolio, ART's China properties recorded a 4% y-o-y decline in RevPAU in FY2019, in RMB terms.

2020 OUTLOOK

Arising from the COVID-19 outbreak, the IMF has further cut China's 2020 GDP forecast to 5.6%. This assumes that China's economy returns to normal in the second quarter of 2020[4].

In the near term, COVID-19 fears and lock-down measures to curb the spread of the virus have affected China's economy, including tourism-related businesses. However, beyond the horizon, China, being the world's second largest economy, is likely to recover and retain its position as a key global market given its large population, growing middle-class and strong fundamentals. Some economists are of the view that the negative impact will be short-lived, and will not change the fundamentals of China's long term economic growth[5]. This is further backed by the government's commitment to introduce stimulus to mitigate the impact of the virus outbreak and support the recovery of the economy[6].

Somerset Grand Central Dalian

1 Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan are valued based on their respective selling prices net of transaction costs pursuant to the signing of the sale and purchase agreements on 18 December 2019.
2 Source: Channel NewsAsia (2020)
3 Source: HVS (2019)
4 Source: International Monetary Fund (2020)
5 Source: Reuters (2020)
6 Source: The Business Times (2020)

OPERATIONS REVIEW

CHINA

Shanghai, the economic hub and financial centre of China, is well-recognised as an international business destination. With its extensive infrastructure and facilities, the city has played host to many large-scale international events and aspires to be a potential Olympics 2032 host. While there is significant new supply in the pipeline, the city is expected to continue its growth trajectory over the next few years, given the strong underlying corporate, leisure and MICE demand. In 2020, supply is expected to increase by about 3% y-o-y[1].

With China's "Belt and Road Initiative", Guangzhou will benefit from the completion of more infrastructural developments, including the expansion of the current airport by 2022 and the construction of a second international airport by 2023. Given its core position as a hub city in the Pearl River Delta and the Greater Bay Area, Guangzhou is expected to continue enjoying sustainable economic expansion and increasing foreign direct investment. Nonetheless, given the significant supply of midscale and upscale hotels in the pipeline, RevPAUs may come under pressure[1].

In Tianjin, foreign investment has slowed amid the uncertainty around the US-China trade war. Correspondingly, demand from the corporate segment has been declining. The city, nevertheless, remains as one of China's most important industrial bases and is expected to strengthen its status with more upcoming developments in the Binhai New Area. Tianjin's importance is also expected to be elevated, with the government's plans to promote the city as the economic powerhouse to support Beijing's growth. In 2020, hotel room supply is expected to increase by about 2% y-o-y[1].

With the sale of Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan, ART will exit from the cities of Suzhou and Wuhan. Following the divestments, expected to complete by the second half of 2020, ART will have a smaller presence in China's second-tier cities where the operating environment is more challenging. As a portfolio, China's contribution to ART's total gross profit is expected to reduce to below 5%, post-combination with A-HTRUST and the divestment of the two China properties.

Ascott Guangzhou

Gross Rental Income (RMB'000)		
	FY2019	FY2018
Ascott Guangzhou	47,713	46,893
Citadines Xinghai Suzhou	18,882	20,736
Citadines Zhuankou Wuhan	26,649	26,297
Somerset Grand Central Dalian	34,536	39,700
Somerset Heping Shenyang	30,636	34,472
Somerset Olympic Tower Property Tianjin	46,047	44,319
Somerset Xu Hui Shanghai	44,926	45,156

Revenue Per Available Unit (RMB)		
	FY2019	FY2018
Ascott Guangzhou	613	603
Citadines Xinghai Suzhou	307	337
Citadines Zhuankou Wuhan	278	275
Somerset Grand Central Dalian	450	528
Somerset Heping Shenyang	311	350
Somerset Olympic Tower Property Tianjin	578	572
Somerset Xu Hui Shanghai	720	736

1 Source: HVS (2019)

La Clef Louvre Paris

France

France is one of ART's key markets, contributing 12% to total gross profit for FY2019. ART has 17 freehold serviced residences in France. 10 properties are located in the French capital of Paris, near iconic landmarks such as the Eiffel Tower, The Louvre, Notre Dame, Arc de Triomphe and the shopping street of Champs-Élysées. The seven remaining properties are located in the regional cities of Cannes, Grenoble, Lille, Lyon, Marseille and Montpellier. These properties are all conveniently located in the central districts of their respective cities.

ART's 17 properties in France are all under master leases, with remaining lease terms varying between less than one year and two years.

2019 REVIEW

The French economy expanded by 1.2% in 2019, weighed down by a rare contraction in the last quarter of 2019[1]. The country experienced a transport strike towards the end of 2019 which dampened consumer spending, while business investments were softer on the back of a worldwide economic slowdown that weighed on exports[2].

France continues to be the most-visited country in 2019, attracting more than 90 million visitors[3], supported by major events in Paris, such as the Ryder Cup, the Gay Games, the Paris Air Show and the Paris Motor Show[4]. This is despite the continued 'yellow vests' anti-government protests throughout the year and the weakening of the GBP, with visitors from the United Kingdom being France's largest source of tourists.

In late 2018, ART renewed six of its master leases. As the market environment has changed from a decade ago when these leases were first signed, these leases were renewed at lower aggregated rates. This resulted in a 3% y-o-y decline in the France portfolio revenue in FY2019, in EUR terms.

17
Properties

1,672
Units

S$33.3
million
TOTAL REVENUE
(FY2019)

S$30.3
million
TOTAL GROSS PROFIT
(FY2019)

S$505.3
million
VALUATION
(AS AT 31 DECEMBER 2019)

2020 OUTLOOK

In December 2019, the central bank of France revised its forecasted 2020 GDP growth downwards to 1.1%[5]. The central bank attributed the slower growth to the deterioration of the international environment, which it expects to weigh on French exports.

In the near term, the French economy and the tourism industry will likely take a hit from the COVID-19 outbreak. With fewer inbound visitors from China, tourist spending will likely be softer in 2020[6]. Anti-government protests and the weakening of the GBP could also continue to impact the demand for travel[6]. Despite the near-term uncertainty, the fixed rental, subject to indexation, that ART receives from the master lease arrangements provides a steady and stable flow of income stream.

In the longer term, France continues to rank as one of the most visited countries in the world, and targets to receive 100 million international visitors by 2022[7]. Paris remains one of the world's leading business and cultural centres and is also one of Europe's most important centres for banking, international business and commerce. Its numerous historic and cultural attractions will continue to appeal to visitors globally.

Up till 2021, new room supply into Paris is expected to be limited, at approximately 2,500 rooms[4]. Having one of the largest networks of hotel accommodation in the world, there are barriers to entry for new hotels. The high density of Paris also constrains the construction of new hotels in the city centre.

Gross Rental Income (EUR'000)		
	FY2019	FY2018
Citadines Antigone Montpellier	534	522
Citadines Austerlitz Paris	327	320
Citadines Castellane Marseille	364	356
Citadines City Centre Grenoble	461	853
Citadines City Centre Lille	740	963
Citadines Croisette Cannes	318	311
Citadines Didot Montparnasse Paris	1,187	1,167
Citadines Les Halles Paris	3,356	3,342
Citadines Maine Montparnasse Paris	965	944
Citadines Montmartre Paris	1,428	1,843
Citadines Place d'Italie Paris	2,052	2,005
Citadines Prado Chanot Marseille	469	294
Citadines Presqu'île Lyon	1,056	1,032
Citadines République Paris	1,022	1,000
Citadines Tour Eiffel Paris	2,514	2,349
Citadines Trocadéro Paris	1,600	1,975
La Clef Louvre Paris	1,678	1,646

1 Source: National Institute of Statistics and Economic Studies (2020)
2 Source: Reuters (2020)
3 Source: The Independent (2020)
4 Source: HVS (2019)
5 Source: Bank of France (2019)
6 Source: Paris Tourist Office (2020)
7 Source: Ministry of the Economy and Finance (2019)

OPERATIONS REVIEW

Citadines Kurfürstendamm Berlin

Germany

ART owns five serviced residences in Germany. *Citadines Kurfürstendamm Berlin*, a 117-unit freehold property, is a short walk from Kurfürstendamm, an upscale retail neighborhood. *Citadines City Centre Frankfurt* is a 165-unit freehold property that is located in the city centre, surrounded by numerous retail and commercial developments. The 127-unit leasehold *Citadines Michel Hamburg* and 166-unit freehold *The Madison Hamburg* are strategically located near Hamburg city centre. *Citadines Arnulfpark Munich* is a 146-unit freehold property located close to Olympia Shopping Centre, Munich's main shopping mall.

All five properties operate under master lease arrangements with remaining lease terms varying between 12 and 20 years[1]. ART receives a fixed rental subject to annual indexation, enhancing the income stability of the portfolio.

2019 REVIEW

Germany's economy grew 0.6% in 2019, its weakest expansion in six years[2]. While consumption expenditure remained healthy, growth of the economy has slowed in recent years due to softer exports of goods on the back of trade tensions and slowing car sales. With the country recording a budget surplus of EUR 49.8 billion in 2019, there have been calls for the government to increase spending to stimulate the economy[3].

The number of overnight stays in Germany reached a record high of 495 million, a 3.7%[2] increase in 2019. This growth was driven by both domestic travellers and international visitors[2].

ART's German properties performed better as compared to last year, due to yearly rental indexation. For FY2019, revenue increased 3% y-o-y in EUR terms.

5
Properties

721
Units

S$15.4 million
TOTAL REVENUE (FY2019)

S$14.2 million
TOTAL GROSS PROFIT (FY2019)

S$248.7 million
VALUATION (AS AT 31 DECEMBER 2019)

2020 OUTLOOK

The Federal Ministry for Economic Affairs and Energy estimates the German economy to grow 1.1% in 2020, driven by domestic demand on the back of higher employment rates and wages and the recovery of industrial production[4]. However, the recent spread of COVID-19 to Germany, coupled with the slowdown in China, a major trading partner of Germany, is expected to dampen recovery[5].

Hotel performance in Germany is expected to come under pressure due to the substantial pipeline of new hotels. Supply of approximately 30,000 new rooms from 2019 to 2022 is expected to enter into the key German cities of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich[6].

Berlin remains attractive to leisure and MICE travellers. While the city's tourism is heavily focused on domestic visitors, the opening of the new Brandenburg Airport will help to increase passenger handling capacity[7].

As the largest financial centre in the continent, Frankfurt remains a popular destination for both domestic and international visitors. The city also boasts an established identity as a convention destination, with the potential to further develop as a leisure destination[7].

Hamburg continues to draw business and conference travellers as well as tourists, owing to its accessibility, business infrastructure and numerous cultural and architectural attractions. The city's harbour, the largest port in Germany and third busiest in Europe, plays an important role in commercial shipping and as a cruise destination[7].

Munich remains a preferred destination for the corporate, meeting and event market, hosting some of the largest international trade fairs and events in Europe[7]. The city has also become a popular leisure destination, with strong demand driven by guests coming for healthcare services, shopping and sightseeing.

With the German Consumer Price Index expected to increase between 1% to 2% in 2020[8], we expect our five German properties to continue contributing resilient and stable income to ART.

Gross Rental Income (EUR'000)	FY2019	FY2018
Citadines Kurfürstendamm Berlin	1,074	1,060
Citadines Arnulfpark Munich	1,406	1,385
Citadines City Centre Frankfurt	2,063	2,029
Citadines Michel Hamburg	1,723	1,694
The Madison Hamburg	3,232	3,214

1 Including extension period at lessees' option.
2 Source: Federal Statistical Office of Germany (2020)
3 Source: CNBC (2020)
4 Source: Federal Ministry for Economic Affairs and Energy (2020)
5 Source: Bloomberg (2020)
6 Source: CBRE (2019)
7 Source: HVS (2019)
8 Source: Organisation of Economic Co-operation and Development (2020)

Somerset Grand Citra Jakarta

Indonesia

ART owns two leasehold properties in Indonesia. *Ascott Jakarta*, a 204-unit serviced residence is located in the Golden Triangle of Jakarta, the city's main business, shopping and entertainment district. *Somerset Grand Citra Jakarta*, a 203-unit serviced residence, is located close to the Golden Triangle, and surrounded by offices, embassies, convention centres and shopping centres.

The properties operate under management contracts and have an average length of stay of more than five months.

2019 REVIEW

According to Statistics Indonesia, the country's economy expanded by 5.0% in 2019, falling short of its 5.3% target[1]. This was due to weaker investments and exports on the back of the trade war between the US and China, partially mitigated by relatively strong household spending which contributed about 56% of GDP[2].

International tourist arrivals grew 1.9% y-o-y to reach 16.1 million in 2019, spurred by increased visits to Bali and Batam[1]. Jakarta recoded a 14.1%[1] decline in international visitors. RevPAU declined about 4% y-o-y in 2019, on the back of lower occupancies[3]. In contrast, ART's properties in Indonesia recorded a 4% y-o-y growth in RevPAU in FY2019, in USD terms. This was mainly due to stronger performance at Somerset Grand Citra, following the asset enhancement works which were completed in 2019.

2020 OUTLOOK

Bank Indonesia expects softer tourism and trade activities to weigh on the country's growth in the first quarter of 2020, on the back of the COVID-19 outbreak, before picking up again in the following months. Indonesia's 2020 GDP forecast has been revised downwards to range between 5.0% to 5.4%[4].

2
Properties

407
Units

S$15.7 million
TOTAL REVENUE (FY2019)

S$5.5 million
TOTAL GROSS PROFIT (FY2019)

S$102.1 million
VALUATION (AS AT 31 DECEMBER 2019)

To mitigate the impact of the COVID-19 outbreak, the Indonesian government has unveiled a IDR 10.3 trillion (USD 725 million) stimulus package to support consumer spending and tourism. The government is also working on a second stimulus package, aimed at easing rules for exports and imports, as supply chains continue to be disrupted by the spread of COVID-19[4].

Approximately 1,700 new rooms[3] will enter the Jakarta market in 2020. The large room supply is expected to put a strain on hotel performance[3]. In the medium to long term, Jakarta plans to invest IDR 571 trillion (about USD 42 billion) to upgrade its transportation and general infrastructure, improve traffic conditions and attractiveness of the city. In addition, Indonesia's tourism plan, "10 New Bali", which seeks to develop 10 new tourist spots, should see Jakarta elevating its standing as a leisure destination.

Gross Rental Income (USD'000)		
	FY2019	FY2018
Ascott Jakarta	6,356	6,216
Somerset Grand Citra Jakarta	4,935	4,884

Revenue Per Available Unit (USD)		
	FY2019	FY2018
Ascott Jakarta	84	83
Somerset Grand Citra Jakarta	65	62

Ascott Jakarta

1 Source: Statistics Indonesia (2020)
2 Source: The Straits Times (2020)
3 Source: CBRE (2020)
4 Source: The Jakarta Post (2020)

Citadines Central Shinjuku Tokyo

Japan

As one of ART's key markets, Japan contributed 12% of total gross profit for FY2019[1], generated from a portfolio of four freehold serviced residences and 11 freehold rental housing properties.

The 206-unit *Citadines Central Shinjuku Tokyo* and 160-unit *Citadines Shinjuku Tokyo* are located in the bustling entertainment area of Shinjuku. *Somerset Azabu East Tokyo* comprises 79 units and is strategically located near Tokyo's CBD. The 124-unit *Citadines Karasuma-Gojo Kyoto* is located close to Gojo subway station, the business district and entertainment areas of Kyoto. The four properties are under management contracts and have an average length of stay of more than one month.

ART's rental housing properties are located across five cities - Fukuoka, Hiroshima, Osaka, Tokyo and Sapporo. All the properties are conveniently located close to public transportation, supermarkets and other lifestyle amenities. The rental housing properties are under management contracts and have an average length of stay of more than one year.

Following the combination with A-HTRUST on 31 December 2019, ART added five quality freehold assets to its Japan portfolio. *Sotetsu Grand Fresa Tokyo-Bay Ariake* (formerly known as Hotel Sunroute Ariake) is a 912-unit hotel located within the Tokyo Secondary City Centre, in close proximity to Big Sight, a major international convention centre, Ariake Colosseum and retail options. *Sotetsu Grand Fresa Osaka-Namba* (formerly known as Hotel Sunroute Osaka Namba) comprises 698 units and is centrally located in Namba. The 168-unit *Hotel WBF Kitasemba East*, 168-unit *Hotel Kitasemba West* and 182-unit *Hotel WBF Honmachi* are located in the Honmachi district of Osaka, and are in close proximity to the CBD, leisure destinations and the entertainment precinct, Dotonbori. All five properties are under master leases, providing stable income streams to ART.

20
Properties

4,214
Units

S$57.0[1]
million
TOTAL REVENUE
(FY2019)

S$29.9[1]
million
TOTAL GROSS PROFIT
(FY2019)

S$1,384.4
million
VALUATION
(AS AT 31 DECEMBER 2019)

2019 REVIEW

Japan's GDP growth slowed in the fiscal year of 2019, on weakening global demand amidst a slowdown in China's economy and rising global trade protectionism[2]. The trade dispute with South Korea also weighed on overall growth as South Korean tourists cut spending in Japan[3]. In the last quarter of 2019, Japan's economy shrank at an annualised rate of 6.3%, as consumer and business spending were hit by a sales tax hike effected in October 2019[3].

Despite the hurricane that occurred in late 2019 and the trade dispute with South Korea, the number of foreign visitors to Japan reached a record high, boosted by a successful Rugby World Cup. Visitor arrivals exceeded 32 million, an increase of about 2.2% y-o-y[4].

In FY2019, the RevPAU of ART's serviced residences increased 4% y-o-y in JPY terms, mainly due to an increase in average room rates on the back of stronger leisure demand. The performance of the rental housing properties was largely stable in FY2019.

2020 OUTLOOK

In the near term, the COVID-19 outbreak is expected to dampen growth sentiments in Japan. The production and supply chains of Japanese companies which procure parts from China are likely to be disrupted[5]. Japan's visitor arrivals and tourism consumption are also expected to be impacted with China being one of Japan's key source markets. Analysts see the economy shrinking more than 2% in the first quarter of 2020, fuelling fears of a recession[3].

Late last year, the Japanese government approved a USD 120 billion stimulus package to cushion against weakness in external demand. In response to the COVID-19 outbreak, the government has also announced a further USD 96 million package of emergency funds to support affected businesses[3].

Barring a prolonged slowdown in travel demand due to the virus, 2020 is expected to be a significant year for Japan as it prepares for the Tokyo Olympics and Paralympics. Japan targets to attract a total of 40 million visitors and JPY 8 trillion (USD 76 billion) in tourist spending for 2020[6].

Infrastructural developments in preparation for the upcoming Games include the expansion of and increase in international flights in and out of Haneda International Airport[7].

These developments and the strong growth in inbound tourists over the past few years have spurred the development of new hotels[7]. Competition in the lodging space is therefore expected to increase. Notwithstanding the competition and assuming the COVID-19 situation improves, ART's properties are expected to benefit from the much-anticipated Games to be held in the second half of 2020. ART's portfolio of rental housing properties will continue to offer income stability to ART. The tenants, mainly from the corporate, domestic and long-stay segments, generally sign long leases with tenures of between one to two years and are less likely to relocate even during uncertain times.

Sotetsu Grand Fresa Tokyo-Bay Ariake

1 Excluding contributions from properties under the A-HTRUST portfolio, which were acquired on 31 December 2019.
2 Source: Cabinet Office, Japan (2019)
3 Source: Japan Times (2019, 2020)
4 Source: JTB Tourism Research & Consulting Co. (2020)
5 Source: Nippon (2020)
6 Source: Cushman & Wakefield (2019)
7 Source: Jones Lang LaSalle (2019)

Gross Rental Income (JPY'000)		
	FY2019	FY2018
Citadines Central Shinjuku Tokyo	1,060,863	1,015,878
Citadines Karasuma-Gojo Kyoto	430,923	431,386
Citadines Shinjuku Tokyo	802,169	781,735
Somerset Azabu East Tokyo	305,005	279,577
Actus Hakata V-Tower	247,451	242,579
Big Palace Kita 14jo	106,950	108,275
Gravis Court Kakomachi	46,210	47,165
Gravis Court Kokutaiji	35,106	35,252
Gravis Court Nishiharaekimae	28,121	27,815
Infini Garden	495,418	527,946
Roppongi Residences Tokyo	181,535	176,017
S-Residence Fukushima Luxe	170,958	169,223
S-Residence Hommachi Marks	90,452	91,199
S-Residence Midoribashi Serio	83,449	82,122
S-Residence Tanimachi 9 chome	99,980	99,801

Serviced Residences Revenue Per Available Unit (JPY)		
	FY2019	FY2018
Citadines Central Shinjuku Tokyo	13,069	12,519
Citadines Karasuma-Gojo Kyoto	9,521	9,531
Citadines Shinjuku Tokyo	13,736	13,386
Somerset Azabu East Tokyo	10,360	9,479

Rental Housing Rental Per Square Metre (JPY)		
	FY2019	FY2018
Actus Hakata V-Tower	2,411	2,380
Big Palace Kita 14jo	2,113	2,135
Gravis Court Kakomachi	2,023	2,235
Gravis Court Kokutaiji	2,159	2,153
Gravis Court Nishiharaekimae	2,228	1,879
Infini Garden	1,294	1,330[1]
Roppongi Residences Tokyo	4,103	4,064
S-Residence Fukushima Luxe	3,083	3,052
S-Residence Hommachi Marks	2,650	2,675
S-Residence Midoribashi Serio	2,653	2,650
S-Residence Tanimachi 9 chome	2,843	2,895

1 Upon expiry of the master lease arrangement, the property is operated under a management contract with effect from 1 July 2018. The rental per square metre relates to the second half of 2018.

Somerset Kuala Lumpur

Malaysia

ART owns one freehold serviced residence in Kuala Lumpur, Malaysia. *Somerset Kuala Lumpur* (formerly known as Somerset Ampang Kuala Lumpur) comprises 205 units and is located along Jalan Ampang, within proximity to several embassies, offices and shopping centres. The location also provides quick access to Kuala Lumpur's Golden Triangle, which is the city's commercial, shopping and entertainment district.

Operating under a management contract, the serviced residence has an average length of stay of less than three months.

2019 REVIEW

According to Bank Negara Malaysia, Malaysia's economy expanded by 4.3% in 2019, lower than forecasted, as a result of a challenging external environment, disruptions in commodity-related sectors and contraction in public investment activity[1].

According to Tourism Malaysia, visitor arrivals increased 3.7% y-o-y for the first nine months of 2019[2]. Supply in the city continued to outweigh the demand for accommodation, putting pressure on room rates. In FY2019, ART's Malaysia property registered a decline in RevPAU of 9% y-o-y in MYR terms due to keen competition.

2020 OUTLOOK

The Malaysian government forecasts its economy to expand by 4.8%[3] in 2020. Strong domestic demand is expected to drive the economy, partly offset by weak exports. Given the COVID-19 situation, the Malaysian government may bring forward its stimulus package, which it had planned to address the risks arising from the US-China trade war, if necessary. China is Malaysia's biggest export destination and a protracted slowdown in demand from China could impact growth[3].

1
Property

205
Units

S$4.5
million
TOTAL REVENUE
(FY2019)

S$0.9
million
TOTAL GROSS PROFIT
(FY2019)

S$48.2
million
VALUATION
(AS AT 31 DECEMBER 2019)

Through its "Visit Malaysia 2020" campaign, Tourism Malaysia aims to attract 30 million visitors to the country in 2020[2]. Apart from marketing and promotional activities, a slew of incentives has been set aside for the campaign, including funding for tourism industry players as well as to drive Malaysia's branding as a destination for medical tourism.

Approximately 1,100 hotel rooms are expected to enter the market in 2020, followed by a larger supply in the next few years up to 2023[4]. To curb the expected oversupply, the Kuala Lumpur City Hall has frozen the approval of hotel licences for new hotels since 2016.

Our Malaysian team will continue to drive sales and marketing efforts, and focus on securing longer-stay accounts. Nonetheless, with only one property in Malaysia contributing less than 1% to total gross profit, the challenging environment is unlikely to have a significant impact on ART's overall portfolio performance.

Gross Rental Income (MYR'000)		
	FY2019	FY2018
Somerset Kuala Lumpur	13,470	14,838

Revenue Per Available Unit (MYR)		
	FY2019	FY2018
Somerset Kuala Lumpur	180	198

1 Source: Bank Negara Malaysia (2020)
2 Source: Tourism Malaysia (2019)
3 Source: Ministry of Finance (2020)
4 Source: HVS (2019)

Ascott Makati

The Philippines

ART owns two serviced residences in the Philippines. *Ascott Makati* is a 362-unit, leasehold property located within Glorietta Mall 4, a retail and commercial complex situated in the Ayala Triangle, an upscale area comprising shopping malls, modern office buildings, first-class restaurants and bars. It is surrounded by multinational companies, international banks, the Philippine Stock Exchange and embassies. *Somerset Millennium Makati* is a 133-unit freehold property located in the shopping and business district of Makati City.

Both properties are under management contracts and have an average length of stay of less than two months.

2019 REVIEW

According to the Philippine Statistics Authority, the Philippine economy expanded by 5.9% in 2019[1]. Growth fell short of the initial target as delays in budget approval resulted in underspending by the government on infrastructure projects. Global economic slowdown and uncertainty over structural reforms on corporate income tax and financial incentives also impacted foreign direct investments[2].

The Philippines welcomed 8.26 million visitors in 2019, surpassing its target of 8.2 million[3]. Visitor arrivals were boosted in the fourth quarter of the year when the country hosted the Southeast Asian Games. For the first nine months of 2019, RevPAU in Manila grew 5.6%[4].

In FY2019, ART's properties in the Philippines registered a 12% y-o-y growth in RevPAU in PHP terms, in line with the market and as a result of higher corporate demand and stronger performance at Ascott Makati, following the asset enhancement works which were completed in 2018.

2
Properties

495
Units

S$25.6
million
TOTAL REVENUE
(FY2019)

S$8.9
million
TOTAL GROSS PROFIT
(FY2019)

S$137.8
million
VALUATION
(AS AT 31 DECEMBER 2019)

2020 OUTLOOK

The Philippine government's GDP target for 2020 is 6.5% to 7.5%[5]. The government has allocated 24% of its 2020 budget of about USD 80 billion to infrastructure projects[6]. The boost in spending is expected to fuel investment in 2020. In view of the slowdown in the global economy, the Philippine Central Bank cut its key interest rate by 25 basis points to 3.75% in February 2020 in a bid to boost the economy[7].

In view of the developing COVID-19 situation, the Department of Tourism will be spending about PHP 6 billion (about USD 120 million) to boost the tourism industry. Most of the funding will be allocated towards infrastructure development and expansion, and a campaign to promote domestic travel[3]. A new passenger terminal building at Clark International Airport is slated to open in 2020, increasing passenger handling capacity and enabling travellers to bypass the congested Manila Ninoy Aquino International Airport.

With approximately 1,000 new rooms being added to the market in 2020, hotel occupancy in Manila could be affected, as a result of increased competition[4]. However, in the longer term, with the onward strategy following the "National Tourism Development Plan 2016-2022", increase in infrastructure development and continued marketing efforts by its Tourism Board, the Philippines is set to continue its growth trajectory and has the potential to position itself as a pioneering destination for sustainable tourism[4].

Gross Rental Income (PHP'000)		
	FY2019	FY2018
Ascott Makati	753,117	668,583
Somerset Millennium Makati	173,791	159,865

Revenue Per Available Unit (PHP)		
	FY2019	FY2018
Ascott Makati	5,418	4,809
Somerset Millennium Makati	3,458	3,176

1 Source: Philippine Statistics Authority (2020)
2 Source: Reuters (2019)
3 Source: Department of Tourism (2019, 2020)
4 Source: HVS (2019)
5 Source: National Economic and Development Authority (2019)
6 Source: Asia Times (2020)
7 Source: The Philippine Central Bank (2020)

Citadines Mount Sophia Property Singapore

Singapore

Singapore is one of ART's key markets, contributing 11% of total gross profit for FY2019[2]. *Ascott Orchard Singapore* is a 220-unit leasehold serviced residence located in the prime Orchard entertainment and commercial district, with easy access to the CBD via the Orchard MRT station and Somerset MRT station. The property is under a master lease arrangement with a remaining lease term of three years.

Citadines Mount Sophia Property Singapore comprises 154 units. The leasehold serviced residence is strategically located in Singapore's arts and culture hub with easy access to Orchard Road and the CBD. *Somerset Liang Court Property Singapore* is a 197-unit leasehold serviced residence located in the heart of the Clarke Quay entertainment precinct. It is directly connected to Fort Canning MRT station and within walking distance to Clarke Quay MRT station. Both properties are under management contracts and have an average length of stay of more than two months.

Following the combination with A-HTRUST on 31 December 2019, ART added *Park Hotel Clarke Quay* to its Singapore portfolio. The 336-unit leasehold hotel is also located in Clarke Quay, within proximity to the CBD and has excellent transport connectivity. The property is under a master lease with a remaining term of four years.

ART's maiden development project and first coliving property, *lyf one-north Singapore*, is located in the prominent research and innovation business hub of one-north. The property, with estimated 324 units, is expected to open in 2021.

2019 REVIEW

The Ministry of Trade and Industry (MTI) reported that the Singapore economy expanded by 0.7% in 2019, a marked decline from the growth of 3.4% recorded in the previous year[4]. Growth in 2019 was mainly supported by the services producing industries, in particular, the finance and insurance sectors, partially offset by the slowdown in the manufacturing sector[4].

5[1]
Properties

1,231[1]
Units

S$45.3[2] **million**
TOTAL REVENUE (FY2019)

S$27.3[2] **million**
TOTAL GROSS PROFIT (FY2019)

S$1,248.5[3] **million**
VALUATION (AS AT 31 DECEMBER 2019)

Visitor arrivals grew 3.3% to reach 19.1 million[5] in 2019. Coupled with the limited increase in room inventory of 2.7%[6], the hotel industry enjoyed higher occupancy and average room rates, and registered a RevPAU growth of 2.6%[5].

In line with the market, ART's properties under management contracts recorded a 8% y-o-y increase in RevPAU in FY2019.

During the year, ART divested *Ascott Raffles Place Singapore* at S$353.3 million, approximately 64% above its book value. The divestment, which is in line with ART's strategy to proactively reconstitute its portfolio, unlocked net gains of S$135.5 million.

In November 2019, ART announced the divestment of partial gross floor area (GFA) in Somerset Liang Court Property Singapore with plans to redevelop the retained GFA into a brand new Somerset serviced residence. The new property, with a hotel licence and refreshed lease term of 99 years, will be part of an iconic waterfront integrated development. The redevelopment cost will be funded by proceeds from the sale of partial GFA. The divestment is expected to complete in the second quarter of 2020 and the new property is scheduled to open in the second half of 2024.

2020 OUTLOOK

After the COVID-19 breakout, the MTI revised Singapore's 2020 GDP growth forecast to between -0.5% and 1.5%[4]. While the latest GDP forecast range includes the possibility of a recession, the ministry stated that the baseline view was for the economy to grow around 0.5% for the year.

COVID-19 containment measure have resulted in disruptions to supply chains and industrial production activity. Domestic consumption has also declined as locals cut back on shopping and dining out.

In the short term, the Singapore Tourism Board (STB) expects the demand for travel and tourist arrivals into Singapore to be impacted by the COVID-19 situation. In response, the STB has launched a S$90 million initiative aimed at helping the tourism sector ride through the challenging times, which includes campaigns to drive visitorship to Singapore and funding support for businesses[5]. In addition, the Ministry of Finance has also announced property tax rebates of 30% for licensed hotels and serviced apartments[7].

As operations at Somerset Liang Court Property Singapore wind down in preparation for the redevelopment works in the second quarter of 2020, ART will continue to receive stable income from two of our properties which are operating under master lease arrangements.

In the longer term, the outlook of the Singapore market remains positive. Upcoming developments such as the Mandai eco-tourism hub, rejuvenation plans for Bugis Street/Bugis Village, Jurong Lake District and Orchard Road, and the addition of Changi Airport Terminal 5, are expected to support visitor growth[5]. Given the limited supply of approximately 1,800 rooms from 2020 to 2022[8], Singapore is expected to continue its growth momentum.

Gross Rental Income (S$'000)		
	FY2019	FY2018
Ascott Orchard Singapore	15,569	13,667
Ascott Raffles Place Singapore[9]	3,015	8,202
Citadines Mount Sophia Property Singapore	8,870	8,448
Somerset Liang Court Property Singapore	17,688	16,206

Revenue Per Available Unit (S$)		
	FY2019	FY2018
Citadines Mount Sophia Property Singapore	158	150
Somerset Liang Court Property Singapore	246	225

1 Includes the 324-unit lyf one-north Singapore, which is under development. Number of units is subject to change.
2 Excluding contributions from Park Hotel Clarke Quay, the property under the A-HTRUST portfolio, which was acquired on 31 December 2019.
3 The valuation of Somerset Liang Court Property Singapore was based on the independent valuation conducted by Knight Frank Pte Ltd for the portion of gross floor area to be divested, plus the independent valuation conducted by HVS for the retained portion.
4 Source: Ministry of Trade and Industry (2020)
5 Source: Singapore Tourism Board (2020)
6 Source: CBRE (2020)
7 Source: Channel News Asia (2020)
8 Source: HVS (2019)
9 The property was divested on 9 May 2019.

Sotetsu Hotels The Splaisir Seoul Dongdaemun

South Korea

Through the combination with A-HTRUST, ART has expanded our footprint into Seoul, South Korea with the addition of two freehold properties.

Sotetsu Hotels The Splaisir Seoul Dongdaemun[1] is a 215-unit four-star hotel located in the wholesale and retail precinct of Dongdaemun, one of the most popular destinations in Seoul. Landmarks within its vicinity include the Changdeokgung Palace, Dongdaemun Design Plaza and the Doota Mall. The hotel enjoys easy access to other parts of Seoul via the Dongdaemun History & Culture Park Station, which is a short walk away.

ibis Ambassador Seoul Insadong[2] comprises 363 hotel units and is strategically located near Jung-gu, one of the major business districts in Seoul, where many large Korean corporates and financial institutions are based. It is also located near prominent tourist destinations such as the Insadong retail precinct, the Changdeokgung Palace and the Jongmyo Shrine. A short walking distance away is the Jongno 3-ga Station, which runs three lines of the Seoul metropolitan subway, offering convenient and excellent connectivity to other parts of the city.

Both hotels are under master lease agreements with remaining lease terms of approximately 18 years for Sotetsu Hotels The Splaisir Seoul Dongdaemun and 14 years for ibis Ambassador Seoul Insadong. Both hotels will begin contributing to ART's earnings from 1 January 2020.

2
Properties

578
Units

S$190.1
million
VALUATION
(AS AT 31 DECEMBER 2019)

As the two properties were acquired on 31 December 2019, there were no contributions towards ART's Total Revenue and Total Gross Profit for FY2019.

2020 OUTLOOK

In late 2019, the Ministry of Economy and Finance had projected that the South Korea economy would expand 2.4% in 2020 as it seeks to stimulate the economy through expansionary fiscal policies[3]. Exports, being the country's main GDP contributor, were expected to improve over 2019 on the back of the 'Phase One' trade deal signed between the US and China, two of the biggest trade partners of South Korea[4]. The government's plans to ease investment regulations and boost spending on job creation are also expected to contribute to the growth of the economy. However, due to the recent outbreak of COVID-19, there are risks that such recovery could falter.

Amidst the ongoing spread of COVID-19 and with China being South Korea's largest source market, total visitor arrivals into Seoul will be affected in the near term. South Korea was on track to receive a record number of international visitors in 2019 and aimed to draw more than 20 million international visitors in 2020[5]. In the short to medium term, hotel trading performance is expected to be supported by Seoul's attractiveness as a tourist destination and the limited room supply in the pipeline[6].

With both of ART's properties operating under master lease agreements, ART is expected to receive stable income streams from these properties.

ibis Ambassador Seoul Insadong

1 The property was acquired on 31 December 2019 with an effective interest of 98.7%.
2 The property was acquired on 31 December 2019 with an effective interest of 98.8%.
3 Source: Ministry of Economy and Finance (2019)
4 Source: Financial Times (2019)
5 Source: Ministry of Culture, Sports and Tourism (2019)
6 Source: Jones Lang LaSalle (2019)

Citadines Ramblas Barcelona

Spain

ART owns one freehold serviced residence in Barcelona, Spain. *Citadines Ramblas Barcelona* comprises 131 units and is located on the Las Ramblas boulevard, an iconic entertainment district, and is a few metres away from Plaza Catalunya, one of the most visited places in Barcelona. The property is also close to both the historic Old Town and the main business areas of the city.

The property operates under a management contract with minimum guaranteed income and has an average length of stay of less than one month.

2019 REVIEW

After several years of robust growth, Spain's economic growth moderated to 2.0% in 2019 on the back of geopolitical uncertainty, albeit outpacing the Eurozone's growth of 1.2%[1]. Tourism was a key contributor to the economic growth, making up 12% of the country's GDP in 2019[2].

International visitor arrivals into Spain grew 1.0% to hit a record high of 83.7 million visitors in 2019[1]. Barcelona is an internationally recognised destination for MICE, playing host to large-scale events on a yearly basis. In 2019, the higher demand for accommodation coupled with the limited room supply enabled hoteliers to raise rates.

In line with the market, ART's Spain property recorded a RevPAU growth of 7% y-o-y in FY2019, in EUR terms.

1
Property

131
Units

S$8.8
million
TOTAL REVENUE (FY2019)

S$4.2
million
TOTAL GROSS PROFIT (FY2019)

S$68.2
million
VALUATION (AS AT 31 DECEMBER 2019)

2020 OUTLOOK

Spain's economic growth is expected to moderate further to 1.6% in 2020[3]. Domestic demand will still be the main driver of growth, albeit at a slower pace, and foreign demand for exports is expected to remain contained.

Building on the strong visitor arrivals in 2019, the Ministry of Industry, Trade and Tourism will be looking to increase its investment in sustainable tourism, with the view of retaining Spain's edge over other competitor destinations and staying relevant against a backdrop of globalisation and digitalisation[4]. In addition, the government hopes to diversify its inbound traveller source markets, to build a more resilient visitor base.

However, the recent outbreak of COVID-19 is expected to negatively impact vistor arrivals in 2020. The annual Mobile World Congress, the world's largest trade show for the mobile phone industry, which typically attracts more than 100,000 visitors, has been cancelled amidst COVID-19 fears[5]. Any escalation of the outbreak may further dampen the demand for MICE. For ART's property in Spain, the impact is expected to be mitigated by its minimum guaranteed income arrangement, which provides protection against downside risks.

There are approximately 2,500 rooms estimated to open in Barcelona over the next five years, with the majority of the rooms being in the four to five-star category[6]. The limited growth in room supply in the medium term, owing to the moratorium on new hotel developments, will likely be a boost for existing hotels.

As part of our regular renewal and upgrading of the property, a new air-conditioning system will be progressively installed in the apartment units at Citadines Ramblas Barcelona. Phase one of the replacement works was carried out on 60 units from November 2019 to February 2020. Another 60 units will be closed during the next phase of replacement works, scheduled for the fourth quarter of 2020.

Gross Rental Income (EUR'000)		
	FY2019	FY2018
Citadines Ramblas Barcelona	5,525	5,197

Revenue Per Available Unit (EUR)		
	FY2019	FY2018
Citadines Ramblas Barcelona	105	98

1 Source: Bloomberg (2020)
2 Source: Reuters (2020)
3 Source: International Monetary Fund (2019)
4 Source: Ministry of Industry, Trade and Tourism (2020)
5 Source: CNBC (2020)
6 Source: HVS (2019)

OPERATIONS REVIEW

Citadines Barbican London

The United Kingdom

The United Kingdom (UK) is one of ART's key markets, contributing 9% of the total gross profit for FY2019. *Citadines Barbican London* is a 129-unit serviced residence, close to the Barbican Arts Centre and Musuem of London. *Citadines Holborn-Covent Garden London* comprises 192 units and is centrally located, close to the financial district of London. *Citadines South Kensington London* is a 92-unit serviced residence situated close to embassies and the renowned shopping and dining districts of Chelsea and Knightsbridge. *Citadines Trafalgar Square London* is a 187-unit serviced residence located near key tourist attractions including Trafalgar Square, the National Gallery and River Thames.

All four properties are freehold and are under management contracts with minimum guaranteed income. The properties have an average length of stay of less than one month.

2019 REVIEW

On the back of uncertainty surrounding Brexit, UK's GDP was estimated to have increased 1.4% in 2019, the weakest growth in recent years[1].

Despite the political instability, London's accommodation sector continued its strong performance in 2019, with some uplift from key events such as the ICC Cricket World Cup and Major League Baseball London Series[2]. The weak GBP also encouraged more travellers to visit the UK. Coupled with limited room supply in 2019, hotels in London enjoyed higher room rates[3].

In line with the market, ART's UK properties recorded a RevPAU growth of 9% y-o-y in FY2019 in GBP terms, due to an increase in both occupancy and average room rates on the back of stronger demand from both corporate and leisure segments.

4
Properties

600
Units

S$56.2 million
TOTAL REVENUE (FY2019)

S$24.1 million
TOTAL GROSS PROFIT (FY2019)

S$492.5 million
VALUATION (AS AT 31 DECEMBER 2019)

2020 OUTLOOK

According to IMF estimates, UK's GDP is expected to grow 1.4%[4] in 2020. The country enters a transition period since leaving the European Union (EU) on 31 January 2020. The full impact of Brexit is unlikely to be felt this year as the UK continues to operate under the EU's regulations[5]. However, uncertainty remains over whether trade deals can be agreed post the transition period, which ends on 31 December 2020. This, together with the impact from the ongoing COVID-19 outbreak, will weigh on UK's growth forecast for 2020.

The National Institute for Economic and Social Research forecasts that COVID-19 could wipe half a percentage point off UK's GDP growth in 2020[6], as the outbreak dampens economic sentiment, disrupts supply chains and affects travel activities.

London started the year with an expectation to enjoy another record year for inbound tourism, with visitor arrivals forecasted to reach 39.7 million[7] in 2020, on the back of a strong calendar of events and a weak GBP. However, the escalating spread of COVID-19 has cast a cloud of uncertainty over several events, including the UEFA Euro 2020 Football Championships, one of the major events to be held during the year, as its organisers deliberate over a possible postponement[8].

In the longer term, London remains an attractive destination, given its status as one of the world's leading financial centres. As ART's UK properties are under management contracts with minimum guaranteed income, ART has limited downside risk but stands to enjoy unlimited upside when the properties perform well.

Gross Rental income (GBP'000)		
	FY2019	FY2018
Citadines Barbican London	5,401	4,854
Citadines Trafalgar Square London	11,516	10,719
Citadines South Kensington London	4,896	4,494
Citadines Holborn-Covent Garden London	9,997	9,162

Revenue Per Available Unit (GBP)		
	FY2019	FY2018
Citadines Barbican London	112	101
Citadines Trafalgar Square London	161	150
Citadines South Kensington London	139	127
Citadines Holborn-Covent Garden London	134	122

1 Source: Office of National Statistics, United Kingdom (2020)
2 Source: Knight Frank (2019)
3 Source: HVS (2019)
4 Source: International Monetary Fund (2019)
5 Source: CNN (2020)
6 Source: National Institute for Economic and Social Research (2020)
7 Source: Visit Britain (2020)
8 Source: UEFA (2020)

Sheraton Tribeca New York Hotel

The United States of America

The United States of America (US) is one of ART's key markets, contributing 16% of the total gross profit in FY2019. *DoubleTree by Hilton Hotel New York – Times Square South*, a 224-unit freehold limited-service hotel, and *Element New York Times Square West*, a 411-unit leasehold limited-service hotel, are conveniently located in Midtown Manhattan with easy access to 15 subway lines and three transportation nodes. Both properties are within walking distance from the Jacob K. Javits Convention Center (JJCC) and the Hudson Yards live-work-play community, as well as the Times Square commercial and entertainment neighbourhood. The 369-unit leasehold *Sheraton Tribeca New York Hotel* is located in the heart of Tribeca, close to the financial district and adjacent to SoHo, a premier retail district.

All three US properties are under management contracts and have an average length of stay of less than one month.

2019 REVIEW

According to the U.S. Bureau of Economic Analysis, economic growth moderated to 2.3%[1] in 2019. While consumer and government spending supported the growth, the trade war with China resulted in a pullback in business spending and investment.

Visitor arrivals into the US declined 0.6% in the first nine months of 2019[2]. Arrivals from China, a significant source of inbound travel, fell 4.7% on the back of trade tensions and a reduction in corporate and leisure travel[2]. In Manhattan, an increase of more than 3,000 new hotel rooms also resulted in heightened competition[3].

While demand fundamentals in Manhattan remained strong, in light of the increase in room supply, hoteliers lowered room rates in order to maintain their market share. In line with the market, the RevPAU of ART's US portfolio declined 4% y-o-y in FY2019 in USD terms, mainly due to lower average room rates. Occupancy at all three properties remained high at above 95%.

3
Properties

1,004
Units

S$107.4 million
TOTAL REVENUE (FY2019)

S$40.9 million
TOTAL GROSS PROFIT (FY2019)

S$612.1 million
VALUATION (AS AT 31 DECEMBER 2019)

2020 REVIEW

Despite the signing of the 'Phase One' trade deal, economic growth is forecasted to moderate further to 2% in 2020[4].

The COVID-19 outbreak is also expected to pose a threat to economic activity. US manufacturing companies will likely face supply chain disruptions, and the tourism industry is expected to lose close to 1.6 million visitors from China, a key source of inbound travellers, in 2020. In response, the Federal Reserve has cut interest rates, and the Group of Seven finance officials have pledged their commitment towards taking the appropriate policy steps to protect the economy from downside risks[5].

Despite the near-term headwinds, New York City continues to be one of the world's top financial capitals and cultural destinations, attracting corporate and leisure travellers all year-round. Two major construction projects are currently underway and are set to enhance the city's attractiveness.

JJCC is undergoing an expansion and is slated to complete in 2021[6]. JJCC is a key economic anchor for New York City, supporting the city's hotel, restaurant and tourism industries. Upon completion, the center will see its total area increase by 50% and is expected to generate a sizable volume of business.

The other significant development in New York City is Hudson Yards, the largest private real estate development in the US by square footage[6]. Opening in phases, the mega development will add over 18 million square feet of residential, commercial and retail spaces, increasing the vibrancy of the city[5].

On the supply front, approximately 2,500 rooms[6] are expected to enter the market in 2020. Supply growth is forecasted to decline significantly after 2020, with fewer new developments expected on the back of rising construction and financing costs, as well as a new legislation that limits the development of hotels in manufacturing zones[7]. The expiration of a moratorium on the conversion of hotel rooms into other uses such as residential or office may also see some older hotels being converted, thereby reducing the total inventory in the market.

Following the completion of the asset enhancement initiative at Element New York Times Square West in 2019, DoubleTree by Hilton Hotel New York – Times Square South is scheduled to refurbish its guestrooms and lobby in 2020. When completed, the two Times Square properties in ART's portfolio will be better positioned to compete against other hotels in the market as well as benefit from the adjacent Hudson Yards development.

Gross Rental Income (USD'000)	FY2019	FY2018
DoubleTree by Hilton Hotel New York – Times Square South	16,577	16,438
Element New York Times Square West	30,581	33,284
Sheraton Tribeca New York Hotel	30,430	30,957

Revenue Per Available Unit (USD)	FY2019	FY2018
DoubleTree by Hilton Hotel New York – Times Square South	202	201
Element New York Times Square West	204	222
Sheraton Tribeca New York Hotel	221	225

1 Source: U.S. Bureau of Economic Analysis (2020)
2 Source: National Travel and Tourism Office (2019)
3 Source: STR (2020)
4 Source: International Monetary Fund (2019)
5 Source: CNBC (2020)
6 Source: HVS (2019)
7 Source: New York City Council (2018)

Somerset Ho Chi Minh City

Vietnam

Vietnam is one of ART's key markets, contributing 9% of ART's total gross profit for FY2019. Following the divestment of *Somerset West Lake Hanoi* in October 2019, ART now owns four leasehold serviced residences in Vietnam, two in Ho Chi Minh City and two in Hanoi.

Somerset Chancellor Court Ho Chi Minh City comprises 172 units and its location in the CBD attracts expatriates working for large multinational companies within the vicinity. *Somerset Ho Chi Minh City* is a 198-unit serviced residence strategically located in District 1, a prime commercial, diplomatic and shopping district. *Somerset Grand Hanoi* comprises 185 units and is located in the CBD of Hanoi. *Somerset Hoa Binh Hanoi* comprises 206 units and is well located next to the business and financial districts as well as the flourishing Hoa Lac high technology development zone.

All four properties are under management contracts and have an average length of stay of approximately five months.

2019 REVIEW

According to the General Statistics Office of Vietnam, Vietnam's GDP grew 7.0% in 2019, driven by the expansion of the manufacturing and service sectors[1]. The US-China trade war has resulted in various multinational corporations shifting their factories to Vietnam[2]. In 2019, Vietnam received 18 million international visitors, a 16.2% growth y-o-y[3].

For FY2019, ART's Vietnam properties registered a 5% y-o-y increase in RevPAU in VND terms, mainly due to higher occupancy on the back of stronger corporate demand, and an improvement in the performance of Somerset Grand Hanoi following the completion of its renovation in December 2018.

4
Properties

761
Units

S$41.9 million
TOTAL REVENUE (FY2019)

S$22.6 million
TOTAL GROSS PROFIT (FY2019)

S$252.0 million
VALUATION (AS AT 31 DECEMBER 2019)

In October 2019, ART divested Somerset West Lake Hanoi. The divestment is in line with ART's active asset management strategy to regularly review and seek alternative opportunities for properties that have reached their optimal life cycle. Somerset West Lake Hanoi was sold at 39% above its book value.

2020 OUTLOOK

The Vietnam government estimates the economy to grow by 6.8% in 2020[4]. Foreign direct investment is expected to continue its rise, given Vietnam's low labour cost and pro-investment policies[2]. The free trade agreement between Vietnam and the EU is estimated to complete in 2020 and is likely to bring further foreign direct investment into Vietnam[5].

Vietnam aims to attract 17 to 20 million visitors in 2020[2]. Hanoi is set to welcome its first Formula One Race in April 2020, and the government is ramping up efforts to improve transportation infrastructure and visa exemption policies in preparation for the event[2]. Plans are also being made to relocate the current Ho Chi Minh City airport to Long Thanh, which will increase the airport's passenger handling capacity to 100 million.

The recent COVID-19 outbreak has threatened to dampen growth. China is a major trading partner of Vietnam and a significant contributor to its tourism sector. Whilst the full impact to the economy remains uncertain, the Vietnam government has committed to taking actions to ease the impact of COVID-19, to meet its economic growth target.

Gross Rental Income (VND'million)		
	FY2019	FY2018
Somerset Chancellor Court Ho Chi Minh City	141,914	143,576
Somerset Grand Hanoi	256,005	237,697
Somerset Ho Chi Minh City	139,565	140,166
Somerset Hoa Binh Hanoi	108,756	92,383
Somerset West Lake Hanoi[7]	33,357	42,250

Revenue Per Available Unit (VND'000)		
	FY2019	FY2018
Somerset Chancellor Court Ho Chi Minh City	1,629	1,677
Somerset Grand Hanoi	2,001	1,820
Somerset Ho Chi Minh City	1,825	1,838
Somerset Hoa Binh Hanoi	1,265	1,062
Somerset West Lake Hanoi[7]	1,156	1,223

1 Source: Vietnam General Statistics Office (2019)
2 Source: Vietnam Briefing (2020)
3 Source: Vietnam National Administration of Tourism (2020)
4 Source: Bloomberg (2019)
5 Source: Asia Times (2020)
6 Source: Reuters (2020)
7 Somerset West Lake Hanoi was divested on 31 October 2019.

FINANCIAL REVIEW

On 31 December 2019, ART completed the combination with Ascendas Hospitality Trust (A-HTRUST) (Combination). The Combination was effected through the acquisition of all the issued and paid-up stapled units in A-HTRUST by way of a trust scheme of arrangement with a consideration of S$1.0868 for each A-HTRUST stapled unit. The scheme consideration comprised S$0.0543 in cash and 0.7942 stapled Ascott Reit and Ascott BT security issued at a price of S$1.30 each. A total of 904,277,884 ART Stapled Securities were issued pursuant to the Combination.

As the Combination was completed on 31 December 2019, the FY2019 financial performance of ART did not include A-HTRUST. However, the balance sheet of ART as at 31 December 2019 included the A-HTRUST portfolio.

REVENUE AND GROSS PROFIT

ART's revenue of S$514.9 million for the financial year ended 31 December 2019 (FY2019) comprised S$74.6 million (14% of total revenue) from properties under master leases, S$81.1 million (16%) from properties under management contracts with minimum guaranteed income and S$359.2 million (70%) from properties under management contracts.

Revenue for FY2019 increased by S$0.6 million as compared to the previous financial year ended 31 December 2018 (FY2018). The increase in revenue was mainly due to higher revenue of S$2.6 million from the existing properties and additional contribution of S$3.9 million from the acquisition of Citadines Connect Sydney Airport on 1 May 2019, partially offset by the decrease in revenue of S$5.9 million from the divestment of Ascott Raffles Place Singapore and Somerset West Lake Hanoi.

ART's portfolio occupancy remained stable at 84% in FY2019. Revenue per available unit (RevPAU) increased by 1%, from S$151 in FY2018 to S$152 in FY2019.

ART's gross profit of S$252.6 million for FY2019 comprised S$67.1 million (27% of total gross profit) from properties under master leases, S$33.9 million (13%) from properties under management contracts with minimum guaranteed income and S$151.6 million (60%) from properties under management contracts.

		FY2019		FY2018	
	Local Currency	Revenue (million)	Gross Profit (million)	Revenue (million)	Gross Profit (million)
Master Leases					
Australia	AUD	7.6	7.2	7.5	7.0
France	EUR	21.7	19.8	22.4	20.7
Germany	EUR	10.1	9.3	9.8	9.0
Singapore	S$	18.6	15.8	21.9	18.7
Management Contracts with Minimum Guaranteed Income					
Belgium	EUR	10.5	3.6	9.3	2.8
Spain	EUR	5.8	2.8	5.4	2.6
The United Kingdom	GBP	32.2	13.8	29.8	12.8
Management Contracts					
Australia	AUD	31.0	11.6	27.5	11.6
China	RMB	257.2	102.8	265.6	101.9
Indonesia	USD	11.5	4.0	11.5	4.3
Japan	JPY	4,564.6	2,392.0	4,561.3	2,511.7
Malaysia	MYR	13.5	2.7	14.9	4.3
The Philippines	PHP	976.9	341.0	873.6	245.2
Singapore	S$	26.7	11.5	24.8	10.3
The United States of America	USD	78.7	30.0	82.0	19.4
Vietnam[1]	VND	710.8	383.3	687.4	365.5

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

Gross profit for FY2019 increased by S$13.2 million or 6% as compared to FY2018 due to higher revenue and FRS 116 adjustments.

FRS 116 *Leases* was effective from 1 January 2019. The adoption of this standard changed the nature of expense for ART'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.

Overall portfolio performance remained resilient for FY2019, due to our geographically diversified presence and mix of stable and growth income streams.

For the properties under master leases, revenue and gross profit were lower mainly due to the divestment of Ascott Raffles Place Singapore and lower rent upon the renewal of certain French master leases in end-2018, partially offset by stronger performance from Ascott Orchard Singapore.

For the seven properties under management contracts with minimum guaranteed income, both the revenue and gross profit were higher as compared to FY2018 due to the stronger operating performance from Belgium and the United Kingdom, partially offset by the depreciation of the EUR and GBP against S$.

Revenue from management contracts remained stable due to the acquisition of Citadines Connect Sydney Airport in May 2019 and stronger performance from the Philippines, offset by softer demand in the regional cities of China and competition from new supply in the United States of America. Gross profit increased by 13% due to the FRS 116 adjustments.

ART's EBITDA[1] breakdown according to the FTSE classification of markets was 75.9% (2018: 75.5%) for developed markets and 24.1% (2018: 24.5%) for the rest of the markets in the portfolio.

1 Refers to earnings before net interest, taxes, depreciation and amortisation (excluding corporate expenses).

	FY2019		FY2018	
	Revenue (S$'million)	Gross Profit (S$'million)	Revenue (S$'million)	Gross Profit (S$'million)
Master Leases				
Australia	7.3	6.8	7.6	7.1
France	33.3	30.3	35.8	33.1
Germany	15.4	14.2	15.6	14.3
Singapore	18.6	15.8	21.9	18.7
Subtotal	**74.6**	**67.1**	**80.9**	**73.2**
Management Contracts with Minimum Guaranteed Income				
Belgium	16.1	5.6	14.8	4.4
Spain	8.8	4.2	8.7	4.1
The United Kingdom	56.2	24.1	53.6	23.1
Subtotal	**81.1**	**33.9**	**77.1**	**31.6**
Management Contracts				
Australia	29.5	11.0	27.8	11.8
China	50.9	20.4	54.2	20.8
Indonesia	15.7	5.5	15.5	5.7
Japan	57.0	29.9	55.6	30.6
Malaysia	4.5	0.9	5.0	1.4
The Philippines	25.6	8.9	22.4	6.3
Singapore	26.7	11.5	24.8	10.3
The United States of America	107.4	40.9	110.4	26.1
Vietnam	41.9	22.6	40.6	21.6
Subtotal	**359.2**	**151.6**	**356.3**	**134.6**
Total	**514.9**	**252.6**	**514.3**	**239.4**

FINANCIAL REVIEW

PORTFOLIO RECONSTITUTION

Through active portfolio reconstitution in FY2019, ART recognised net gains of more than S$200 million.

Ascott Raffles Place Singapore was divested in May 2019 for S$353.3 million, approximately 64% above the book value of the property with a net divestment gain of S$135.5 million recognised in FY2019. The divestment proceeds were used to repay foreign currency bank loans and a resultant S$5.7 million realised exchange gain was recognised and included in unitholders' distribution.

The divestment of Somerset West Lake Hanoi, at 39% or approximately S$5.0 million above the property book value, was completed in October 2019.

In November 2019, ART entered into a put and call option relating to the divestment of the partial gross floor area (GFA) at Somerset Liang Court Property Singapore. Upon completion of the sale, the retained GFA will be redeveloped into a new serviced residence property with hotel licence and refreshed lease of 99 years. A fair value gain of S$84.3 million, comprising a gain from the sale of partial GFA of S$40.9 million (net of transaction related expenses) and a fair value gain of S$43.4 million on the retained GFA, was recognised in FY2019.

In December 2019, ART entered into sale and purchase agreements to divest Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan. The divestment is expected to complete by the second half of 2020. A net fair value gain of S$21.7 million was recognised in FY2019.

DISTRIBUTIONS

ART achieved unitholders' distribution of S$165.6 million for FY2019, S$10.8 million or 7% higher as compared to FY2018. The higher unitholders' distribution was mainly due to lower finance costs and partial distribution of divestment gains. Distribution per Stapled Security (DPS) for FY2019 was 7.61 cents, 6% higher than FY2018.

Unitholders' distribution for FY2019 included divestment gains of S$17.5 million to replace lost income arising from the divestments during the year and to share divestment gains with Stapled Securityholders, and 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 FY2018 included a partial distribution of the divestment gain of S$6.5 million and realised exchange gain of S$1.6 million arising from the receipt of divestment proceeds from the completion of divestment of two properties in China in January 2018 and repayment of foreign currency bank loans with the divestment proceeds.

In FY2019, 100% of unitholders' distribution was paid out, demonstrating a firm commitment to deliver stable distributions.

ART continued to make distributions to Stapled Securityholders 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

ART's total asset value stood at S$7.4 billion as at 31 December 2019, S$2.1 billion or 40% higher as compared to S$5.3 billion as at 31 December 2018. The increase in total assets was mainly due to the combination with A-HTRUST. The A-HTRUST portfolio comprised of 14 quality and predominantly freehold properties in developed markets.

Breakdown of total unitholders' distribution for FY2019 is as follows:

Distribution	1 January 2019 to 30 June 2019	1 July 2019 to 31 December 2019	FY2019
Distribution rate per Stapled Security	3.431 cents	4.180 cents	**7.611 cents[1]**
Payment Date	29 August 2019	10 February 2020	

1 The holders of the 904,277,884 stapled securities issued on 31 December 2019 pursuant to the combination with A-HTRUST are not entitled to the distribution for FY2019.

CHANGE IN VALUE OF INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

The net change in fair value of investment properties and assets held for sale has no impact on Stapled Securityholders' distribution.

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, valuation of ART's investment properties is 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 investment properties.

As at 31 December 2019, independent full valuations were carried out by HVS (except for the A-HTRUST properties, Somerset Liang Court Property Singapore, Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan). In determining the fair value of ART's portfolio, the discounted cash flow approach and residual land method were used. The valuation method used was consistent with that used in prior years.

The valuation of Somerset Liang Court Property Singapore was based on the independent valuation conducted by Knight Frank Pte Ltd for the portion of the GFA to be sold and the independent valuation conducted by HVS for the retained GFA. The partial GFA that is to be sold was reclassified as assets held for sale.

Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan were valued at their respective sale consideration. As the divestment of these two properties is expected to complete by the second half of 2020, all the assets and liabilities of Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan were reclassified to assets held for sale and liabilities held for sale.

ART's portfolio (excluding the A-HTRUST properties) was revalued at S$4.9 billion, resulting in a surplus of S$250.2 million which was recognised in the Consolidated Statement of Total Return in FY2019. The surplus resulted mainly from an increase in valuation of ART's properties in Australia, China, Europe, Japan and Singapore, partially offset by a decrease in valuation of the properties in Vietnam and the Philippines. The net impact on the Consolidated Statement of Total Return was S$245.0 million (net of tax and non-controlling interests).

The 31 December 2019 valuation of the A-HTRUST properties in Australia, Japan, South Korea and Singapore were conducted by Cushman & Wakefield (Valuations) Pty Ltd, JLL Morii Valuation & Advisory K.K., CBRE Korea Co., Ltd. and Cushman & Wakefield VHS Pte Ltd respectively. The A-HTRUST portfolio was valued at S$1.8 billion as at 31 December 2019.

FUNDING AND BORROWINGS

As at 31 December 2019, 61% of ART's total debt was funded by bank borrowings and the balance 39% was tapped from the debt capital market. ART adopts a prudent and disciplined approach towards capital management to ensure financial flexibility in its funding structure and to mitigate concentration risk.

As at 31 December 2019, ART's outstanding borrowings was S$2,349.0 million (2018: S$1,905.5 million) with an effective interest rate at 2.0% per annum (2018: 2.3% per annum). Approximately 86% of the total borrowings were on fixed interest rates to hedge against rising interest rate.

The gearing of ART as at 31 December 2019 was 33.6%. Post-Combination, ART has an enlarged debt headroom of S$1.5 billion[1] providing it with greater access to growth opportunities and increased capacity for more development and conversion projects. The gearing of Ascott Reit as at 31 December 2019 was 33.5% (2018: 36.7%), below the 45.0% gearing limit allowed by the Monetary Authority of Singapore.

In September 2019, ART successfully issued a new tranche of S$150.0 million fixed rate perpetual securities with an initial distribution rate of 3.88% per annum to redeem the first tranche of 5.00% perpetual securities on its first call date on 27 October 2019. With the lower distribution rate, ART is expected to save about S$1.7 million per annum.

ART holds derivative financial instruments to hedge its currency and interest rate risk exposures. The fair value of derivatives for FY2019 comprised of financial derivative assets and financial derivative liabilities of S$20.5 million and S$8.2 million respectively. The net amount of S$12.3 million in assets represented 0.3% of the net assets of ART as at 31 December 2019.

1 Before reaching aggregate leverage of 45%.

FINANCIAL REVIEW

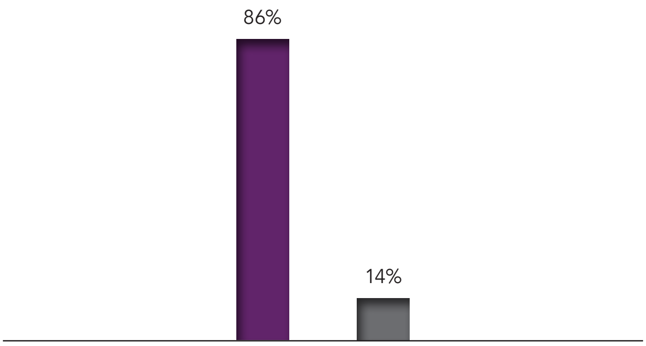
Debt Maturity Profile

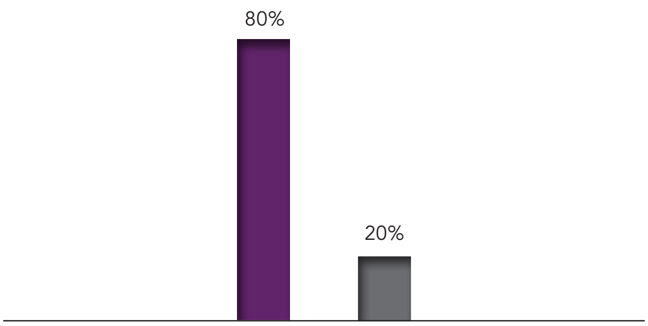
	Maturity	S$'million (2019)	% (2019)
■	2020	337.1	14
■	2021	269.9	12
■	2022	697.1	30
■	2023	480.4	20
■	2024 & after	564.5	24
	Total	**2,349.0**[1]	**100**

	Maturity	S$'million (2018)	% (2018)
■	2019	70.1	4
■	2020	282.3	15
■	2021	497.2	26
■	2022	481.1	25
■	2023 & after	574.8	30
	Total	**1,905.5**[1]	**100**

Out of ART's total borrowings, 14% falls due in 2020, 12% falls due in 2021, 30% falls due in 2022, 20% falls due in 2023 and the balance falls due after 2023. The Managers have commenced discussions to refinance the loan facilities due in 2020, ahead of their maturity dates.

Fixed versus Floating Rate Profile





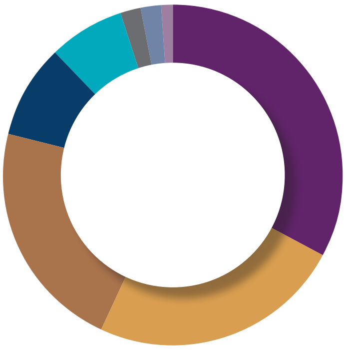
		S$'million (2019)	% (2019)
■	Fixed Rate	2,023.2	86
■	Floating Rate	325.8	14
	Total	**2,349.0**[1]	**100**

		S$'million (2018)	% (2018)
■	Fixed Rate	1,518.6	80
■	Floating Rate	386.9	20
	Total	**1,905.5**[1]	**100**

The fixed rate loans take into account the interest rate swaps and cross currency interest rate swaps which were entered into to convert floating rate loans to fixed rate loans. As at 31 December 2019, S$2,023.2[1] million or 86% of ART's borrowings were on fixed interest rates, including S$257.4[1] million due for refinancing in 2020, in line with the maturity dates of the underlying loans.

1 Net of unamortised transaction costs.

Debt by Currency Profile



	2019		
	Currency	S$'million	%
■	JPY	784.7	33
■	SGD	568.3	24
■	USD	511.2	22
■	EUR	220.3	9
■	AUD	171.9	7
■	GBP	37.5	2
■	KRW	37.2	2
■	RMB	17.9	1
	Total	**2,349.0[1]**	**100**

	2018		
	Currency	S$'million	%
■	JPY	521.3	28
■	USD	483.0	25
■	SGD	478.9	25
■	EUR	212.3	11
■	GBP	173.1	9
■	RMB	36.9	2
	Total	**1,905.5[1]**	**100**

On a portfolio basis, approximately 49% of ART's assets denominated in foreign currency were hedged.

1 Net of unamortised transaction costs.

CASH FLOW

As at 31 December 2019, ART's cash and cash equivalents was S$275.5 million, an increase of S$47.7 million over last year. The major cash flow movements were as follows:

	S$'million
Cash generated from operations	252.2
Net proceeds on disposal of assets held for sale	345.6
Net proceeds on disposal of subsidiaries	13.6
Net repayment of bank borrowings	(197.7)
Distributions to Stapled Securityholders and perpetual securities holders	(179.7)
Acquisition of subsidiaries and investment property	(73.6)
Payment of interest and income tax	(72.1)
Capital expenditure on investment properties and assets held for sale	(13.6)
Acquisition of property, plant and equipment	(9.8)
Capital expenditure on investment property under development	(8.3)
Payment of lease liabilities	(7.5)

PORTFOLIO LISTING

ART's portfolio comprises 87 properties which are predominantly held under Ascott Reit, with the exception of the properties denoted by asterisks (*) which are held under Ascott BT.

Property Name	Address	Number of Units	Tenure (Years)	Tenure Expiry Date (Year)	Agreed Property Value at Acquisition (S$'million)
Australia					
Citadines on Bourke Melbourne	131–135 Bourke Street, Melbourne, Victoria 3000, Australia	380	Freehold	–	167.6
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth, WA 6000, Australia	85	Freehold	–	36.1
Citadines Connect Sydney Airport	113–121 Baxter Road, Mascot, New South Wales, NSW 2020, Australia	150	Freehold	–	58.8
Courtyard by Marriott Sydney – North Ryde*	7–11 Talavera Road, North Ryde, NSW 2113, Australia	196	Freehold	–	52.3[1]
Novotel Sydney Central*	169–179 Thomas Street, Sydney, NSW 2000, Australia	255	Freehold	–	161.2[1]
Novotel Sydney Parramatta*	350 Church Street, Parramatta, NSW 2150, Australia	194	Freehold	–	43.7[1]
Pullman and Mercure Brisbane King George Square*	Corner Ann and Roma Street, Brisbane, QLD 4000, Australia	438	Freehold	–	89.2[1]
Pullman and Mercure Melbourne Albert Park*	65 Queens Road, Melbourne, VIC 3004, Australia	378	Freehold	–	109.4[1]
Pullman Sydney Hyde Park*	36 College Street, Sydney, NSW 2000, Australia	241	Freehold	–	156.4[1]
Quest Campbelltown	1 Rennie Road, Woodbine, NSW 2560, Australia	81	Freehold	–	21.3
Quest Mascot	108–114 Robey Road, Mascot, NSW 2020, Australia	91	Freehold	–	26.9
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127, Australia	140	99	2111	44.8
Belgium					
Citadines Sainte-Catherine Brussels	51, quai au Bois à Brûler, 1000 Brussels, Belgium	169	Freehold	–	26.7
Citadines Toison d'Or Brussels	61–63, Avenue de la Toison d'Or, 1060 Brussels, Belgium	155	Freehold	–	23.5
China					
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630, China	207	70	2074	85.7
Citadines Xinghai Suzhou[2]	Block 27, Jiacheng Gardens, 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021, China	167	70	2066	23.2

* Held under Ascott BT.

1 An effective 100% interest in these properties was acquired on 31 December 2019, pursuant to the combination of ART and A-HTRUST. The scheme consideration for the Combination was based on a gross exchange ratio which was derived from the audited net asset value of A-HTRUST as at 31 March 2019 (NAV). The NAV was based on, amongst others, the assessed valuations of these properties as at 31 March 2019. Accordingly, these valuations are deemed to be the "Agreed Property Value at Acquisition" of the respective properties.

2 Sale and Purchase Agreement to divest the property was signed on 18 December 2019.

Property Name	Address	Number of Units	Tenure (Years)	Tenure Expiry Date (Year)	Agreed Property Value at Acquisition (S$'million)
China					
Citadines Zhuankou Wuhan[1]	159 Dongfeng Avenue (Xianglong Business Centre Zone C) Wuhan Economic and Techonological Development Zone, Wuhan 430056, China	249	40	2043	51.4
Somerset Grand Central Dalian	No. 128–2 Jinma Road, Dalian Development Area, Dalian 116600, China	195	50	2056	118.6
Somerset Heping Shenyang	80 Taiyuan North Street, Heping District, Shenyang 110000, China	270	40	2046	86.2
Somerset Olympic Tower Property Tianjin	126, Chengdu Road, Heping District, Tianjin 300051, China	185	70	2062	76.8
Somerset Xu Hui Shanghai	888, Shaanxi Nan Road, Xu Hui District, Shanghai 200031, China	168	70	2066	51.5
France					
Citadines Antigone Montpellier	588, boulevard d'Antigone, 34000 Montpellier, France	122	Freehold	–	13.8
Citadines Austerlitz Paris	27, rue Esquirol, 75013 Paris, France	50	Freehold	–	9.6
Citadines Castellane Marseille	60, rue du Rouet, 13006 Marseille, France	97	Freehold	–	10.7
Citadines City Centre Grenoble	9–11, rue de Strasbourg, 38000 Grenoble, France	107	Freehold	–	16.7
Citadines City Centre Lille	Avenue Willy Brandt–Euralille, 59777 Lille, France	101	Freehold	–	16.2
Citadines Croisette Cannes	1, rue le Poussin, 06400 Cannes, France	58	Freehold	–	8.4
Citadines Didot Montparnasse Paris	94, rue Didot, 75014 Paris, France	80	Freehold	–	25.7
Citadines Les Halles Paris	4, rue des Innocents, 75001 Paris, France	189	Freehold	–	88.2
Citadines Maine Montparnasse Paris	67, avenue du Maine, 75014 Paris, France	67	Freehold	–	20.6
Citadines Montmartre Paris	16, avenue Rachel, 75018 Paris, France	111	Freehold	–	40.4
Citadines Place d'Italie Paris	18, place d'Italie, 75013 Paris, France	169	Freehold	–	56.3
Citadines Prado Chanot Marseille	9–11, boulevard de Louvain, 13008 Marseille, France	77	Freehold	–	9.4
Citadines Presqu'île Lyon	2 rue Thomassin, 69002 Lyon, France	116	Freehold	–	21.4
Citadines République Paris	75 bis, avenue Parmentier, 75011 Paris, France	76	Freehold	–	21.2

1 Sale and Purchase Agreement to divest the property was signed on 18 December 2019.

PORTFOLIO LISTING

Property Name	Address	Number of Units	Tenure (Years)	Tenure Expiry Date (Year)	Agreed Property Value at Acquisition (S$'million)
France					
Citadines Tour Eiffel Paris	132, Boulevard de Grenelle, 75015 Paris, France	104	Freehold	–	59.2
Citadines Trocadéro Paris	29 bis, rue Saint–Didier, 75116 Paris, France	97	Freehold	–	51.3
La Clef Louvre Paris	8, rue de Richelieu, 75001 Paris, France	51	Freehold	–	40.3
Germany					
Citadines Arnulfpark Munich	Arnulfstrasse 51, 80636 München, Germany	146	Freehold	–	34.0
Citadines City Centre Frankfurt	Europa–Allee 23, 60327 Frankfurt am Main, Germany	165	Freehold	–	55.6
Citadines Kurfürstendamm Berlin	Olivaer Platz 1, 10707 Berlin–Wilmersdorf, Germany	117	Freehold	–	21.1
Citadines Michel Hamburg	Ludwig–Erhard–Straße 7, 20459 Hamburg, Germany	127	99	2111	46.4
The Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg, Germany	166	Freehold	–	59.4
Indonesia					
Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230, Indonesia	204	26	2024	43.0
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav 1, Jakarta 12940, Indonesia	203	30	2024	54.6
Japan					
Citadines Central Shinjuku Tokyo	1–2–9, Kabuki–cho, Shinjuku–ku, Tokyo 1600021, Japan	206	Freehold	–	95.2
Citadines Karasuma–Gojo Kyoto	432 Matsuya–cho, Gojo–dori Karasuma–Higashiiru, Shimogyo–ku, Kyoto 600–8105, Japan	124	Freehold	–	39.9
Citadines Shinjuku Tokyo	1–28–13 Shinjuku, Shinjuku–ku, Tokyo 1600022, Japan	160	Freehold	–	84.3
Hotel WBF Kitasemba East	2–6–8 Awajicho, Chuo–ku, Osaka 541–0047, Japan	168	Freehold	–	43.1[1]
Hotel WBF Kitasemba West	3–2–7, Awajicho, Chuo–ku, Osaka 541–0047, Japan	168	Freehold	–	43.2[1]
Hotel WBF Honmachi	4–4–10, Kitakyuhojimachi, Chuo–ku, Osaka 541–0057, Japan	182	Freehold	–	43.3[1]
Somerset Azabu East Tokyo	1–9–11, Higashi Azabu, Minato–ku, Tokyo 106–0044, Japan	79	Freehold	–	79.8
Sotetsu Grand Fresa Osaka–Namba*	1–1–13, Nipponbashi, Chuo–ku, Osaka 542–0073, Japan	698	Freehold	–	239.8[1]
Sotetsu Grand Fresa Tokyo–Bay Ariake	3–6–6 Ariake Koto–ku, Tokyo 135–0063, Japan	912	Freehold	–	325.0[1]

* Held under Ascott BT.

1 An effective 100% interest in these properties was acquired on 31 December 2019, pursuant to the combination of ART and A-HTRUST. The scheme consideration for the Combination was based on a gross exchange ratio which was derived from the audited net asset value of A-HTRUST as at 31 March 2019 (NAV). The NAV was based on, amongst others, the assessed valuations of these properties as at 31 March 2019. Accordingly, these valuations are deemed to be the "Agreed Property Value at Acquisition" of the respective properties.

Property Name	Address	Number of Units	Tenure (Years)	Tenure Expiry Date (Year)	Agreed Property Value at Acquisition (S$'million)
Japan Rental Housing					
Actus Hakata V–Tower	3–15–10, Hakata Ekimae Hakata–ku, Fukuoka, Japan	296	Freehold	–	39.5
Big Palace Kita 14jo	4–1–6, Kita14jo Nishi, Kita–ku, Sapporo, Japan	140	Freehold	–	17.3
Gravis Court Kakomachi	13–10, Kakomachi, Naka–ku, Hiroshima, Japan	63	Freehold	–	6.7
Gravis Court Kokutaiji	2–1–9, Kokutaijimachi, Naka–ku, Hiroshima, Japan	48	Freehold	–	5.0
Gravis Court Nishiharaekimae	8–38–10, Nishihara, Asaminami–ku, Hiroshima, Japan	29	Freehold	–	4.2
Infini Garden	3–2–2, 3, 4, 5 KashiiTeriha, Higashi–ku, Fukuoka, Japan	389	Freehold	–	95.2
Roppongi Residences Tokyo	3–4–31 Roppongi, Minato–ku, Tokyo 106–0032, Japan	64	Freehold	–	57.1
S–Residence Fukushima Luxe	7–22–9, Fukushima, Fukushima–ku, Osaka, Japan	178	Freehold	–	31.1
S–Residence Hommachi Marks	2–3–6, Tokuicho, Chuo–ku, Osaka, Japan	110	Freehold	–	17.3
S–Residence Midoribashi Serio	3–17–6, Nakamoto, Higashinari–ku, Osaka, Japan	98	Freehold	–	14.5
S–Residence Tanimachi 9 chome	4–29, Ikutamamaemachi, Tennoji–ku, Osaka, Japan	102	Freehold	–	18.1
Malaysia					
Somerset Kuala Lumpur	187, Jalan Ampang 50450, Kuala Lumpur, Malaysia	205	Freehold	–	67.4
The Philippines					
Ascott Makati	Glorietta 4, Ayala Center, Makati City 1224, The Philippines	362	48	2044	87.5
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229, The Philippines	133	Freehold	–	12.7
Singapore					
Ascott Orchard Singapore	11 Cairnhill Road, Singapore 229724, Singapore	220	99	2113	405.0
Citadines Mount Sophia Property Singapore	8 Wilkie Road #01–26 Wilkie Edge, Singapore 228095, Singapore	154	96	2105	107.0
lyf one–north Singapore[1]	Lot 5360P MK3 at Nepal Hill, one-north, Portsdown Road, Singapore	324	60	2079	62.4
Park Hotel Clarke Quay	1 Unity Street, Singapore 237983, Singapore	336	99	2105	325.0[2]

1 Currently under development. Number of units subject to change. The Agreed Property Value at Acquisition of S$62.4 million refers to the price of the site acquired through a tender bid.

2 An effective 100% interest in the property was acquired on 31 December 2019, pursuant to the combination of ART and A-HTRUST. The scheme consideration for the Combination was based on a gross exchange ratio which was derived from the audited net asset value of A-HTRUST as at 31 March 2019 (NAV). The NAV was based on, amongst others, the assessed valuation of the property as at 31 March 2019. Accordingly, this valuation is deemed to be the "Agreed Property Value at Acquisition" of the property.

PORTFOLIO LISTING

Property Name	Address	Number of Units	Tenure (Years)	Tenure Expiry Date (Year)	Agreed Property Value at Acquisition (S$'million)
Singapore					
Somerset Liang Court Property Singapore	177B, River Valley Road, Singapore 179032, Singapore	197	97	2077	127.5
South Korea					
Sotetsu Hotels The Splaisir Seoul Dongdaemun*	226 Jangchoongdan–ro, Gwanghui–dong, Jung–gu, Seoul, South Korea	215	Freehold	–	95.1[1]
ibis Ambassador Seoul Insadong*	31 Samil–daero 30–gil, Ikseon–dong, Jongno–gu, Seoul, South Korea	363	Freehold	–	98.1[1]
Spain					
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	131	Freehold	–	56.7
The United Kingdom					
Citadines Barbican London	7–21 Goswell Road, London EC1M 7AH, United Kingdom	129	Freehold	–	75.0
Citadines Holborn–Covent Garden London	94–99 High Holborn, London WC1V 6LF, United Kingdom	192	Freehold	–	127.5
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL, United Kingdom	92	Freehold	–	71.1
Citadines Trafalgar Square London	18/21 Northumberland Avenue, London WC2N 5EA, United Kingdom	187	Freehold	–	130.9
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	–	148.4
Element New York Times Square West	311 West 39th Street, New York, New York 10018, The United States of America	411	99	2112	220.7
Sheraton Tribeca New York Hotel	370 Canal Street, New York, New York 10013, The United States of America	369	99	2112	218.0
Vietnam					
Somerset Chancellor Court Ho Chi Minh City	21–23, Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City, Vietnam	172	48	2041	69.3
Somerset Grand Hanoi	49, Hai Ba Trung Street, Hanoi, Vietnam	185	45	2038	105.7
Somerset Ho Chi Minh City	8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City, Vietnam	198	45	2039	66.8
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Cau Giay, Hanoi, Vietnam	206	36	2042	54.9

* Held under Ascott BT.

1 An effective interest of 98.7% in Sotetsu Hotels The Splaisir Seoul Dongdaemun and 98.8% in ibis Ambassador Seoul Insadong were acquired on 31 December 2019, pursuant to the combination between ART and A-HTRUST. The scheme consideration for the Combination was based on a gross exchange ratio which was derived from the audited net asset value of A-HTRUST as at 31 March 2019 (NAV). The NAV was based on, amongst others, the assessed valuations of these properties as at 31 March 2019. Accordingly, these valuations are deemed to be the "Agreed Property Value at Acquisition" of the respective properties.

SUSTAINABILITY MANAGEMENT

SUSTAINABILITY COMMITMENT

The Managers are part of the CapitaLand Group and our sustainability strategy is aligned to that of CapitaLand. Details can be found in the upcoming CapitaLand Limited Global Sustainability Report 2019.

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

ART upholds high standards of corporate governance and transparency to safeguard our Stapled Securityholders' interests. We have in place an adequate and effective Enterprise Risk Management framework to enhance our business resilience and agility. ART's proactive approach towards environmental, health and safety (EHS) management, which incorporates universal design into our developments, ensures that our properties are sustainable and future-proof. 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 an important component of our commitment to sustainability. It focuses on providing support to enhance the lives of underprivileged children and vulnerable elderly, through corporate philanthropy and employee volunteerism.

CapitaLand was one of the first companies in Singapore to voluntarily publish an annual Global Sustainability Report and externally assure the entire report. Benchmarking against an international standard and framework that is externally validated helps CapitaLand to overcome the challenges in sustainability reporting that arise from its diversified asset types and geographical presence. CapitaLand is a signatory to the United Nations (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.

For its efforts, CapitaLand is listed in the Sustainability Yearbook, Global 100 Most Sustainable Corporates, Dow Jones Sustainability World Index and Asia Pacific Index, Global Real Estate Sustainability Benchmark (5 Star), FTSE4Good Index Series, MSCI Global Sustainability Indexes, Euronext VigeoEiris Indices World 120, STOXX® Global ESG Leaders Indices.

CapitaDNA
Vision, Mission, Credo and Core Values

CORE VALUES

WINNING MINDSET | ENTERPRISING | RESPECT | INTEGRITY

COMMITMENT TO OUR STAKEHOLDERS

We create great customer value and experiences through high-quality products and services	We deliver sustainable shareholder returns and build a strong global network of capital partners	We develop high-performing people and teams through rewarding opportunities	We care for and contribute to the economic, environmental and social development of communities
for our **Customers** Tenants, shoppers, home owners, residents	for our **Investors** including business partners	for our **People** Staff	for our **Communities** Government agencies/ NGOs[1], general public, the environment, suppliers/contractors

1 Refers to non-governmental organisations.

SUSTAINABILITY MANAGEMENT

CapitaLand's Global Sustainability Report 2019 will be published by 31 May 2020 and will continue to be prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and will also continue to apply the Guiding Principles of the International Integrated Reporting Framework and ISO 26000:2010 Guidance on Social Responsibility and reference the UN Sustainable Development Goals and the Taskforce on Climate Related Financial Disclosure. The report will cover CapitaLand's global portfolio and employees, as well as its listed real estate investment trusts and business trusts, including ART, unless otherwise indicated. The report will be externally assured to AA1000 Assurance Standard.

This sustainability chapter references selected GRI Standards[1] to report specific information and covers ART's properties from 1 January to 31 December 2019 (excluding properties under the A-HTRUST portfolio which were acquired on 31 December 2019) unless otherwise indicated. The CapitaLand team behind the Managers and the property managers responsible for property and portfolio operations are identified as employees of ART.

BOARDS' STATEMENT

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

The Managers' Boards of Directors (Boards) set the risk appetite, which determines the nature and extent of material risks that ART is willing to take to achieve our strategic and business objectives. The risk appetite incorporates ESG factors such as fraud, corruption and bribery, environment, health and safety.

The Boards also approve the executive compensation framework based on the principle of linking pay to performance. 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

CapitaLand's sustainability management comes under the purview of its Sustainability Council.

In 2019, the CapitaLand Sustainability Council was re-constituted to include two independent board members and four CapitaLand Executive Committee members. Chaired by an independent board member, the Council is supported by the Sustainability Department as secretariat and various work teams to ensure continued progress and improvement in the areas of ESG. The work teams comprise representatives from all business units (including the Managers).

The Boards are updated regularly on matters relating to sustainability risks and business malpractice incidents. The Boards are also updated on the sustainability management performance of ART, key material issues identified by stakeholders and the planned follow-up measures.

Sustainability Management Structure

CapitaLand Board of Directors

Sustainability Council

CapitaLand Management Council

Various Sustainability Work Teams covering environment, health and safety, corporate governance, enterprise risk management, human capital, investor relations and corporate marketing and communications

All Staff

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 205-2 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.

MATERIAL ESG TOPICS

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

ENVIRONMENT

- Regular dialogue/feedback sessions with government agencies (e.g. Building and Construction Authority, National Environment Agency)
- Active participation in Singapore Green Building Council
- Participation in engagement sessions with key sustainability indices

SOCIAL

- Regular dialogue with government agencies and unions
- Active participation in Singapore Workplace Safety and Health Council
- Regular employee engagement survey
- Participation in engagement sessions with key sustainability indices

GOVERNANCE

- Engagement with Securities Investors Association (Singapore) (SIAS) periodically and participation in the annual Corporate Governance Conference
- Engagement where appropriate with Singapore Exchange and Monetary Authority of Singapore
- Participation in engagement sessions with key sustainability indices

We identified and reviewed material issues that are most relevant and significant to ART and our 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 ART. We therefore prioritise our sustainability efforts and reporting on issues that are most material to our business and stakeholders. For more information on stakeholder engagement, please refer to the upcoming CapitaLand Global Sustainability Report 2019. The report covers CapitaLand's international portfolio in over 20 countries unless otherwise indicated.

PRIORITISATION OF ESG MATERIAL ISSUES

Environment	Social/Labour Practices	Governance
Critical		
> Energy efficiency > Climate change and emissions reduction > Water management	> Occupational health & safety > Employment > Stakeholder engagement > Supply chain management	> Compliance > Business ethics > Products and services[1]
Moderate and Emerging		
> Building materials > Construction and operational waste > Biodiversity	> Diversity > Human rights	

1 This includes customer health and safety.

SUSTAINABILITY MANAGEMENT

CREATING VALUE AND ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGS[1])

The Guiding Principles of the International Integrated Reporting Council (IIRC) Framework were referenced in this report, and the material ESG issues are grouped into six Capitals – Financial, Organisational, Social and Relationship, Manufactured, Environmental and Human. This is also mapped against some of CapitaLand's key efforts and programmes in relation to the key UN SDGs. For more information, please refer to CapitaLand Global Sustainability Report 2019 which will be published by 31 May 2020.

Capitals	What We Do	2019 Value Created
Financial > Earnings > Equity > Investments > Assets	> Portfolio of stable and growth income sources through a combination of master leases, management contracts with minimum guaranteed income and management contracts > Active asset management > Diversified geographies > Disciplined capital and debt management	Refer to the Portfolio Overview and Financial Review sections on pages 34 to 37 and 74 to 79 respectively of this Annual Report
Organisational > Leadership & culture > Corporate governance > Risk management (UN SDG 16) **Material ESG issues** > Compliance > Business ethics > Stakeholder engagement	> ART adopts a strong stance against bribery and corruption > All employees are required to make an annual declaration to uphold CapitaLand's core values and to not engage in any corrupt or unethical practices > Require certain agreements with third-party service providers and vendors to incorporate anti-bribery and anti-corruption provisions > Require main contractors to ensure no child labour and forced labour at CapitaLand's project sites > Supply Chain Code of Conduct to influence our supply chain to operate responsibly in the areas of anti-corruption, human rights, health and safety, as well as environmental management > CapitaLand is a signatory to UN Global Compact	> Refer to the Corporate Governance section on pages 99 to 131 of this Annual Report > No reported incident relating to discrimination, child labour or forced labour > ART supports the ethical marketing of our products and services and practises fair competition, including room sales. We adhere to the Singapore Code of Advertising Practice (SCAP) and any other rules and regulations that apply. The SCAP was formulated against the background of national law, international law and practice, including the International Code of Advertising Practice published by the International Chamber of Commerce.

1 The UN SDGs call on companies everywhere to advance sustainable development through the investments they make, the solutions they develop, and the business practices they adopt. In doing so, the goals encourage companies to reduce their negative impact while enhancing their positive contribution to the sustainable development agenda.

Capitals	What We Do	2019 Value Created
Social and relationship > Stakeholder relations > Social licence to operate > Community development (UN SDGs 1, 2, 4) **Material ESG issues** > Stakeholder engagement > Products and services (include customer health and safety)	CapitaLand Hope Foundation (CHF), CapitaLand's philanthropic arm, believes in investing in the fundamental needs of education, healthcare and shelter of underprivileged children to relieve them of hardship and help them to eventually break the poverty cycle. CHF also strives to improve the quality of life for the vulnerable elderly in Singapore through healthcare, deeper social integration and better living conditions[1]	ART's global team regularly participates in various charitable activities. Some examples include: > Participated in the CapitaLand International Volunteer Expedition @ Long An, Vietnam. Through CHF, more than VND 6 billion (about S$350,000) was contributed to expand and rejuvenate the CapitaLand Tan Tay Hope Kindergarten. The event, involving about 100 volunteers, included activities aimed at providing a conducive environment for the underprivileged children and teachers to learn and teach in. > Organised blood donation drive for the 13th consecutive year together with the Vietnam Red Cross where over 180 donors, including residents, office tenants and staff participated in the event; participated for the third consecutive year in the blood donation drive of the Philippine Children's Medical Center. > In a 3-month programme with Ruth Education Center, a volunteer-driven centre which provides children of Burmese refugees with education, meals and shelter, our Malaysian team assisted to upgrade the facilities for and contribute food to the students and volunteer teachers. > Our Indonesian team participated in the Clean Up Jakarta Day, where a total of 120 kg of trash was collected from the streets. The annual event brings communities, businesses, schools and individuals together, raising awareness about littering and the importance of recycling.

About 100 volunteers comprising international staff and partners refreshed the façade of the CapitaLand Tan Tay Hope Kindergarten, by painting fences, walls, wall murals and decorating classrooms for children in the Thanh Hoa District in Long An Province, Vietnam.

1 UN SDG 1 No Poverty includes targets such as ensuring equal rights to economic resources. UN SDG 2 Zero Hunger includes targets such as ending all forms of malnutrition. Both targets are in line with CHF's work to provide education, healthcare and shelter for underprivileged children.

SUSTAINABILITY MANAGEMENT

Capitals	What We Do	2019 Value Created
Manufactured > Environmentally sustainable, healthy, safe and accessible quality buildings > Innovative and sustainable construction methods and technologies **Environmental** > Carbon emissions > Energy management > Water stewardship > Waste and resource management (UN SDGs 3, 6, 7, 9, 11, 13, 15) **Material ESG issues** > Energy efficiency > Climate change and emissions reduction > Water management > Building materials > Construction and operational waste > Biodiversity > Stakeholder engagement	CapitaLand is committed to: > reduce energy consumption through energy efficiency and encourage renewable energy sources > reduce water consumption, reuse water and prevent water pollution, especially in countries where the availability of clean water and sanitation are of concern > green its operational portfolio by 2030 > actively embrace innovation to ensure commercial viability without compromising the environment for future generations > future-proof its developments by addressing the risks of climate change right from the design stage > preserve the biodiversity of its sites as well as the wider area where possible Occupational health and safety is of utmost importance to ART, including all our employees, residents, contractors, suppliers and the communities who use our properties. CapitaLand EHS Management System is externally audited to receive the International Organization for Standardization (ISO) 14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries.	> Consumption[1]: For the first nine months of 2019, ART's operational properties' total energy consumption was 71,074 MWh. Indirect energy consumption accounted for about 86% (60,894 MWh) and direct energy consumption from gas, diesel and other fuels accounted for about 14% (10,180 MWh) of total energy consumption. Approximately 907 MWh of our electricity consumption was from renewable sources. Direct (Scope 1) and indirect (Scope 2) carbon emissions were approximately 1,923 tonnes CO_2e and 28,436 tonnes CO_2e respectively. ART's operating properties' total water consumption was about 747,198m^3. This included the use of 10,704m^3 of recycled water. > Green building ratings: Through efforts in 2019, ART received the following awards in early 2020 • Somerset Grand Hanoi was awarded the EDGE Green Certification by World Bank Group's International Finance Corporation • lyf one-north Singapore obtained Green Mark Gold[PLUS] by the Building and Construction Authority of Singapore

Somerset Grand Hanoi

lyf one-north Singapore (Artist's Impression)

Capitals	What We Do	2019 Value Created
	CapitaLand continues to participate in Carbon Disclosure Project (CDP). Its footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol[2].  	> Reduction[3]: For the first nine months of 2019, our reduction in energy usage in kWh/m^2 was 13% and our reduction in water usage in m^3/m^2 was 32% from the 2008 baseline. Our reduction in carbon intensity (kg/m^2) was 30% from the 2008 baseline. ART will continue to implement energy and water conservation measures to ensure efficient operations and minimise resource wastage. > More than 260 CapitaLand properties worldwide participated in the World Wide Fund Earth Hour initiative by turning off the façade and non-essential lights throughout the night. Within ART's global portfolio, approximately 75% of our properties participated in this event.
Human > Health and safety > Job creation and security > Learning and development > Benefits and remuneration (UN SDGs 3, 8, 10) **Material ESG issues** > Occupational health & safety > Employment > Diversity > Human rights	ART believes that regardless of ethnicity, age or gender, employees can make a significant contribution based on their talent, expertise and experience. We adopt consistent, equitable, and fair labour policies and practices in rewarding as well as developing our employees. ART aims to provide a work environment that is safe and contributes to the general well-being of our employees. CapitaLand is a signatory to the UN Global Compact.	> Zero Fatality/Permanent Disability: In 2019, there was no staff fatality or permanent disability reported > Global workforce[4]: More than **70** **nationalities** **59%** of global workforce **aged between 30 and 50** Almost **equal proportion** of male and female, at ratio of **47:53** Average **training hours** per staff of approximately **48** **hours**

1 Computation of footprint data excluded third-party operated properties.
2 This was 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.
3 Computation of intensity data excluded new properties which were in operation for less than 12 months, properties undergoing asset enhancement programmes and third-party operated properties.
4 Computation of global workforce statistics were based on employees of ART (including our subsidiaries) and the Managers.

SUSTAINABILITY MANAGEMENT

STAKEHOLDER ENGAGEMENT

Stakeholders are groups that ART's business has a significant impact on and those with a vested interest in our operations. Key stakeholders include customers, business associates, builders and suppliers, employees and the local community. Other groups include regulators and key government agencies, non-governmental organisations, representatives of the capital market and the media. They are mapped into groups based on their relationship with ART.

Through the various engagement channels, we seek to understand our stakeholders' views, communicate effectively with them and respond to their concerns.

Stakeholder	Engagement Channel	Issues/Purpose
Customers - guests and residents	> Various programmes to assess and benchmark customer satisfaction levels at the individual properties, in order to make operational and service improvements for better customer experience	> Track, monitor and improve on customer satisfaction
Supply chain – main contractors, vendors, suppliers, creditors	> CapitaLand Supply Chain Code of Conduct > Environmental, Health and Safety (EHS) guidelines > Policy and quarterly EHS monitoring > Vendor evaluation, including events, meetings and trainings	> Design and quality > Occupational health and safety practices > Workers welfare and well-being > Environmental compliance > Timely payment
Employees	> Regular dialogue sessions with senior management > Regular employee engagement survey > Volunteer programmes > Recreation club activities > Regular staff engagement initiatives, such as the global LIFE Heartware Awards to recognise staff who consistently provide exemplary service	> Work-life balance > Remuneration and benefits > Employee welfare > Enhance customer experience by promoting a culture of service excellence

LIFE Heartware is an internal branding campaign of The Ascott Limited, aimed at recognising outstanding individuals who have consistently demonstrated exemplary attitude in their work and strived to 'deliver service from the heart' to colleagues and residents, creating Ascott Moments.

Stakeholder	Engagement Channel	Issues/Purpose
Investors, analysts and media	> Annual and Extraordinary General Meetings > Quarterly financial results announcements > Media releases and interviews > Annual reports and sustainability reports > Corporate website > Regular analyst and investor meetings > Responses to sustainability surveys	> Operational efficiency, monetary savings, cost optimisation > DPS yield, earnings, operational performance, business strategy, market outlook > ESG risks and opportunities
Government/ national agencies/ community and non-governmental organisations (NGOs)	> Regulatory readiness to the Singapore Government's commitment to manage carbon emission > Longstanding partner of various national programmes > Sustainability reports > Participation in external conferences/forums > Corporate advertisements > Consultation and sharing with academics, NGOs and business associations > Senior management representation on boards of various industry bodies and sustainability related public discussions	> Sustainable building developments > Stakeholder programmes to advocate sustainable tenant/residents/customer behaviours > Advocating best practices

Corporate presentation at the annual REITs Symposium 2019


Panellists of the DBS Private Banking - REITAS luncheon

ENTERPRISE RISK MANAGEMENT

The Managers of ART take a proactive approach to risk management, making it an integral part of ART's business – both strategically and operationally. The objective is not risk minimisation, but rather the optimisation of opportunities within the known and agreed risk appetite levels set by the Board of Directors of the Managers (Boards). In short, we take measured risks in a prudent manner for justifiable reasons.

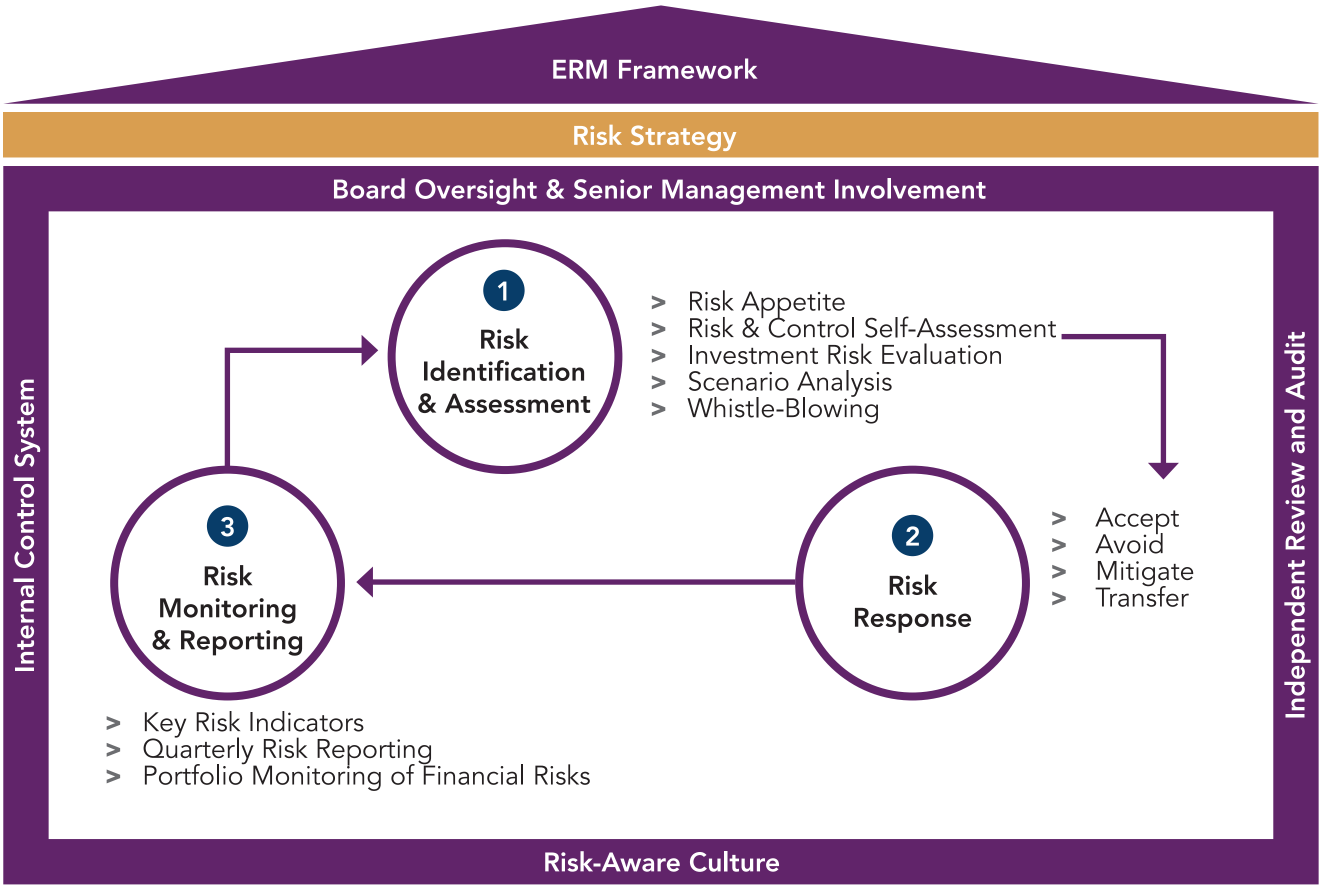
GOVERNANCE

The Boards are responsible for the governance of risk across ART. It falls to them to determine ART's risk appetite; oversee the Managers' Enterprise Risk Management (ERM) Framework; regularly review ART's risk profile, material risks and mitigation strategies; and ensure the adequacy and effectiveness of the risk management framework and policies. For these purposes, the Boards are assisted by the Audit Committees (AC) who provide dedicated oversight of risk management at the Boards' level.

The AC, made up of three independent and one non-independent[1] board members in FY2019, meets quarterly. The meetings are attended by the Chief Executive Officer (CEO) as well as other key management staff of the Managers.

The Boards approve ART's risk appetite, which determines the nature and extent of material risks that the Managers are willing to take to achieve ART's strategic and business objectives. ART'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 an operational level. Taking the interests of key stakeholders into consideration, the RAS sets out explicit and forward-looking views of ART's desired risk profile and ensures it is aligned with ART's strategy and business plans.

Enterprise Risk Management Framework



1 Arising from the combination with A-HTRUST, the AC of Ascott Business Trust (Ascott BT) was established. It is intended for the composition of the AC of Ascott BT to mirror that of Ascott Reit. Under the Business Trusts Regulations, the AC of a registered business trust shall, among others, comprise three or more members, all of whom shall be independent of management and business relationships with the trustee-manager. Accordingly, Mr Lim Cho Pin Andrew Geoffrey has stepped down from his position as member of the AC.

The Managers' ERM Framework is adapted from the International Organization for Standardization (ISO) 31000 International Risk Management Standards. It is also guided by the Committee of Sponsoring Organizations of the Threadway Commission (COSO) Internal Control-Integrated Framework and other relevant best practices and guidelines. It specifies the required environmental and organisational components needed to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually.

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

ART's successful ERM programme is based on fostering the right risk culture. The Managers work closely with CapitaLand's Group Risk Management Department (GRM) to conduct regular workshops to enhance risk management knowledge and promote a culture of risk awareness. Risk management principles are embedded in all our decision-making and business processes.

Once a year, the Managers coordinate an ART Risk and Control Self-Assessment (RCSA) exercise. This requires respective risk and control owners to identify, assess and document material risks, which includes Environment, Social and Governance (ESG)-relevant risks, along with their key controls and mitigating measures. Material risks and their associated controls are consolidated and reviewed by the Managers before they are presented to AC and the Boards.

MANAGING MATERIAL RISKS

The Managers take a comprehensive, iterative approach to identifying, managing, monitoring and reporting material risks across ART. These material risks include:

Material Risk	Details	Key Mitigating Action
Acts of God and Pandemic Events	> Exposure to natural disasters, catastrophes and pandemic events > Such events may significantly damage ART's properties, adversely affect the economy and livelihood of the people in those countries or regions and severely disrupt ART's business operations	> Focus on diversifying our portfolio geographically > Business continuity plans are in place to respond to any disruption > Standard operating procedures for crisis management are in place at each property > Ensure insurance coverage are adequately purchased
Competition	> Keen competition from other established players, investors and manager of real estate assets and new market entrants in the serviced residence market	> Constantly strive to differentiate ourselves by delivering exceptional products and services with the ongoing brand building > Focus on active asset management to improve the profitability of ART > Maintain strong balance sheet to secure new investments
Climate Change	> Physical risks such as rising sea levels, violent storms, long intense heat waves, flash floods, and fresh water depletion > Transitional risks include potentially more stringent regulations and increased expectations from stakeholders	> The Managers work in conjunction with CapitaLand to regularly review its mitigation and adaptation efforts which include future proofing its portfolio by setting targets for green building rating, carbon emissions and energy efficiency. CapitaLand has in place a global environment, health and safety management system which is externally certified to ISO 14001

ENTERPRISE RISK MANAGEMENT

Material Risk	Details	Key Mitigating Action
Economic	> Exposure to event risks in major economies as well as in key financial and property markets > These event risks may reduce revenue, increase costs and result in downward revaluation of ART's assets > Market illiquidity during a financial crisis makes asset investment and divestment challenging and can affect ART's investment and strategic objectives	> Adopt a disciplined approach to financial management > Our portfolio is diversified across geographies > Focus on cities where ART or its Sponsor, The Ascott Limited (Ascott), has operational scale and where underlying economic fundamentals are more robust
Financial	> Exposure to financial risks relating to liquidity constraints, foreign currency and interest rate volatility resulting in realised/unrealised losses, and/or funding gaps which may lead to financial losses and defaults, delays in development/renovation completion, and negative reputational impact	> Actively monitor ART's debt maturity profile, operating cash flows and the availability of funding to ensure that there are sufficient liquid reserves, in the form of cash and banking facilities, to finance ART's operations > Access to various sources of funds from both banks and capital markets to minimise over-reliance on a single source of funds for any funding or refinancing requirements > Adopt natural hedging, where possible, by borrowing in the same currency as the revenue stream generated from ART's investments > Actively review and maintain an optimal mix of fixed and floating interest rate borrowings, taking into consideration the investments holding period and nature of the assets > For more information, please refer to the Financial Risk Management section on Pg 271
Fraud, Bribery and Corruption	> Any forms of fraud, bribery and corruption that could be perpetuated by employees, third parties or collusion between employees and third parties	> The Managers promote the right ethical culture at all levels to build strong foundations > Continue adoption of a zero tolerance stance against fraud, bribery and corruption in the conduct of business and reinforce the importance of integrity – one of ART's core values > Communicate the commitment to integrity from the top through policies such as Fraud, Bribery & Corruption (FBC) Risk Management Policy, Whistle-Blowing Policy and Ethics and Code of Business Conduct Policies > All employees sign a pledge to renew their commitment to uphold ART's core values > Rolled out online FBC Quiz in 2019 to heighten staff awareness

Material Risk	Details	Key Mitigating Action
Information Technology / Cyber Security	> Ongoing business digitalisation exposes the business to IT related threats which may result in compromising the confidentiality, integrity and availability of ART's information assets and/or systems > This may have significant negative impact on customer experience, financials and/or regulatory compliance.	> The outsourced IT team from CapitaLand executes its Cyber Security Strategy through ongoing review against existing/evolving threat landscapes and institutes measures to minimise vulnerability exposure and manage threat vectors > Roll out ongoing staff IT Security Awareness Training to counter human intervention in the information security chain > Periodically review and update Group-wide IT Security Policy and Data Protection Framework to ensure relevancy > Maintain and test IT Security Incident Management Procedure to ensure prompt response and timely remediation to cyber security incident > Conduct annual Disaster Recovery Plan (DRP) exercise to ensure timely recoverability of business critical IT systems
Investment and Divestment	> Deployment of capital into investments which are loss-making or have below-targeted returns due to wrong underwriting assumptions or poor execution > Inadequate planning to identify suitable divestment opportunities	> Evaluate all investment and divestment proposals against a rigorous set of criteria which includes potential for value creation and distribution per Stapled Security (DPS) accretion, review key financial assumptions and perform sensitivity analysis on key variables > Boards review and approve all major investment and divestment decisions > Conduct rigorous due diligence reviews on all investment and divestment proposals and where necessary, enlist third-party consultants with the requisite expertise to assist in the due diligence review > Identify potential risks associated with proposed projects and the issues that may prevent smooth implementation or attainment of projected outcomes at the evaluation stage and devise action plans to mitigate such risks as early as possible

ENTERPRISE RISK MANAGEMENT

Material Risk	Details	Key Mitigating Action
Physical Security and Business Interruption	> Exposure to global terrorism and inadequate physical security controls could cause serious loss or damage to ART's properties or compromise the safety of ART's guests and operations staff > Exposure to sudden and major disaster events such as terrorist attacks, fires, prolonged power outages or other major infrastructure or equipment failures could cause business interruption which may significantly disrupt operations at the properties	> Regularly review and enhance the security safety measures at the properties > Ensure that there are standard operating procedures for crisis management in place at each property > Continuously embark on heightening anti-terrorism awareness among its operations staff > Ensure property damage and business interruption insurance coverage are adequately purchased > The outsourced IT team from CapitaLand has a defined disaster recovery plan which is reviewed and tested annually
Political and Policy	> Exposure to events such as political leadership uncertainty, inconsistent public policies, social unrest, change in property-related regulations and other events in the markets that ART operates in > Such events may threaten the economic and sociopolitical environment which may, in turn, affect the financial viability of ART's investments	> Focus on diversifying ART's portfolio geographically > Overseas operations are managed by experienced managers and teams familiar with local conditions and cultures > Maintain a balanced mix of stable and growth income within the portfolio comprising properties on master leases, management contracts with minimum guaranteed income and management contracts
Regulatory and Compliance	> Subject to the applicable laws and regulations in the markets in which ART operates > Breaches to laws and regulations may lead to hefty penalties/fines and negative publicity	> Maintain a framework that proactively identifies the applicable laws and regulations, and embed compliance into the day-to-day operations > The outsourced specialised teams from CapitaLand, such as compliance and tax provide advisory services and updates on latest changes to laws and regulations
Safety, Health and Well Being	> Increased expectations from stakeholders to provide safe and healthy environment, at ART's properties, which includes caring for their well-being	> The Managers work in conjunction with CapitaLand to regularly review its mitigation efforts which include work-related safety targets > CapitaLand has in place a global environment, health and safety management system which is externally certified to OHSAS 18001

CORPORATE GOVERNANCE

OUR ROLE

Ascott Residence Trust (ART) is a stapled group comprising Ascott Real Estate Investment Trust (Ascott Reit) and Ascott Business Trust (Ascott BT) pursuant to a stapling deed dated 9 September 2019 and each stapled security consists of one Ascott Reit Unit and one Ascott BT Unit and is treated as a single instrument.

Ascott Residence Trust Management Limited (Reit Manager) was appointed manager of Ascott Reit in accordance with the terms of the trust deed dated 19 January 2006 (as amended) between the Reit Manager and DBS Trustee Limited, as the trustee of Ascott Reit (Trustee). Ascott Business Trust Management Pte. Ltd. (Trustee-Manager) was appointed the trustee-manager of Ascott BT in accordance with the terms of the trust deed constituting Ascott BT dated 9 September 2019 (as amended) (collectively, Trust Deeds).

It should be noted that the Trustee-Manager was only incorporated on 2 August 2019 and Ascott BT only became a registered business trust on 30 December 2019. Accordingly, references to actions taken by the Reit Manager and the Trustee-Manager (collectively, Managers) should be read taking this into account.

We, as the Managers, set the strategic direction of ART and its subsidiaries on any investment or divestment opportunities for ART and the enhancement of the assets of ART in accordance with the stated investment strategy for ART. The research, evaluation and analysis required for this purpose are coordinated and carried out by us as the Managers.

As the Managers, we have general powers of management over the assets of ART. Our primary responsibility is to manage the assets and liabilities of ART for the benefit of the stapled securityholders of ART (Stapled Securityholders). 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 Stapled Securityholders.

Our other functions and responsibilities as the Managers include:

(a) using our best endeavours to conduct ART's business in a proper and efficient manner;
(b) preparing annual business plans for review by the directors of the Managers (Directors, each a Director), including forecasts on revenue, net income, operating expenses 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 Business Trusts Act (Chapter 31A of Singapore), the Business Trusts Regulations 2005 (BTR), 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 ART and Stapled Securityholders;
(d) attending to all regular communications with Stapled Securityholders; 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 ART's properties.

The Managers also consider sustainability issues (including environmental and social factors) as part of their responsibilities. ART's environmental sustainability and community outreach programmes are set out on pages 85 to 93 of this Annual Report.

ART is externally managed by the Managers. The Managers appoint experienced and well qualified personnel to run their day-to-day operations.

CORPORATE GOVERNANCE

The Managers were appointed in accordance with the terms of the Trust Deeds. The Trust Deeds outline certain circumstances under which the Managers can be removed. In the case of Ascott Reit, by resolution passed by a simple majority, and in the case of Ascott BT, by 75% of Stapled Securityholders present and voting at a meeting of Stapled Securityholders duly convened and held in accordance with the provisions of the Trust Deeds.

The Managers are wholly owned subsidiaries of CapitaLand Limited (CapitaLand) which holds a significant stapled securityholding interest in ART. CapitaLand is a long-term real estate developer and investor, with a vested interest in the long-term performance of ART. CapitaLand's significant stapled securityholding interest in ART demonstrates its commitment to ART and as a result, CapitaLand's interest is aligned with that of other Stapled Securityholders. The Managers' association with CapitaLand provides the following benefits, among other things, to ART:

(a) a stable pipeline of property assets through CapitaLand'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.

OUR CORPORATE GOVERNANCE FRAMEWORK AND CULTURE

The Managers embrace the tenets of good corporate governance, including accountability, transparency and sustainability. They are committed to enhancing long-term stapled securityholder value and have appropriate people, processes and structure to direct and manage the business and affairs of the Managers with a view to achieving operational excellence and delivering ART's long-term strategic objectives. The policies and practices developed by the Managers meet the specific business needs of ART provide a firm foundation for a trusted and respected business enterprise.

Our corporate governance framework is set out below:

Board of Directors of the Managers
4 Independent Directors ("**ID**") and
3 Non-Independent Directors ("**Non-ID**")
Led by ID, Mr Tan Beng Hai, Bob, Chairman

Key responsibility:
Oversee the Managers' strategic direction, performance and affairs and foster the success of ART so as to deliver sustainable value over the long term to Stapled Securityholders

Audit Committee ("AC")
3 IDs
Led by ID, Mr Sim Juat Quee Michael Gabriel, AC chairman

Key responsibility:
Assist the Boards in their oversight of the financial reporting process, internal controls system, internal and external audit processes, and management of compliance with legal, regulatory and company policies

Executive Committee ("EC")
3 Non-IDs
Led by Non-ID, Mr Lee Chee Koon, EC chairman

Key responsibility:
Assist the Boards in their oversight of the day to day activities of the Managers and ART

The Board of Directors of the Managers (Boards) set the tone from the top and are responsible for the Managers' corporate governance standards and policies, underscoring their importance to ART.

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2019 with reference to the principles of the Code of Corporate Governance 2018 (Code).

Throughout FY2019[1], the Reit Manager has complied with the principles of the Code and also, substantially, with the provisions underlying the principles of the Code. Where there are deviations from any of the provisions of the Code, appropriate explanations are provided in this Report, including an explanation on how the practices adopted are consistent with the intent of the principles of the Code. This Report also sets out additional policies and practices adopted by the Managers which are not provided in the Code.

The Reit Manager has received accolades from the investment community for excellence in corporate governance. More details can be found in the Investor Relations section on pages 30 to 33 of this Annual Report.

BOARD MATTERS

Principle 1: The Boards' Conduct of Affairs

Boards' Duties and Responsibilities

The Boards oversee the strategic direction, performance and affairs of the Managers, in furtherance of the Managers' primary responsibility to foster the success of ART so as to deliver sustainable value over the long term to Stapled Securityholders. The Boards provide overall guidance to the management team (Management), led by the Chief Executive Officer (CEO). The Boards work with Management to achieve ART's objectives and long term success and Management is accountable to the Boards for its performance. Management is responsible for the execution of the strategy for ART and the day-to-day operations of ART's business.

The Boards establish goals for Management and monitor the achievement of these goals. The Boards ensure 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. The Boards also set the disclosure and transparency standards for ART and ensure that obligations to Stapled Securityholders and other stakeholders are understood and met.

The Boards have adopted a set of internal controls which establishes financial approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments and this is clearly communicated to Management in writing. The Boards have reserved authority to approve certain matters including:

(a) material acquisitions, investments and divestments;
(b) issue of new stapled securities in ART (Stapled Securities);
(c) income distributions and other returns to Stapled Securityholders; and
(d) matters which involve a conflict of interest for a controlling Stapled Securityholder or a Director.

Apart from matters that specifically require the Boards' approval, the Boards delegate authority for transactions below those limits to Board Committees and Management to optimise operational efficiency.

1 In relation to Reit Manager only as the business trust was only registered on 30 December 2019.

The Directors are fiduciaries and are collectively and individually obliged at all times to act honestly and objectively in the best interests of ART. Consistent with this principle, the Boards are committed to ethics and integrity of action and have adopted a Board Code of Business Conduct and Ethics (Board Code) which provides that every Director is expected to, among other things, adhere to the highest standards of ethical conduct. All Directors are required to comply with the Board Code. This sets the appropriate tone from the top in respect of the desired organisational culture, and assists the Boards in ensuring proper accountability within the Managers. In line with this, the Boards have a standing policy that a Director must not allow himself or herself to get into a position where there is a conflict between his or her duty to ART and his or her own interests. Where a Director has a conflict of interest in a particular matter, he or she will be required to disclose his or her interest to the Boards, recuse himself or herself from deliberations on the matter and abstain from voting on the matter. Every Director has complied with this policy, and where relevant, such compliance has been duly recorded in the minutes of meeting or written resolutions.

Further, the Directors have the responsibility to act with due diligence in the discharge of their duties and ensure that they have the relevant knowledge to carry out and discharge their duties as directors, including understanding their roles as executive, non-executive and independent directors, the business of ART and the environment in which ART operates. The Directors are also required to dedicate the necessary effort, commitment and time to their work as directors, and are expected to attend all meetings of the Boards, except if unusual circumstances make attendance impractical.

Directors' Development

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Boards recognise the importance of continual training and development for their Directors so as to equip them to discharge the duties and responsibilities of their office as Directors to the best of their abilities. The Managers have in place a training framework to guide and support the Managers towards meeting the objective of having Boards which comprise individuals who are competent and possess up-to-date knowledge and skills necessary to discharge their duties and responsibilities. Directors who have no prior experience as a director of an issuer listed on the SGX-ST will be provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the SGX-ST. The costs of training are borne by the Managers.

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, duties and responsibilities of a Director). All Directors upon appointment also undergo an induction programme which focuses on orientating the Director to ART's business, operations, strategies, organisation structure, responsibilities of CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Managers (key management personnel), and financial and governance practices. The induction programme may include visits to the ART's properties. Through the induction programme, the new Director also gets acquainted with members of the Management which facilitates their interaction at Board meetings.

Following their appointment, the 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 affect or may enhance their performance as Directors or Board Committee members. The Directors may also recommend suitable training and development programmes to the Boards. In FY2019, the training and professional development programmes for the Directors included seminars conducted by and dialogues with experts and senior business leaders on board practices and issues faced by boards. The Directors also regularly receive reading materials on topical matters or subjects as well as updates on regulatory changes and their implications.

Board Committees
The Boards have established various Board Committees to assist them in the discharge of their functions. These Board Committees are the Audit Committee (AC) and the Executive Committee (EC). The Corporate Disclosure Committee (CDC) of the Reit Manager was dissolved with effect from 1 November 2019 and the Boards now undertake all the responsibilities for approving corporate disclosures other than certain non-material and routine disclosures which are delegated to the Management for approval.

All the Board Committees have clear written terms of reference setting out their respective composition, authorities and duties, including reporting back to the Boards. Each of the Boards' Committees operates under delegated authority from the Boards with the Boards retaining overall oversight. The decisions and significant matters discussed at the respective Board Committees are reported to the Boards on a periodic basis. The minutes of the Board Committee meetings which record the key deliberations and decisions taken during these meetings are also circulated to all members of the Boards for their information. The composition of the various Board Committees is set out on page 130 and the inside back cover of this Annual Report. The duties and responsibilities of the Board Committees are set out in this Report.

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

Meetings of Boards and Board Committees
Board and Board Committee meetings are scheduled prior to the start of each financial year in consultation with the Directors. The Constitution of the Managers permit the Directors to participate in Board and Board Committee meetings via audio or video conference. If a Director is unable to attend a Board or Board Committee meeting, he or she may provide his or her comments to the Chairman or the relevant Board Committee chairperson ahead of the meeting and these comments are taken into consideration in the deliberations. The Board and Board Committees may also make decisions by way of written resolutions.

In addition to scheduled meetings, the Boards may also hold ad hoc meetings as required by business imperatives. The Directors (excluding the CEO) also meet from time to time without the presence of Management. If required, the non-executive Directors and/or IDs, led by the independent Chairman of the Board or other IDs as required, will meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Boards and/or Chairman of the Boards as appropriate.

At each scheduled Board meeting, the Boards are apprised of the following:

(a) significant matters discussed at the AC meeting which is typically scheduled before the Board meeting;
(b) AC's recommendation on ART's periodic and year-end financial results following AC's review of the same;
(c) decisions made by Board Committees in the period under review;
(d) updates on ART's business and operations in the period under review, including market developments and trends, as well as business initiatives and opportunities;
(e) financial performance, budgetary and capital management related matters in the period under review, including any material variance between any projections in budget or business plans and the actual results from business activities and operations;
(f) any risk management issues that materially impact ART's operations or financial performance;
(g) updates on key Stapled Securityholder engagements in the period under review, as well as analyst views and market feedback; and
(h) prospective transactions which Management is exploring.

This allows the Boards to develop a good understanding of the progress of ART's business as well as the issues and challenges faced by ART, and also promotes active engagement with Management.

The Managers adopt and practise the principle of collective decisions and therefore, no individual Director influences or dominates the decision-making process. There is mutual respect and trust among the Directors and therefore the Boards benefit from a culture of frank and rigorous discussions. Such discussions conducted on a professional basis contribute to the dynamism and effectiveness of the Boards. The Boards' composition is such that there is diversity in views and perspectives which enriches deliberations and contributes to better decision-making of the Boards. At Board and Board Committee meetings, all the Directors actively participate in discussions, in particular, they engage in open and constructive debate and challenge Management on its assumptions and recommendations.

Management provides the Directors with complete, adequate and timely information prior to Board and Board Committee meetings and on an ongoing basis. This enables the Directors to make informed decisions and discharge their duties and responsibilities.

As a general rule, meeting materials are provided to the Directors at least five working days prior to Board and Board Committee meetings, to allow them to prepare for the meetings and to enable discussions to focus on any questions or issues that they may have or identify. Agendas for Board and Board Committee meetings are prepared in consultation with the Chairman and the chairmen of the respective Board Committees. This provides assurance that all relevant matters will be covered during the meetings.

In line with the Managers' ongoing commitment to minimise paper wastage and reduce their carbon footprint, the Managers do not provide printed copies of Board and Board Committee meeting materials. Instead, Directors are provided with tablet devices to enable them to access and review meeting materials prior to and during meetings. This initiative also enhances information security as the meeting materials are made available through a secure channel. The Directors are also able to review and approve written resolutions using the tablet devices.

A total of six Board meetings and five AC meetings were held in FY2019[1]. The key deliberations and decisions taken at Board and Board Committee meetings are minuted[2].

A record of the Directors' attendance at Board and Board Committees meetings in FY2019 is set out on page 130 of this Annual Report. The CEO who is also a Director attends all Board meetings. She also attends all AC meetings on an ex officio basis. Other members of Management attend Board and Board Committee meetings as required to brief the Boards and Board Committees on specific business matters.

There is active interaction between the Directors and Management during and outside Board and Board Committee meetings. The Directors have separate, independent and unfettered access to Management for any information that they may require. The Boards and Management share a productive and harmonious relationship, which is critical for good governance and organisational effectiveness.

The Directors also have separate and independent access to the company secretary of the Managers (Company Secretary). The Company Secretary keeps herself abreast of relevant developments. She has oversight of corporate secretarial administration matters and advises the Boards and Management on corporate governance matters. The Company Secretary attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed. The Company Secretary also facilitates the induction programme for new Directors and oversees professional development administration for the Directors. The appointment and the removal of the Company Secretary is subject to the Boards' approval.

The Directors, whether individually or collectively as the Boards, are entitled to have access to independent external professional advice where necessary, at the Managers' expense.

1 The Board Members attended the Meetings in their capacity as directors of the Reit Manager.
2 Arising from the combination with Ascendas Hospitality Trust, Mr Lim Cho Pin Andrew Geoffrey has stepped down from the AC of the Reit Manager, as under the BTR all members of the audit committee are required to be independent of management and business relationships with the trustee-manager. Mr Lim Cho Pin Andrew Geoffrey remains a member of the Boards.

Principle 2: Board Composition and Guidance

Board Independence

The Boards have a strong independent element as four out of seven directors, including the Chairman, are non-executive IDs. Other than the CEO is the only executive Director on the Boards , non-executive Directors make up the rest of the Boards. This exceeds the recommendations in the Code and fulfils rule 210(5)(c) of the Listing Manual, which requires the Boards to comprise at least two non-executive directors who are independent and free of any material business or financial connection with the issuer. None of the IDs have served on the Boards for more than nine years. No lead ID is appointed as the Chairman is an ID. Profiles of the Directors, their respective Board Committee memberships and roles are set out on pages 19 to 23 of this Annual Report. Key information on the Directors is also available on ART's website at www.ascottresidencetrust.com (Website).

The Boards review from time to time the size and composition of the Boards and each Board Committee, with a view to ensuring that the size is appropriate in facilitating effective decision-making, and the composition reflects a strong independent element as well as a balance and diversity of thought and background. The review takes into account the scope and nature of ART's operations, and the competition that ART faces.

The Boards assess annually (and as and when circumstances require) the independence of each Director in accordance with the requirements of the Listing Manual and the guidance in the Code and where relevant, the recommendations set out in the Practice Guidance accompanying the Code (Practice Guidance), the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR), the BTR and the Listing Manual. A Director is considered independent if he or she is independent in conduct, character and judgement and:

(a) has no relationship with the Managers, their related corporations and their substantial shareholders, ART's substantial Stapled Securityholders (being Stapled Securityholders who have interests in voting Stapled Securities with 5% or more of the total votes attached to all voting Stapled Securities) or the Managers' officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of ART;
(b) is independent from the management of the Managers and ART, from any business relationship with the Managers and ART and from every substantial shareholder of the Managers and every substantial Stapled Securityholder of ART;
(c) is not a substantial shareholder of the Managers or a substantial stapled securityholder of ART;
(d) is not employed and has not been employed by the Managers or ART or their related corporations in the current or any of the past three financial years;
(e) does not have an immediate family member who is employed or has been employed by the Managers or ART or their related corporations in current or any of the past three financial years and whose remuneration is determined by the Boards and;
(f) has not served on the Boards for a continuous period of nine years or longer.

Under the SFR and the BTR, a director is considered not to be: (a) independent from business relationships with the Managers and ART if, among others, the director has received any payment from a related corporation of the Managers at any time during the current or immediately preceding financial year of the Managers, other than salary received for the director's service as an employee of such related corporation of the Managers; or (b) independent from substantial shareholder of the Managers and substantial Stapled Securityholder of ART if, among others, the director is an appointed director of an associated corporation of the substantial shareholder of the Managers. However, under the SFR and the BTR, a director who is not considered to be independent from business relationships with the Managers and independent from substantial shareholder of the Managers, may nevertheless be treated as an independent director of the Managers if the Boards are satisfied that the director is able to act in the best interests of all the Stapled Securityholders as a whole.

There is a rigorous process to evaluate the independence of each ID. As part of the process:

(a) each ID provides information of his or her business interests and confirms annually that there are no relationships which interfere with the exercise of his or her independent business judgement in the best interests of the Stapled Securityholders as a whole and, such information is then reviewed by the Boards; and
(b) the Boards also reflect on the respective ID's conduct and contributions at Board and Board Committee meetings, in particular, whether the relevant ID has exercised independent judgement in discharging his or her duties and responsibilities.

Each ID is required to recuse himself or herself from the Boards' deliberations on his or her independence. In appropriate cases, the Boards also review the independence of an ID as and when there is a change of circumstances involving the ID. In this regard, an ID is required to report to the Managers when there is any change of circumstances which may affect his or her independence.

The Boards have carried out the assessment of the independence of each of their IDs for FY2019 and the paragraphs below set out the outcome of the assessment. Each of the IDs had recused himself or herself from the Boards' deliberations on his or her independence.

Mr Tan Beng Hai, Bob
Mr Tan is a non-executive director of Singapore Post Limited (SingPost) which provides postal services to CapitaLand group. In addition, SingPost engages CapitaLand group to manage SingPost Centre and had also purchased CapitaVouchers from CapitaLand group during the course of the year. The decision to procure or provide the services was made by the management of CapitaLand in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Tan's role in SingPost is non-executive in nature and he is not involved in the day-to-day conduct of business of SingPost.

Mr Tan also serves as a non-executive director of some related corporations of Temasek Holdings (Private) Limited (Temasek). Temasek is deemed to be a substantial Stapled Securityholder through its direct and indirect interests in CapitaLand, which is a substantial stapled securityholder of ART. Mr Tan's role in these corporations is non-executive in nature and he is not involved in the day-to-day conduct of the business of these corporations.

The Boards have considered the conduct of Mr Tan in the discharge of his duties and responsibilities as a Director, and are of the view that the relationships set out above did not impair his ability to act with independent judgement in the discharge of his duties and responsibilities as a Director. Save for the relationships stated above, Mr Tan does not have any other relationships and is not faced with any of the circumstances identified in the Code, SFR, BTR and Listing Manual, or any other relationships which may affect his independent judgement. The Boards are therefore of the view that Mr Tan has exercised independent judgement in the discharge of his duties and responsibilities. Based on the above, the Boards arrived at the determination that Mr Tan is an independent Director.

Mr Zulkifli Bin Baharudin
Mr Zulkifli is a non-executive director of a subsidiary and an associated corporation of Temasek. Mr Zulkifli's role in these corporations is non-executive in nature and he is not involved in the day-to-day conduct of the business of these corporations.

The Boards have considered the conduct of Mr Zulkifli in the discharge of his duties and responsibilities as a Director, and are of the view that the relationships set out above did not impair his ability to act with independent judgement in the discharge of his duties and responsibilities as a Director. Save for the relationships stated above, Mr Zulkifli does not have any other relationships and is not faced with any of the circumstances identified in the Code, SFR, BTR and Listing Manual, or any other relationships which may affect his independent judgement. The Boards are therefore of the view that Mr Zulkifli has exercised independent judgement in the discharge of his duties and responsibilities. Based on the above, the Boards arrived at the determination that Mr Zulkifli is an independent Director.

Mr Sim Juat Quee Michael Gabriel

Mr Sim serves as a board member of Jurong Town Corporation (JTC), a statutory board under the Ministry of Trade and Industry. In FY2019, CapitaLand group made certain payments to JTC in respect of lease of space from JTC. The leases were in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Sim's role in JTC is non-executive in nature and he is not involved in the day-to-day conduct of business of JTC.

The Boards have considered the conduct of Mr Sim in the discharge of his duties and responsibilities as a Director, and are of the view that the relationships set out above did not impair his ability to act with independent judgement in the discharge of his duties and responsibilities as a Director. Save for the relationships stated above, Mr Sim does not have any other relationships and is not faced with any of the circumstances identified in the Code, SFR, BTR and Listing Manual, or any other relationships which may affect his independent judgement. The Boards are therefore of the view that Mr Sim has exercised independent judgement in the discharge of his duties and responsibilities. Based on the above, the Boards arrived at the determination that Mr Sim is an independent Director.

The Boards are of the view that as the last day of FY2019, each of Mr Tan, Mr Zulkifli and Mr Sim was able to act in the best interests of all the Stapled Securityholders in respect of FY2019.

Ms Elaine Carole Young

Ms Young does not have any relationships and is not faced with any of the circumstances identified in the Code, SFR, BTR and Listing Manual, or any other relationships which may affect her independent judgement.

The Boards have considered the conduct of Ms Young in the discharge of her duties and responsibilities as a Director, and are of the view that Ms Young has exercised independent judgement in the discharge of her duties and responsibilities. Based on the above, the Boards arrived at the determination that Ms Young is an independent Director.

The remaining Directors, namely, Ms Beh Siew Kim, Mr Lee Chee Koon and Mr Lim Cho Pin Andrew Geoffrey, are all employees of CapitaLand group and are not considered to be independent.

In addition, under Regulation 13H(1) of the SFR, where a substantial shareholder of a manager of a real estate investment trust (REIT) is a corporation, a person would be considered to be connected to that substantial shareholder if he is, inter alia, a director of the substantial shareholder or a director of a related corporation or an associated company of the substantial shareholder. Such person will prima facie not be deemed to be independent unless the directors nevertheless regard him to be independent.

The Trustee-Manager is a related corporation of the Reit Manager as both the Trustee-Manager and the Reit Manager are directly held by CapitaLand group and as Ascott BT and Ascott Reit are stapled, the directors of the Managers are identical to avoid any differences or deadlock in the operation of the stapled group. As a result, all four independent directors of the Reit Manager, namely Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin, Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young will prima facie be deemed to be connected to a substantial shareholder of the Reit Manager and hence not independent pursuant to Regulation 13H of the SFR.

Against the foregoing, the board of directors of the Reit Manager (Reit Manager Board) has reviewed and assessed the independence of each of the four IDs of the Reit Manager in relation to Regulation 13H of the SFR and has pursuant to Regulation 13D(8) of the SFR, resolved that notwithstanding that each of the four IDs is a director of both the Reit Manager and the Trustee-Manager, on the basis that:

(a) for so long as Ascott BT is stapled to Ascott Reit, there will be no real prejudice to the interests of the holders of Ascott Reit Units for the Trustee-Manager and the Reit Manager to have the same board of directors as Ascott Reit Units and the Ascott BT Units will be stapled together and held by the same investors. The stapling together of Ascott Reit Units and Ascott BT Units means that the holders of Ascott Reit Units are at the same time the investors of the Stapled Securities, who stand to benefit as a whole;

(b) since the Ascott BT Units and Ascott Reit Units are held by the same pool of investors in the same proportion, concerns and potential abuses applicable to interested party transactions will be absent in transactions between Ascott Reit and Ascott BT,

the Reit Manager Board is satisfied that the four IDs' independent judgment and ability to act with regard to the interests of all the stapled securityholders of ART as a whole will not be impaired.

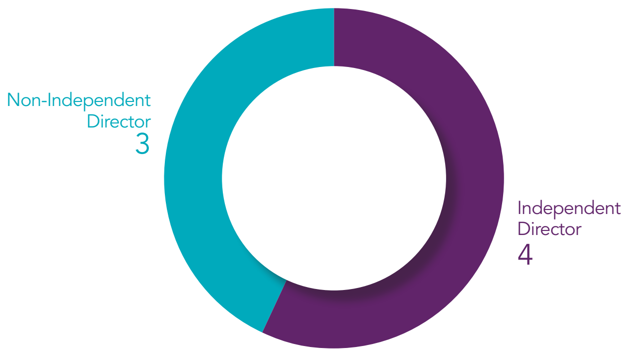
CORPORATE GOVERNANCE

Board Diversity
The Boards embrace diversity and formally adopted a board diversity policy in 2019 (Board Diversity Policy). The Board Diversity Policy provides for the Boards to comprise talented and dedicated Directors with a diverse mix of knowledge, expertise, experience, perspectives, skills and backgrounds, with due consideration to diversity factors, including but not limited to, diversity in business or professional experience, age and gender.

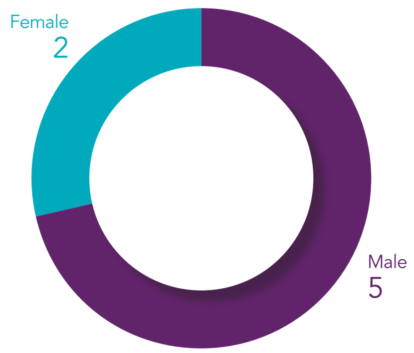
The Boards believe in diversity and value the benefits that diversity can bring to the Boards in their deliberations. Diversity enhances the Boards' decision-making capability and ensures that the Managers have the opportunity to benefit from all available talent and perspectives.

The Boards, in carrying out their duties of determining the optimal composition of the Boards in the board renewal process, identifying possible candidates and making recommendations of board appointments to the Boards, consider diversity factors such as age, educational, business and professional backgrounds of their members. Female representation is also considered an important aspect of diversity. The current Boards comprise seven members who are corporate and business leaders, and are professionals with varied backgrounds, expertise and experience including in finance, banking, funds management, real estate, investment, hospitality and accounting. The current Boards have two female members. For further information on the Boards' work in this regard, please refer to "Board Membership" under Principle 4 in this Report.

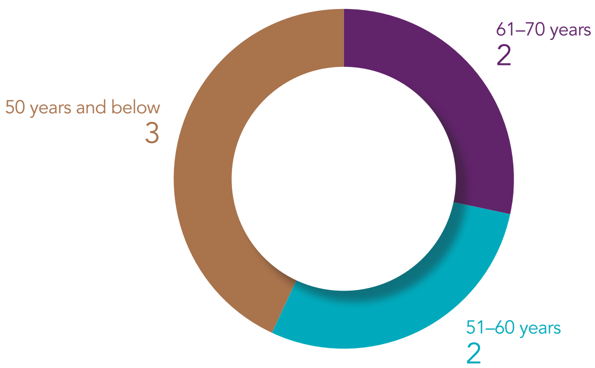
Board Independence



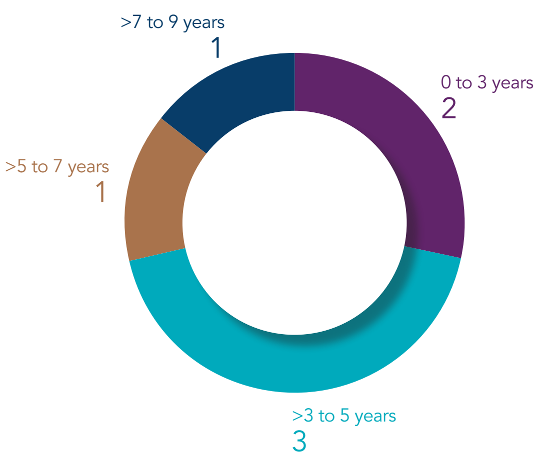
Board Gender Diversity



Age Spread



Tenure Mix



Principle 3: Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and the CEO are held by separate individuals, in keeping with the principles that there be a clear division of responsibilities between the leadership of the Boards and Management and that no one individual has unfettered powers of decision-making. The non-executive independent Chairman is Mr Tan Beng Hai, Bob, whereas the CEO is Ms Beh Siew Kim. They do not share any family ties. The Chairman and the CEO enjoy a positive and constructive working relationship between them and support each other in their respective leadership roles.

The Chairman provides leadership to the Boards and facilitates the conditions for the overall effectiveness of the Boards, Board Committees and individual Directors. This includes setting the agenda of Board meetings, ensuring that there is sufficient information and time at meetings to address all agenda items, promoting open and constructive engagement among the Directors as well as between the Boards and the CEO on strategic issues.

The Chairman devotes considerable time to understanding the business of ART, as well as the issues and the competition that ART faces. He plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO. He also maintains open lines of communication, engages with other members of Management regularly and acts as a sounding board for CEO on strategic and operational matters.

The Chairman also presides over the Annual General Meeting (AGM) each year and other general meetings where he plays a crucial role in fostering constructive dialogue between the Stapled Securityholders, the Boards and Management.

The CEO has full executive responsibilities to manage ART's business and to develop and implement policies approved by the Boards.

The separation of the roles and responsibilities of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Boards and Management, facilitate robust deliberations on ART's business activities and the exchange of ideas and views to help shape the strategic process and ensure an appropriate balance of power, increased accountability and greater capacity of the Boards for independent decision-making.

As the roles of the Chairman and the CEO are held by separate individuals who are not related to each other and the Chairman is an ID, no lead ID is appointed.

Principle 4: Board Membership

The Boards undertake the functions of a nominating committee and therefore, the Managers do not have a nominating committee. The Boards perform the functions that such a committee would otherwise perform.

The Boards are able to undertake the functions of a nominating committee because:

(a) the Reit Manager does not manage any other REITs and the Trustee-Manager does not manage any other business trusts (BTs). In general, REITs, BTs and stapled trusts (including ART) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Boards' capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Boards as the Boards would be able to give adequate attention to such issues;

(b) the focused scope of the business of ART also means a manageable competency requirement for the Boards such that the Boards are able to manage the duties of a nominating committee; and

(c) IDs form at least half of the Boards and the Chairman is an ID, which demonstrate that the IDs play a substantive role, and assure 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 SGX-ST has also issued a Practice Note which provides that the requirement for the establishment of nominating and remuneration committees under the Listing Manual does not apply to REITs or BTs if the REIT or BT complies with regulations made under the SFA and the statutory stipulations relating to board composition of a REIT manager or BT trustee-manager. As the Reit Manager and the Trustee-Manager comply with Regulation 13D of the SFR and the statutory stipulations relating to the composition of the Boards of the Managers, the Managers are of the opinion that the corporate governance requirements relating to the nominating and remuneration committees have been substantively addressed.

The Boards have a formal and transparent process for the appointment and re-appointment of Directors. All Board appointments are made based on merit and approved by the Boards. The Boards' scope of duties and responsibilities includes:

(a) reviewing the size and composition of the Boards, the succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel, and the structure and membership of the Board Committees;
(b) reviewing the process and criteria for the evaluation of the performance of the Boards, Board Committees and Directors;
(c) considering annually and, as and when circumstances require, if a Director is independent;
(d) reviewing whether a Director has been adequately carrying out his or her duties as a Director; and
(e) reviewing the training and professional development programmes for the Boards and their Directors.

Board Composition and Renewal
The Boards strive to ensure that there is an optimal blend in the Boards of backgrounds, experience and knowledge in business and general management, expertise relevant to ART's business and track record, and that each Director can bring to the Boards an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of ART. The Boards have a few members who have prior working experience in the sector that ART operates in.

There is a structured process for determining board composition and for selecting candidates for appointment as Directors. The Boards evaluate the Boards' competencies on a long term basis and identify competencies which may be further strengthened in the long term. Board succession planning takes into account the need to maintain flexibility to effectively address succession planning and to ensure that the Managers continue to attract and retain highly qualified individuals to serve on the Boards. The process ensures that the Board composition is such that the Boards have capabilities and experience which are aligned with ART's strategy and environment.

The Boards support the principle that board renewal is a necessary and continual process, both for good governance and for ensuring that the Boards have the skills, expertise and experience which are relevant to the evolving needs of ART's business.

Board succession planning is carried out through the annual review of the Boards' composition as well as when a Director gives notice of his or her intention to retire or resign. The Boards seek to refresh their membership progressively and in an orderly manner, whilst ensuring continuity and sustainability of corporate performance. The Boards also have in place guidelines on the tenure of Directors. The guidelines provide that a non-executive ID should serve for no more than a maximum of two three-year terms and any extension of tenure beyond six years will be reviewed by the Boards on a yearly basis up to a period of nine years (inclusive of the initial two three-year terms served).

The Boards may retain external consultants from time to time to assist the Boards in identifying suitable candidates for appointment to the Boards. Candidates are identified based on the needs of ART and the relevant skills required, taking into account, among other things, the requirements in the Listing Manual and the Code, as well as the factors in the Board Diversity Policy. The candidates will be assessed against a range of criteria including their demonstrated business sense and judgement, skills and expertise, and market and industry knowledge (and may include elements such as financial, sustainability or other specific competency, geographical representation and business background). The Boards also consider the qualities of the candidates, in particular whether they are aligned to the strategic directions and values of ART. In addition, the Boards assess the candidates' ability to commit time to the affairs of ART, taking into consideration their other current appointments.

In FY2019, no alternate director to any Director was appointed. In keeping with the principle that a Director must be able to commit time to the affairs of the Managers, the Boards have adopted the principle that they will generally not approve the appointment of alternate directors.

Board Changes
Arising from the combination with Ascendas Hospitality Trust, Mr Lim Cho Pin Andrew Geoffrey has stepped down from the AC of the Reit Manager as under the BTR, all members of the audit committee are required to be independent of management and business relationships with the Trustee-Manager. Mr Lim Cho Pin Andrew Geoffrey remains a member of the Boards.

Review of Directors' Ability to Commit Time
In view of the responsibilities of a Director, Directors need to be able to devote sufficient time and attention to adequately perform their duties and responsibilities. The Boards conduct a review of the other appointments and commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director which may affect his or her ability to commit time to the Managers. In this regard, Directors are required to report to the Boards any changes in their other appointments.

In respect of the Directors' other appointments and commitments, no limit is set as to the number of listed company board appointments. The Boards take the view that 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 his or her individual capacity, whether he or she is in full-time employment, the nature of his or her other responsibilities and his or her near-term plan regarding some of the other appointments. A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Managers. IDs are also required to consult the Chairman before accepting any invitation for appointment as a director of another entity or offer of a full time executive appointment.

Each of the Directors is required to make his or her own self-assessment and confirm that he or she is able to devote sufficient time and attention to the affairs of the Managers and ART. For FY2019, all non-executive Directors had undergone the self-assessment and provided the confirmation.

The Boards assess each Director's ability to commit time to the affairs of the Managers annually and, where appropriate when there is a change of circumstances involving a Director. In conducting the assessment, the Boards take into consideration each Director's confirmation, his or her commitments, attendance record at meetings of the Board and Board Committees, as well as conduct and contributions (including preparedness, participation and candour) at Board and Board Committee meetings.

The Directors' listed company directorships and principal commitments are disclosed on pages 20 to 23 of this Annual Report and their attendance record for FY2019 is set out on page 130 of this Annual Report. In particular, the CEO does not serve on any listed company board outside of ART. For FY2019, the Directors achieved high meeting attendance rates and they have contributed positively to discussions at Board and Board Committee meetings. Based on the above, the Boards have determined that each Director has been adequately carrying out his or her duties as a Director of the Managers and noted that no Director has a significant number of listed directorships and principal commitments.

Principle 5: Board Performance
The Managers believe that oversight from strong and effective boards goes a long way towards guiding a business enterprise to achieving success.

Whilst board performance is ultimately reflected in the long-term performance of ART, the Boards believe that engaging in a regular process of self-assessment and evaluation of board performance provides an opportunity for the Boards to reflect on their effectiveness including the quality of their decisions, and for Directors to consider their performance and contributions. It also enables the Boards to identify key strengths and areas for improvement which are essential to effective stewardship and to attaining success for ART.

As part of the Managers' commitment towards improving corporate governance, the Boards have approved and implemented a process to evaluate annually the effectiveness of the Boards as a whole and that of each of their Board Committees and individual Directors. As part of the process, questionnaires are sent to the Directors, and the results are aggregated and reported to the Chairman of the Boards. The overall evaluation results are also shared with the Boards and follow-up action is taken where necessary with a view to enhancing the effectiveness of the Boards and individual Directors in the discharge of their duties and responsibilities.

Board and Board Committees
The evaluation categories covered in the questionnaire include board composition, board processes, strategy, performance and governance, access to information and board committee effectiveness. As part of the questionnaire, the Boards also consider whether the creation of value for Stapled Securityholders has been taken into account in the decision-making process. For FY2019, the outcome of the evaluation was satisfactory and the Directors on the whole provided affirmative ratings across all evaluation categories.

Individual Directors
The evaluation categories covered in the questionnaire include director's duties, contributions, conduct and interpersonal skills, as well as strategic thinking and risk management. For FY2019, the outcome of the evaluation was satisfactory and each of the Directors on the whole received affirmative ratings across all the evaluation categories.

The Boards also recognise that contributions by an individual Director 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 Board Committee meetings.

Board Evaluation as an Ongoing Process
The Boards believe that performance evaluation should be an ongoing process and the Boards achieve this by seeking feedback on a regular basis. The regular interactions between the Directors, and between the Directors and Management, also contribute to this ongoing process. Through this process of engaging their members, the Boards also benefit from an understanding of shared norms between Directors which also contributes to a positive board culture. The collective board performance and the contributions of individual Directors are also reflected in, and evidenced by, the synergistic performance of the Boards in discharging their responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering ART in the appropriate direction, as well as the long-term performance of ART whether under favourable or challenging market conditions.

REMUNERATION MATTERS

Principles 6, 7 and 8: Procedures for Developing Remuneration Policies , Level and Mix of Remuneration and Disclosure on Remuneration

The Boards undertake the functions of a remuneration committee and therefore, the Managers do not have a remuneration committee. The Boards perform the functions that such a committee would otherwise perform.

The Boards are able to undertake the functions of a remuneration committee because:

(a) the Reit Manager does not manage any other REITs and the Trustee-Manager does not manage any other BTs. In general, REITs, BTs and stapled trusts (including ART) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Boards' capacity would not be unduly stretched by reason of them undertaking the responsibilities of a remuneration committee and the Boards would be able to give adequate attention to such issues relating to remuneration matters; and

(b) the IDs form at least half of the Boards and the Chairman is an ID, which demonstrate that the IDs play a substantive role and assure 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 Boards consider all aspects of remuneration, including overseeing the design and implementation of the remuneration policy and the specific remuneration packages for each Director and for key management personnel including the CEO. No Director, however, is involved in any decision of the Boards relating to his or her own remuneration. The Boards have a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. These policies are in line with ART's business strategy and the executive compensation framework is based on the key principle of linking pay to performance, which is aligned with the long term success of ART. Pay-for-performance is emphasised by linking total remuneration to the achievement of corporate and individual goals and objectives. The Boards have access to independent remuneration consultants for advice on remuneration matters as required.

In terms of the process adopted by the Managers for developing and reviewing policies on remuneration and determining the remuneration packages for Directors and key management personnel, the Managers, through an independent remuneration consultant, takes into account compensation benchmarks within the industry, as appropriate, so as to ensure that the remuneration packages payable to Directors and key management personnel are in line with the objectives of the remuneration policies. They also consider the compensation framework of CapitaLand as a point of reference. The Managers are subsidiaries of CapitaLand which also holds a significant stake in ART. The association with CapitaLand group puts the Managers in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Managers such that it allows their 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 FY2019, an independent remuneration consultant, Willis Towers Watson, provided professional advice on Board and executive remuneration. Willis Towers Watson is a leading global advisory, broking and solutions company with over 45,000 employees serving more than 140 countries. The consultant is not related to the Managers, their controlling shareholder, their related corporations or any of their Directors.

Remuneration Policy for Key Management Personnel

The remuneration framework and policy is designed to support the implementation of the ART's strategy and deliver sustainable value to Stapled Securityholders. The principles governing the Managers' 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 Stapled Securityholders
> Provide sound and 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

Fair & Appropriate

> Ensure competitive remuneration relative to the appropriate external talent markets
> Manage internal equity such that remuneration is viewed as fair across ART
> Significant and appropriate portion of pay-at-risk, taking into account risk policies of ART, 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
The remuneration for key management personnel comprises fixed components, variable cash components, stapled security-based components and employee benefits. A significant proportion of key management personnel's remuneration is in the form of variable compensation, awarded in a combination of short-term and long-term incentives, in keeping with the principle that the interests of key management personnel align with those of Stapled Securityholders and that the remuneration framework links rewards to corporate and individual performance.

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

B. Variable Cash Components
The variable cash components comprise the Balanced Scorecard Bonus Plan 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 Boards.

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

After the close of each year, the Boards review ART's achievements against the targets set out in the Balanced Scorecard and determine the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends.

In determining the payout quantum for each key management personnel under the plan, the Boards consider the overall business performance and individual performance as well as the affordability of the payout to the Managers.

C. Stapled Security-based Components[1]
Unit[1] awards were granted in FY2019 pursuant to the Ascott Residence Trust Management Limited Performance Unit Plan[2] (PUP) and Ascott Residence Trust Management Limitied Restricted Unit Plan[2] (RUP) approved by the Reit Manager Board.

The Managers believe that the Stapled Security-based components of the remuneration for key management personnel serve to align the interests of such key management personnel with that of Stapled Securityholders and ART's long-term growth and value.

The obligation to deliver the Stapled Securities is expected to be satisfied out of the Stapled Securities held by the Managers.

To promote the alignment of Management's interests with that of Stapled Securityholders in the longer term, senior members of Management are subject to Stapled Security ownership guidelines to instill stronger identification with the longer-term performance and growth of ART. Under these guidelines, senior members of Management are required to retain a prescribed proportion of the Stapled Securities received under the Stapled Security Plans.

Managers' Performance Stapled Security Plan (PSSP)
In FY2019, the Reit Manager Board granted awards which are conditional on targets set for a three-year performance period. A specified number of Stapled Securities will only be released to the recipient at the end of the qualifying performance period, provided that minimally the threshold target is achieved. An initial number of Stapled Securities (PSSP baseline award) is contingently allocated conditional on the achievement of a pre-determined target in respect of the Relative Total Stapled Securityholder Return (TSSR) of ART measured by the percentile ranking of ART's TSSR relative to the constituent REITs in the FTSE ST REIT Index.

1 Prior to the completion of the combination with Ascendas Hospitality Trust (Combination), the awards were in the form of units of Ascott Reit. Following completion of the Combination, such awards and any release pursuant to any awards previously granted will be in the form of Stapled Securities (instead of just units of Ascott Reit).
2 Following completion of the Combination, Ascott Residence Trust Management Limited Performance Unit Plan and Ascott Residence Trust Management Limited Restricted Unit Plan are known as the Managers' Performance Stapled Security Plan and Restricted Stapled Security Plan, respectively (together, Stapled Security Plan).

The above performance measure has been selected as a key measure of wealth creation for Stapled Securityholders. The final number of Stapled Securities to be released will depend on ART's performance against the pre-determined target over the three-year qualifying performance period. This serves to align Management's interests with that of Stapled Securityholders in the longer term and to deter short term risk taking. No Stapled Securities will be released if the threshold target is not met at the end of the qualifying performance period. On the other hand, if the superior target is met, more Stapled Securities than the baseline award can be delivered up to a maximum of 200% of the baseline award. Recipients will receive fully paid Stapled Securities at no cost.

For FY2019, the relevant award for assessment of the performance achieved by ART is the award granted in FY2017 where the qualifying performance period was FY2017 to FY2019. Based on the Boards' assessment that the performance achieved by ART has met the pre-determined performance targets for such performance period, the resulting number of Stapled Securities released has been adjusted accordingly to reflect the performance level.

In respect of the Unit[1] awards granted under the PSP in FY2018 and FY2019, the respective qualifying performance periods have not ended as at the date of this Report.

Mangers' Restricted Stapled Security Plan (RSSP)

In FY2019, the Reit Manager Board granted awards which are conditional on targets set for a one-year performance period. A specified number of Stapled Securities will only be released to the recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved.

Under the RSSP, an initial number of Stapled Securities (RSSP baseline award) is allocated conditional on the achievement of pre-determined targets in respect of the following performance conditions:

- Gross profit of ART
- Distribution per Stapled Security of ART

The above performance measures have been selected as they are the key drivers of business performance and are aligned to stapled securityholder value. The final number of Stapled Securities to be released will depend on ART's performance against the pre-determined targets at the end of the one-year qualifying performance period. The Stapled Securities will be released progressively over a vesting period of three years. No Stapled Securities 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 Stapled Securities than the RSSP baseline award can be delivered up to a maximum of 150% of the RSSP baseline award. Recipients will receive fully paid Stapled Securities at no cost. This ensures alignment between remuneration and sustaining business performance in the longer term.

In respect of the Unit[1] awards granted under the RUP in FY2019, based on the Boards' assessment that the performance achieved by ART has met the pre-determined performance targets for FY2019, the resulting number of Unit[2] released has been adjusted accordingly to reflect the performance level.

D. Employee Benefits

The benefits provided are comparable with local market practices.

At present, there are four key management personnel (including the CEO). Each year, the Boards evaluate the extent to which each of the key management personnel has delivered on the corporate and individual goals and objectives, and based on the outcome of the evaluation, approve the compensation for the key management personnel. In such evaluation, the Boards consider whether the level of remuneration is appropriate to attract, retain and motivate key management personnel to successfully manage ART for the long term. The CEO does not attend discussions relating to her performance and remuneration.

1 Prior to the completion of the combination with Ascendas Hospitality Trust (Combination), the awards were in the form of units of Ascott Reit. Following completion of the Combination, such awards and any release pursuant to any awards previously granted will be in the form of Stapled Securities (instead of just units of Ascott Reit).

2 Units released after FY2019 will be in the form of stapled securities.

The CEO's remuneration amount in a band of S$250,000 and the aggregate of the total remuneration of the other key management personnel (excluding the CEO), together with a breakdown of their respective remuneration components in percentage terms, are set out in the Key Management Personnel's Remuneration Table on page 131 of this Annual Report.

While the disclosure of the CEO's exact remuneration amount and the requisite remuneration band for each of the other key management personnel (who are not also Directors or the CEO) would be in full compliance with Provision 8.1 of the Code, the Boards have considered carefully and decided that such disclosure would not be in the interests of the Managers due to the intense competition for talents in the industry, as well as the need to balance the confidential sensitiveness associated with remuneration matters. The Managers are of the view that despite this partial deviation from Provision 8.1 of the Code, the disclosures on page 131 of this Annual Report would provide sufficient information to the Stapled Securityholders on the Managers' remuneration policies and the level and mix of remuneration accorded to the key management personnel, and enable the Stapled Securityholders to understand the link between ART's performance and the remuneration of the key management personnel. In addition, the remuneration of the key management personnel is not borne by ART as it is paid out of the fees that the Managers receive (the quantum and basis of which have been disclosed).

Apart from the key management personnel and other employees of the Managers, the Managers outsource various other services to a wholly owned subsidiary of CapitaLand (CL Subsidiary). CL Subsidiary provides the services through its employees and employees of CapitaLand group (together, the Outsourced Personnel). This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of ART 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 Boards and Management. In this regard, the remuneration of such Outsourced Personnel, being employees of the CL Subsidiary and CapitaLand group, is not included as part of the disclosure of remuneration of key management personnel of the Managers in this Report.

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

In FY2019, no termination, retirement or post-employment benefits were granted to Directors, the CEO and other key management personnel. There was also no special retirement plan, 'golden parachute' or special severance package for any of the key management personnel of the Managers.

In FY2019, there were no employees of the Managers who were substantial shareholders of the Managers, substantial Stapled Securityholders of ART or immediate family members of a Director, the CEO, any substantial shareholder of the Managers or any substantial stapled securityholder of ART. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

Remuneration for Non-executive Directors

The non-executive Directors' fees for FY2019, together with a breakdown of the components, are set out in the Non-Executive Directors' Remuneration Table on page 131 of this Annual Report[1]. The CEO who is an executive Director is remunerated as part of the key management personnel of the Managers and does not receive any Director's fees. The non-executive Directors who are employees of CapitaLand group also do not receive any Director's fees.

The compensation policy for non-executive Directors is based on a scale of fees divided into basic retainer fees for serving as Director and additional fees for attendance and serving on Board Committees. The framework for the non-executive Directors' fees has remained unchanged from that of the previous financial year.

1 For the purpose of this Report, the Directors' fees is applicable in relation to the Reit Manager as the business trust was only registered on 30 December 2019.

The compensation package is benchmarked against market, taking into account the effort, time spent and demanding responsibilities on the part of the non-executive Directors in light of the scale, complexity and geographic scope of ART's business. The remuneration of non-executive Directors is reviewed from time to time to ensure that it is appropriate to attract, retain and motivate the non-executive Directors to provide good stewardship of the Managers.

The non-executive Directors' fees are paid in cash (about 80%) and in the form of Stapled Securities (about 20%), save that a non-executive director (not being employee of CapitaLand) who steps down from the Boards during a financial year will be paid fees entirely in cash. The Managers believe that the payment of a portion of the non-executive Directors' fees in Stapled Securities will serve to align the interests of non-executive Directors with the interests of Stapled Securityholders and ART's long-term growth and value. In order to encourage the alignment of the interests of the non-executive Directors with the interests of Stapled Securityholders, a non-executive Director is required to hold the number of Stapled Securities worth at least one year of his or her basic retainer fee or the total number of Stapled Securities awarded to him or her, whichever is lower, at all times during his or her Board tenure.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Managers maintain an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Stapled Securityholders' interests and ART's assets.

The Boards have overall responsibility for the governance of risk and oversee the Managers in the design, implementation and monitoring of the risk management and internal controls systems. The AC assists the Boards in carrying out the Boards' responsibility of overseeing the risk management framework and policies for ART and ensuring that Management maintains sound systems of risk management and internal controls.

Under its terms of reference, the scope of the AC's duties and responsibilities includes:

(a) making recommendations to the Boards on the risk appetite statement (RAS) for ART;
(b) assessing the adequacy and effectiveness of the risk management and internal controls systems established by the Managers to manage risks;
(c) overseeing 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 ART's risk appetite and reporting to the Boards on its decisions on any material matters concerning the aforementioned;
(d) making the necessary recommendations to the Boards such that an opinion relating to the adequacy and effectiveness of the systems of risk management and internal controls systems can be made by the Boards in the Annual Report of ART in accordance with the Listing Manual and the Code; and
(e) considering and advising on risk matters referred to it by the Boards or Management, including reviewing and reporting to the Boards 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 Managers adopt 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.

As part of the ERM Framework, the Managers, among other things, undertake and perform a Risk and Control Self-Assessment (RCSA) annually in respect of ART to identify material risks along with their mitigating measures.

The adequacy and effectiveness of the systems of risk management and internal controls are reviewed regularly by the Managers, the AC and the Boards, taking into account best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council, the Listing Manual and the Practice Guidance to the Code.

ART's RAS, incorporating the risk limits, addresses the management of material risks faced by ART. Alignment of ART's risk profile to the RAS is achieved through various communication and monitoring mechanisms put in place across the various functions within the Managers.

More information on the Managers' ERM Framework including the material risks identified can be found in the ERM section on pages 94 to 98 of this Annual Report.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls (including financial, operational, compliance and IT controls) and risk management systems. 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 AC also reviews the adequacy and effectiveness of the measures taken by the Managers on the recommendations made by the internal and external auditors in this respect.

The Boards have received assurance from the CEO and the Chief Financial Officer (CFO) of the Managers that:

(a) the financial records of ART have been properly maintained and the financial statements for FY2019 give a true and fair view of ART's operations and finances; and
(b) the systems of risk management and internal controls in place for ART are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Managers consider relevant and material to the current business environment.

The CEO and the CFO of the Managers have obtained similar assurances from the respective risk and control owners.

In addition, in FY2019, the Reit Manager Board has received quarterly certification by Management on the integrity of financial reporting and the Reit Manager has provided a negative assurance confirmation to Stapled Securityholders as required by the Listing Manual[1].

Based on the ERM Framework and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and the CFO of the Managers, the Boards are of the opinion, with the concurrence of the AC, that the systems of risk management and internal controls are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Managers consider relevant and material to the current business environment as at 31 December 2019. No material weaknesses in the systems of risk management and internal controls were identified by the Boards or the AC in the review for FY2019.

The Boards note that the systems of risk management and internal controls established by the Managers provide reasonable assurance that ART, as they strive to achieve the business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Boards also note that no systems 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.

1 In relation to Reit Manager only as the business trust was only registered on 30 December 2019.

Principle 10: Audit Committee

For FY2019, the AC comprised four non-executive Directors, the majority of whom (including the Chairman of the AC) are IDs. The current AC comprises three IDs[1]. The AC chairman is a Director other than the Chairman of the Boards. 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 Chartered Accountants of Singapore, among other professional affiliations.

The AC does not comprise members former partners of ART's incumbent external auditors, KPMG LLP (KPMG) (a) within a period of two years commencing from the date of their ceasing to be partners of KPMG; or (b) who have any financial interest in KPMG.

The AC has explicit authority to investigate any matter within its terms of reference. Management provides 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 have unrestricted access to the AC.

Under its terms of reference, the scope of the AC's duties and responsibilities includes:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Managers and ART, and any announcements relating to ART's financial performance;
(b) reviewing and reporting to the Boards at least annually the adequacy and effectiveness of the Managers' internal controls (including financial, operational, compliance and IT controls) and risk management systems;
(c) reviewing the scope and results of the external audit and independence and objectivity of the external auditors;
(d) reviewing the adequacy and effectiveness of the Managers' internal audit and compliance functions;
(e) making recommendations to the Boards on the proposals to Stapled Securityholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration of the external auditors;
(f) reviewing and approving processes to regulate transactions between 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 ART 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 ART and its minority Stapled Securityholders. 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 Managers have reviewed the relevant property manager's compliance with the terms of the property management agreement and has taken remedial actions where necessary;
(g) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be raised and independently investigated, and for appropriate follow-up action to be taken;
(h) reviewing assurance from the CEO and the CFO on the financial records and financial statements; and
(i) ensuring that Ascott Reit, Ascott BT and ART are in compliance with the applicable laws and regulations, including the BTR.

The AC undertook a review of the independence of the external auditors, taking into consideration, among other factors ART's relationships with the external auditors in FY2019, as well as the processes and safeguards adopted by the Managers and the external auditors relating to audit independence. Based on the review, the AC is satisfied that the external auditors are independent. The external auditors have also provided confirmation of their independence to the AC. The total audit and non-audit fees paid to the external auditors for FY2019 amounted to S$2,939,000, comprising audit fees of S$2,606,000 and non-audit fees of S$333,000.

1 Arising from the combination with Ascendas Hospitality Trust, Mr Lim Cho Pin Andrew Geoffrey has stepped down from the AC of the REIT Manager, as under the BTR all members of the audit committee are required to be independent of management and business relationships with the trustee-manager. Mr Lim Cho Pin Andrew Geoffrey remains a member of the Boards.

The AC holds at least four scheduled meetings in a year and met five times in FY2019. At all scheduled AC meetings in FY2019, the CEO and the CFO were in attendance. During each of these meetings, among other things, the AC reviewed the financial statements including the relevance and consistency of the accounting principles adopted and any significant financial reporting issues. It recommended the financial statements and corresponding announcements to the Boards for approval. In FY2019, the AC also reviewed and assessed the adequacy and effectiveness of the internal controls and risk management systems established by the Managers to manage risks, taking into consideration the outcome of reviews conducted by Management and both the internal and external auditors, as well as the assurances from the CEO and the CFO.

The AC also meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least once a year. In FY2019, the AC met with the internal and external auditors once, separately and without Management's presence, to discuss the reasonableness of the financial reporting process, the internal controls and risk management systems, and the significant comments and recommendations by the auditors.

Where relevant, the AC makes reference to the 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.

Key Audit Matters
In its review of the financial statements of ART for FY2019, 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 key audit matters set out below, as reported by the external auditors for FY2019.

Key Audit Matters	How these issues were addressed by AC
Valuation of investment properties, freehold land and buildings and investment property under development	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. 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 investment properties, freehold land and buildings and investment property under development. The AC was satisfied with the valuation process, the methodologies used and the valuation for investment properties, freehold land and buildings and investment property under development as adopted and disclosed in the financial statements.
Accounting for business combination with Ascendas Hospitality Trust	The AC reviewed Management's assessment that the combination with Ascendas Hospitality Trust (Combination) is a 'business combination' transaction as it is supported by the acquisition of existing management contracts with third parties and transfer of employees, together with their related employment contracts to Ascott Reit group and Ascott BT group under the combined entity structure. The AC considered the findings of the external auditors, including their assessment of the appropriateness of the methodologies and key assumptions used in determining the fair values of the identified assets acquired and liabilities assumed. The AC concurred with Management to account the Combination as a business combination and was satisfied with the methodologies and key assumptions used in determining the fair values of the identified assets acquired and liabilities assumed in the Combination.

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. Directors are also invited to attend relevant seminars organised by leading accounting firms which provide updates on changes to accounting standards and key issues relating to accounting standards.

The Managers confirm, on behalf of ART, that ART complies with Rules 712, 715 and 716 of the Listing Manual.

Internal Audit

The Managers have in place an internal audit function supported by CapitaLand's Internal Audit Department (CL IA). CL IA is independent of the activities it audits. The primary reporting line of CL IA in respect of ART Group is to the AC. CL IA has unfettered access to the ART's documents, records, properties and employees, including access to the AC, and has appropriate standing with respect to the Managers.

The AC has carried out a review of the internal audit function and is satisfied that the internal audit function performed by CL IA is adequately resourced, effective and independent.

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. During FY2019, the AC reviewed the results of audits performed by CL IA based on the approved audit plan. The AC also reviewed reports on whistle blower complaints reviewed by CL IA to ensure independent and thorough investigation and adequate follow-up. The AC also received reports on interested person transactions reviewed by CL IA that they were on normal commercial terms and were not prejudicial to the interests of ART and its minority Stapled Securityholders. In FY2019, there was an interested person transaction, viz, the combination with Ascendas Hospitality Trust which was subject to the approval of unitholders of Ascott Reit. An Extraordinary General Meeting was convened on 21 October 2019 and the transaction was duly approved by independent unitholders of Ascott Reit.

CL IA is adequately resourced and staffed with persons with the relevant qualifications and experience. CL IA is a corporate member of The Institute of Internal Auditors (IIA), Singapore, which is an affiliate of the IIA with its headquarters in the United States of America (USA). 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.

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 have the relevant professional IT certifications and are also members of the ISACA Singapore Chapter, a professional body administering information systems audit and information security certifications that is headquartered 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 their technical knowledge and skill sets remain current and relevant.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principles 11, 12 and 13: Shareholder Rights and Conduct of General Meetings, Engagement with Shareholders, Managing Stakeholder Relationships

The Managers are committed to treating all Stapled Securityholders fairly and equitably. All Stapled Securityholders enjoy specific rights under the Trust Deeds and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions.

General Meetings

Stapled Securityholders are 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 stapled securityholder, through its appointed representative). Stapled Securityholders 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 ART.

The Managers support the principle of encouraging Stapled Securityholders' participation and voting at general meetings. ART's Annual Report is provided to Stapled Securityholders within 120 days from the end of ART's financial year. Stapled Securityholders may download the Annual Report from the Website and printed copies of the Annual Report are available upon request. More than the legally required notice period for general meetings is generally provided. Stapled Securityholders will receive the notices of general meetings and may download these notices from the Website. Notices of the general meetings are also advertised in the press and issued on SGXNet. The rationale and explanation for each agenda item which requires Stapled Securityholders' approval at a general meeting are provided in the notice of the general meeting or in the accompanying circular (if any) issued to Stapled Securityholders in respect of the matter(s) for approval at the general meeting. This enables Stapled Securityholders to exercise their votes on an informed basis.

At AGMs, Management makes a presentation to Stapled Securityholders to update them on ART's performance, position and prospects. The presentation materials are made available to Stapled Securityholders on the Website and also on SGXNet. Stapled Securityholders are informed of the rules governing general meetings and are given the opportunities to communicate their views, ask questions and discuss with the Boards and Management on matters affecting ART. Representatives of the Trustee, Directors (including the chairpersons of the respective Board Committees), key management personnel and the external auditors of ART, are present for the entire duration of the AGMs to address any queries that the Stapled Securityholders may have, including queries about the conduct of ART's external audit and the preparation and content of the external auditors' reports. Directors and Management also interact with Stapled Securityholders after the AGMs.

All Directors attended the general meetings held during their tenure in FY2019. A record of the Directors' attendance at the general meetings in FY2019 can be found in their meeting attendance records as set out on page 130 of this Annual Report.

To safeguard Stapled Securityholders' interests and rights, a separate resolution is proposed for each substantially separate matter to be approved at a general meeting.

To ensure transparency in the voting process and better reflect Stapled Securityholders' interest, the Managers conduct electronic poll voting for all the resolutions proposed at the general meetings. One Stapled Security is entitled to one vote. Voting procedures and the rules governing meetings 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 Stapled Securityholders immediately after each resolution is voted on at the general meetings. The total number of votes cast for or against each resolution and the respective percentages are also announced on SGXNet after the general meetings.

Provision 11.4 of the Code requires an issuer's Constitution to allow for absentia voting at general meetings of shareholders. The Trust Deeds currently do not permit Stapled Securityholders to vote at general meetings in absentia (such as via mail or email). The Managers will consider implementing the relevant amendments to the Trust Deeds to permit absentia voting after they have carried out careful study and are satisfied that the integrity of information and the authentication of the identity of Stapled Securityholders through the internet will not be compromised, and after the implementation of legislative changes to recognise remote voting. The Managers are of the view that despite the deviation from Provision 11.4 of the Code, Stapled Securityholders nevertheless have opportunities to communicate their views on matters affecting ART even when they are not in attendance at general meetings. For example, Stapled Securityholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings.

Minutes of the general meetings, recording the substantial and relevant comments made, questions raised and answers provided, are prepared and are available to Stapled Securityholders for their inspection upon request. Minutes of AGMs are also made available on the Website.

Distribution Policy
ART's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties by ART which are determined to be trading gains) and net overseas income, with the actual level of distribution to be determined at the Managers' discretion. Distributions are generally paid within 35 market days after the relevant record date.

Timely Disclosure of Information
The Managers are committed to keeping all Stapled Securityholders, other stakeholders, analysts and the media informed of ART's performance and any changes in ART or its business which would likely to materially affect the price or value of the Stapled Securities.

The Managers provide Stapled Securityholders with periodic and annual financial statements within the relevant periods prescribed by the Listing Manual. These periodic and annual financial statements were reviewed and approved by the Boards prior to release to Stapled Securityholders by announcement on SGXNet. The releases of periodic and annual financial statements were accompanied by news releases issued to the media and which were also made available on SGXNet. In presenting the periodic and annual financial statements to Stapled Securityholders, the Boards sought to provide Stapled Securityholders with a balanced, clear and comprehensible assessment of ART and ART's performance, position and prospects.

In addition to the release of financial statements, the Managers also keep ART's Stapled Securityholders, stakeholders and analysts informed of the performance and changes in ART or its business which would likely materially affect the price or value of the Stapled Securities on a timely and consistent basis, so as to assist Stapled Securityholders and investors in their investment decisions. This is performed through the release on SGXNet of announcements in compliance with regulatory reporting requirements and news releases for the media, on a timely and consistent basis. These announcements and news releases are also posted on the Website.

The Managers have a formal policy on corporate disclosure controls and procedures to ensure that ART complies with its disclosure obligations under the Listing Manual. These controls and procedures incorporate the decision-making process and an obligation on internal reporting of the decisions made.

The Managers believe in conducting the business of ART in ways that seek to deliver sustainable value to Stapled Securityholders. Best practices are promoted as a means to build an excellent business for ART and the Managers' accountability to Stapled Securityholders for ART's performance. Prompt fulfilment of statutory reporting requirements is but one way to maintain Stapled Securityholders' confidence and trust in the capability and integrity of the Managers.

Investor Relations
The Managers have in place an Investor Relations department which facilitates effective communication with Stapled Securityholders and analysts. The Managers also maintain the Website which contains information on ART including but not limited to current and past announcements and news releases, financial statements, investor presentations and Annual Reports.

The Managers actively engage with Stapled Securityholders with a view to solicit and understand their views, and have put in place an Investor Relations Policy to promote regular, effective and fair communications with Stapled Securityholders. The Investor Relations Policy, which sets out the mechanism through which Stapled Securityholders may contact the Managers with questions and through which the Managers may respond to such questions, is available on the Website. Stapled Securityholders are welcomed to engage with the Managers beyond general meetings and they may do so by contacting the Investor Relations department whose details may be found on the Website via the 'Contact Us' tab on the Website.

More information on the Managers' investor and media relations efforts can be found in the Investor Relations section on pages 30 to 33 of this Annual Report.

The Managers also have in place a corporate communications function supported by CapitaLand's Group Communications department which works closely with the media and oversees ART's media communications efforts.

Managing Stakeholder Relationships
The Boards' role includes considering sustainability as part of their strategic formulation. The Managers adopt an inclusive approach for ART by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of ART are served. The Managers are committed to sustainability and incorporate the key principles of environmental and social responsibility, and corporate governance in ART's business strategies and operations. The Managers have arrangements in place to identify and engage with material stakeholder groups from time to time to gather feedback on the sustainability issues most important to them. Such arrangements include maintaining the Website, which is kept updated with current information to facilitate communication and engagement with ART's stakeholders. More details of ART's sustainability strategy and stakeholder engagement can be found on pages 85 to 93 of this Annual Report.

ADDITIONAL INFORMATION

Executive Committee

In addition to the AC and CDC[1], the Boards have also established an EC.

The EC oversees the day-to-day activities of the Managers and that of ART, on behalf of the Boards. The EC is guided by its terms of reference, in particular, the EC:

(a) reviews, endorses and approves strategic directions and management policies of the Managers in respect of ART;
(b) oversees operational, investment and divestment matters within the 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 Managers have 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 ART and Stapled Securityholders. In respect of such transactions, the Managers would have to demonstrate to the AC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of ART and Stapled Securityholders 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.

1 The CDC of the Reit Manager was dissolved with effect from 1 November 2019 and the Boards now undertake all the responsibilities for approving corporate disclosures other than certain non-material and routine disclosures which are delegated to the Management for approval.

In particular, the procedures in place include the following:

Interested Person Transactions[1]	Approving Authority, Procedures and Disclosure
S$100,000 and above per transaction which: (a) (for the purpose of the Listing Manual) singly, or when aggregated with other transactions[2] entered into by Ascott Reit or Ascott BT with the same Interested Person in the same financial year is less than 3.0% of ART's latest consolidated audited net tangible assets; or (b) (for the purpose of the Property Funds Appendix) singly, or when aggregated with other transactions[2] entered into by Ascott Reit with the same Interested Person in the same financial year is less than 3.0% of Ascott Reit's latest audited net asset value	> Audit Committee
Transaction[2] which: (a) (for the purpose of the Listing Manual) if entered into by Ascott Reit or Ascott BT, is equal to or exceeds 3.0% of ART's latest consolidated audited net tangible assets; (b) (for the purpose of the Property Funds Appendix) if entered into by Ascott Reit, is equal to or exceeds 3.0% of Ascott Reit's latest audited net asset value; (c) (for the purpose of the Listing Manual) if entered into by Ascott Reit or Ascott BT, when aggregated with other transactions[2] with the same Interested Person in the same financial year is equal to or exceeds 3.0% of ART's latest consolidated audited net tangible assets; or (d) (for the purpose of the Property Funds Appendix) if entered into by Ascott Reit, when aggregated with other transactions[2] with the same Interested Person in the same financial year is equal to or exceeds 3.0% of Ascott Reit's latest audited net asset value	> Audit Committee > Immediate announcement
Transaction[2] which: (a) (for the purpose of the Listing Manual) if entered into by Ascott Reit or Ascott BT, is equal to or exceeds 5.0% of ART's latest consolidated audited net tangible assets; (b) (for the purpose of the Property Funds Appendix) if entered into by Ascott Reit, is equal to or exceeds 5.0% of Ascott Reit's latest audited net asset value; (c) (for the purpose of the Listing Manual) if entered into by Ascott Reit or Ascott BT, 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 ART's latest consolidated audited net tangible assets; or (d) (for the purpose of the Property Funds Appendix) if entered into by Ascott Reit, when aggregated with other transactions[2,4] with the same Interested Person in the same financial year is equal to or exceeds 5.0% of Ascott Reit's latest audited net asset value	> Audit Committee > Immediate announcement > Stapled Securityholders[3]

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

Role of the Audit Committee for Interested Person Transactions

The Managers' internal control procedures are intended to ensure that Interested Person Transactions are conducted at arm's length, on normal commercial terms and are not prejudicial to ART and Stapled Securityholders' interests.

The Managers maintain a register to record all Interested Person Transactions which are entered into by ART (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 ART in FY2019 are disclosed on page 343 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 Managers (including their Directors, executive officers and employees) may encounter in managing ART:

(a) the Managers will not manage any other REIT or business trust or be involved in any other real property business;
(b) all resolutions at meetings of the Boards in relation to matters concerning ART must be decided by a majority vote of the Directors, including at least one ID;
(c) in respect of matters in which CapitaLand and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CapitaLand and/or its subsidiaries to the Boards will abstain from voting. In such matters, the quorum must comprise a majority of the IDs and shall exclude such nominee Directors of CapitaLand 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 Reit 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 Reit Manager, the Reit Manager is obligated 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 prime facie case against the party allegedly in breach under such agreement, the Reit Manager is obligated to pursue the appropriate remedies under such agreement; and
(f) at least one-third of the Boards shall comprise IDs.

Additionally, ART has been granted a right of first refusal by The Ascott Limited (Ascott) which is a wholly owned subsidiary of CapitaLand 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 and (b) any shares or equity interests in single-purpose corporations which hold such properties (each a Relevant Asset), by Ascott or any of its wholly owned subsidiaries (each an Ascott entity), for so long as the Managers remain the managers of ART and Ascott and/or any of its related corporations remain a shareholder of the Managers (TAL ROFR).

Following the completion of the combination of Ascott Reit and Ascendas Hospitality Trust, the agreement in relation to the right of first refusal granted by Ascendas Land International Pte. Ltd. (ALI), as sponsor of Ascendas Hospitality Trust (A-HTRUST), in favour of Perpetual (Asia) Limited, in its capacity as trustee of Ascendas Hospitality Real Estate Investment Trust and Ascendas Hospitality Trust Management Pte. Ltd., in its capacity as trustee-manager of Ascendas Hospitality Business Trust dated 9 July 2012 (as amended) (A-HTRUST ROFR, and together with TAL ROFR, the ROFRs) pursuant to which ALI had granted a right of first refusal to A-HTRUST in the event ALI wishes to dispose of certain assets which are subject to the A-HTRUST ROFR, had been novated by ALI to Ascott, such that Ascott becomes the obligor under the A-HTRUST ROFR.

Consequently, Ascott is required to ensure that ART has the first right to acquire any asset falling within the scope of either of the above ROFRs.

In respect of voting rights where the Managers would face a conflict between their own interests and that of Stapled Securityholders, the Managers shall cause such voting rights to be exercised according to the discretion of the Trustee.

Dealings in Securities

The Managers have adopted a securities dealing policy for the Managers' officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Managers have issued guidelines to their Directors and employees as well as certain relevant executives of the CapitaLand group, which set out prohibitions against dealings in ART Group's securities (i) while in possession of material unpublished price sensitive information, and (ii) during the one month immediately preceding, and up to the time of the announcement of, ART's [semi-annual] financial statement or 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 Managers as well as certain relevant executives of the CapitaLand group to inform them of the duration of the period. The Managers will also not deal in ART's securities during the same period. In addition, employees and Capital Markets Services Licence Appointed Representatives of the Managers are required to give pre-trading notification to the CEO and Compliance department before any dealing in ART Group's securities.

This policy also provides for the Managers to maintain a list of persons who are privy to price sensitive information relating to the ART as and when circumstances require such a list to be maintained.

Directors and employees of the Managers are also required to refrain from dealing in ART's securities if they are in possession of unpublished price-sensitive information of ART arising from their appointment as Directors and/or in the course of performing their duties. As and when appropriate, they would be issued an advisory to refrain from dealing in ART Group's securities.

Under this policy, Directors and employees of the Managers 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.

A Director is required to notify the Managers of his or her interest in ART's securities within two business days after (a) the date on which he or she becomes a Director or (b) the date on which he or she acquires an interest in ART's securities. A Director is also required to notify the Managers of any change in his or her interests in ART's securities within two business days after he or she becomes aware of such change.

Dealings by the Directors are disclosed in accordance with the requirements in the SFA and the Listing Manual. In FY2019, save as disclosed in accordance with such requirements and other than the awards of Stapled Securities in part payment of Directors' fees, there were no dealings by the Directors in ART's securities.

CORPORATE GOVERNANCE

CODE OF BUSINESS CONDUCT

The Managers adhere 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 CapitaLand group’s intranet, which is accessible by all employees of the Managers.

The policies that the Managers have implemented aim to help to detect and prevent occupational fraud in mainly three ways, as set out below.

First, the Managers offer fair compensation packages, based on practices of pay-for-performance and promotion based on merit to their employees. The Managers also provide various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures their employees may 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 Managers seek to build and maintain the right organisational culture through their core values, educating their employees on good business conduct and ethical values.

Fraud, Bribery and Corruption Risk Management Policy

In line with their core values, the Managers are committed to doing business with integrity. This is reflected in their longstanding zero tolerance stance against fraud, bribery and corruption. Consistent with this commitment, various policies and guidelines are in place to guide all employees of the Managers to maintain the highest standards of integrity in their work and business dealings. This includes clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, and an annual pledge by all employees of the Managers to uphold the Managers’ core values and to not engage in any corrupt or unethical practices.

The Managers’ zero tolerance policy on bribery and corruption extends to their business dealings with third parties. Pursuant to this policy, the Managers require that certain agreements incorporate anti-bribery and anti-corruption provisions.

The Managers’ employees adhere to CapitaLand’s Fraud, Bribery and Corruption Risk Management Policy (FBC Risk Management Policy). The FBC Risk Management Policy reiterates the strong stance against fraud, bribery and corruption, and sets the overarching approach and standards in managing fraud, bribery and corruption risks in an integrated, systematic and consistent manner. The Managers’ stance against bribery and corruption is also reiterated by Management during their regular staff communication sessions.

Whistle-Blowing Policy

A whistle-blowing policy and other procedures are put in place to provide employees of the Managers and parties who have dealings with the Managers 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 this 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 fullest extent possible, be protected from reprisal. The AC reviews all whistleblowing complaints at its scheduled meetings. Independent, thorough investigation and appropriate follow-up actions are taken. The outcome of each investigation is reported to the AC. All employees of the Managers are informed of this policy which is made available on CapitaLand group's intranet.

Business Continuity Management

The Managers have implemented a Business Continuity Management (BCM) programme that puts in place the prevention, detection, response and business recovery and resumption measures to minimise the impact of adverse business interruptions or unforeseen events on ART's operations and also has in place a Business Continuity Plan (BCP). Under the BCP, Management has identified the critical business functions, processes and resources and is able to tap on a pool of CapitaLand group employees who are trained under a Business Psychological Resilience Programme to provide peer support to colleagues following the occurrence of adverse events. As part of the BCP, periodic desk-top exercises and drills, simulating different scenarios, are carried out to stress-test the effectiveness of processes, procedures and escalation protocols. This holistic approach under the BCP serves to ensure organisational and staff preparedness and readiness to deal with adverse business disruptions such as acts of terrorism, cyber-attacks, data breaches and epidemics. This approach aims to minimise financial loss to ART, allow the Managers to continue to function and mitigate any negative effects that the disruptions could have on the Managers' reputation, operations and ability to remain in compliance with relevant laws and regulations. The Managers have also acquired insurance policies for ART on business interruption events.

Anti-Money Laundering and Countering the Financing of Terrorism Measures

As a holder of a Capital Markets Services Licence issued by MAS, the Reit 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 Reit Manager are:

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

The Reit Manager has in place a policy on the prevention of money laundering and terrorism financing and remains alert at all times to suspicious transactions. Enhanced due diligence checks are performed on counterparties where there is a suspicion of money laundering or terrorism financing. Suspicious transactions will also be reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

Under this policy, all relevant records or documents relating to business relations with ART's customers or transactions entered into must be retained 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 CMSL Representatives of the Reit Manager are also screened against various money laundering and terrorism financing information sources and lists of designated entities and individuals provided by MAS. Periodic training is provided by the Reit Manager to its Directors, employees and CMSL Representatives to ensure that they are updated and aware of applicable anti-money laundering and countering of terrorism financing regulations, the prevailing techniques and trends in money laundering and terrorism financing and the measures adopted by the Reit Manager to combat money laundering and terrorism financing.

CORPORATE GOVERNANCE

Composition of Board Committees in FY2019		
Board Members	**Audit Committee**	**Executive Committee**
Tan Beng Hai, Bob, Chairman	–	–
Beh Siew Kim, CEO	–	M
Zulkifli Bin Baharudin	M	–
Sim Juat Quee Michael Gabriel	C	–
Elaine Carole Young	M	–
Lee Chee Koon	–	C
Lim Cho Pin Andrew Geoffrey[1]	M	M

Denotes: C – Chairman M – Member

Note:

1 Arising from the combination with Ascendas Hospitality Trust, Mr Lim Cho Pin Andrew Geoffrey has stepped down from the AC of the Reit Manager, as under the BTR all members of the audit committee are required to be independent of management and business relationships with the trustee-manager. Mr Lim Cho Pin Andrew Geoffrey remains a member of the Boards.

Attendance Record of Meetings of Stapled Securityholders, Board and Board Committees in FY2019[1,2]				
	Board[3]	**Audit Committee[4]**	**AGM**	**EGM**
No. of Meeting Held	6	5	1	1
Board Members				
Tan Beng Hai, Bob	100%	-	100%	100%
Beh Siew Kim	100%	-	100%	100%
Zulkifli Bin Baharudin	100%	100%	100%	100%
Sim Juat Quee Michael Gabriel	100%	100%	100%	100%
Elaine Carole Young	100%	100%	100%	100%
Lee Chee Koon	100%	-	100%	100%
Lim Cho Pin Andrew Geoffrey	83%	100%[5]	100%	100%

Notes:

1 All Directors are required to attend Board and/or Board Committee meetings called, in person or via audio or video conference, unless required to recuse. Attendance is marked against the Board and Board Committee meetings each Director is required to attend, and the percentage computed accordingly.

2 In relation to Reit Manager only as the business trust was only registered on 30 December 2019.

3 Includes 2 ad-hoc Board Meetings.

4 Includes 1 ad-hoc Audit Committee Meeting.

5 Excludes the ad-hoc Audit Committee Meeting which Mr Lim Cho Pin Andrew Geoffrey recused himself from due to conflict of interest.

Key Management Personnel's Remuneration Table for the FY2019[1]				
Remuneration	Salary inclusive of AWS and employer's CPF	Bonus and Other Benefits inclusive of employer's CPF[2]	Award of Stapled Securities[3]	Total
CEO				
Beh Siew Kim	30%	31%	39%	100%
Remuneration band for CEO: Above S$1,250,000 to S$1,500,000				
Key Management Personnel (excluding CEO)				
Kang Siew Fong Kang Wei Ling Chan Kin Leong Gerry	50%	35%	15%	100%
Aggregate of the total remuneration for Key Management Personnel (excluding CEO): S$1,188,564				

Notes:
1 In relation to Reit Manager only as Ascott BT was only registered on 30 December 2019.
2 The amounts disclosed include bonuses earned which have been accrued for in FY2019.
3 The proportion of value of Stapled Security awards is based on the fair value of the Stapled Securities comprised in the contingent awards under the RSSP and PSSP at the time of grant in FY2019. The final number of Stapled Securities released under the contingent awards of Stapled Securities for RSSP and PSSP will depend on the achievement of pre-determined targets and subject to the respective vesting period under the RSSP and the PSSP. Prior to the completion of the Combination, the awards were in the form of units of Ascott Reit. Following completion of the Combination, such awards and any release pursuant to any awards previously granted will be in the form of Stapled Securities (instead of just units of Ascott Reit).

Non-Executive Directors' Remuneration Table for FY2019			
	Components of Directors' fees[1]		
	Cash component (S$)	Stapled Securities component[2] (S$)	Total (S$)
Non-Executive Directors			
Tan Beng Hai, Bob	100,662.40	25,165.60	125,828.00
Zulkifli Bin Baharudin	63,200.00	15,800.00	79,000.00
Sim Juat Quee Michael Gabriel	75,200.00	18,800.00	94,000.00
Elaine Carole Young	81,200.00	20,300.00	101,500.00
Lee Chee Koon	N.A.[3]	N.A.[3]	N.A.[3]
Lim Cho Pin Andrew Geoffrey[4]	N.A.[3]	N.A.[3]	N.A.[3]
Aggregate remuneration for Non-Executive Directors: S$400,328.00			

N.A.: Not Applicable.
1 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.
2 Each non-executive Director shall receive up to 20.0% of his or her Director's fees in the form of Stapled Securities (subject to truncation adjustments). The remainder of the Director's fees shall be paid in cash. No new Stapled Securities will be issued for this purpose as these Stapled Securities will be paid by the Managers from the Stapled Securities they hold.
3 Non-executive Directors who are employees of CapitaLand do not receive Directors' fees.
4 Arising from the combination with Ascendas Hospitality Trust, Mr Lim Cho Pin Andrew Geoffrey has stepped down from the AC of the Reit Manager, as under the BTR all members of the audit committee are required to be independent of management and business relationships with the trustee-manager. Mr Lim Cho Pin Andrew Geoffrey remains a member of the Boards.

STATEMENT OF POLICIES AND PRACTICES OF ASCOTT BT

Apart from the corporate governance practices disclosed above, the Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of Ascott BT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY2019, which is set out on pages 132 to 138 in this Annual Report.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF ASCOTT BUSINESS TRUST (ASCOTT BT)

The Board of Directors of Ascott Business Trust Management Pte. Ltd., as trustee-manager of Ascott BT (Trustee-Manager) (Trustee-Manager Board) is responsible for safeguarding the interests of the unitholders of Ascott BT (Ascott BT Unitholders) as a whole and managing the business of Ascott BT. The Trustee-Manager has general power of management over the business and assets of Ascott BT and its main responsibility is to manage Ascott BT's assets and liabilities for the benefit of the Ascott BT Unitholders as a whole. In the event of a conflict between the interests of the Ascott BT Unitholders as a whole and its own interests, the Trustee-Manager will give priority to the interests of the Ascott BT Unitholders as a whole over its own interests.

It should be noted that the Trustee-Manager was only incorporated on 2 August 2019 and Ascott BT only became a registered business trust on 30 December 2019. Accordingly, references to actions taken by the Trustee-Manager should be read taking this into account.

The Trustee-Manager Board is also obliged to exercise due care to comply with the relevant provisions of all applicable legislations and regulations, the listing manual of Singapore Exchange Securities Trading Limited (the Listing Manual), the trust deed constituting Ascott BT dated 9 September 2019 (as amended) (Ascott BT Trust Deed), the stapling deed dated 9 September 2019 (Stapling Deed) and all relevant contracts entered into by Ascott BT.

The Trustee-Manager, in exercising its powers and carrying out its duties as trustee-manager of the Ascott BT, is required to, and will:

> treat the Ascott BT Unitholders who hold units of Ascott BT (Ascott BT Units) in the same class fairly and equally and Ascott BT Unitholders who hold Ascott BT Units in different classes (if any) fairly;

> ensure that all payments out of the trust property of Ascott BT (Ascott BT Trust Property) are made in accordance with the Business Trusts Act (BTA), the Ascott BT Trust Deed and the Stapling Deed;

> report to Monetary Authority of Singapore (MAS) any contravention of the BTA or Business Trusts Regulations 2005 (BTR) by any other person that:

- relates to Ascott BT; and
- has had, has or is likely to have, a material adverse effect on the interests of all the Ascott BT Unitholders, or any class of Ascott BT Unitholders, as a whole

as soon as practicable after the Trustee-Manager becomes aware of the contravention;

> ensure that the Ascott BT Trust Property is properly accounted for; and

> ensure that the Ascott BT Trust Property is kept distinct from the property of the Trustee-Manager held in its own capacity.

In addition, the Trustee-Manager will:

> at all times act honestly and exercise reasonable diligence in the discharge of its duties as the trustee-manager of the Ascott BT in accordance with the BTA, the Ascott BT Trust Deed and the Stapling Deed;

> act in the best interests of all the Ascott BT Unitholders as a whole and give priority to the interests of all Ascott BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all Ascott BT Unitholders as a whole and its own interests;

> not make improper use of any information acquired by virtue of its position as the Trustee-Manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Ascott BT Unitholders;

- hold the Ascott BT Trust Property on trust for all Ascott BT Unitholders as a whole in accordance with the terms of the Ascott BT Trust Deed;
- adhere with the business scope of Ascott BT as set out in the Ascott BT Trust Deed;
- review interested person transactions in relation to Ascott BT;
- review expense and cost allocations payable to the Trustee-Manager in its capacity as trustee-manager of Ascott BT out of the Ascott BT Trust Property and ensure that fees and expenses charged to Ascott BT are appropriate and in accordance with the Ascott BT Trust Deed; and
- comply with the BTA and the Listing Manual.

The MAS has also granted the Trustee-Manager an exemption from compliance with Section 10(2)(a) of the BTA and the directors of the Trustee-Manager (the Trustee-Manager Directors) from compliance with Section 11(1)(a) of the BTA subject to the condition that for the duration of the time that the Ascott BT Units are stapled to the units of Ascott Reit, the Trustee-Manager and Trustee-Manager Directors shall act in the best interests of all the holders of the stapled securities of Ascott Residence Trust (ART).

The Trustee-Manager Board, in exercising its power and carrying out its duties as trustee-manager of Ascott BT, has put in place measures to ensure that:

- the Ascott BT Trust Property is properly accounted for and is kept distinct from the property held by the Trustee-Manager in its own capacity;
- the business scope of Ascott BT as set out in the Ascott BT Trust Deed has been adhered to;
- potential conflicts between the interests of the Trustee-Manager and the interests of the Ascott BT Unitholders as a whole are appropriately managed;
- interested person transactions are transparent, properly recorded and disclosed;
- expenses and cost allocations payable to the Trustee-Manager out of the Ascott BT Trust Property, and the fees and expenses charged to Ascott BT are appropriate and are made in accordance with the Ascott BT Trust Deed; and
- the BTA and the Listing Manual have been complied with.

The Trustee-Manager has also adopted a set of corporate governance practices as set out on pages 99 to 131 of this Annual Report.

ASCOTT BT TRUST PROPERTY PROPERLY ACCOUNTED FOR

To ensure that the Ascott BT Trust Property is properly accounted for and is kept distinct from the property held by the Trustee-Manager in its own capacity, the accounting records of Ascott BT are kept separate and distinct from the accounting records of the Trustee-Manager. Different bank accounts are maintained for the Trustee-Manager in its capacity as trustee-manager of Ascott BT and in its own capacity. Regular internal reviews are also carried out to ascertain that all Ascott BT Trust Property has been fully accounted for.

Each of the financial statements of Ascott BT and Trustee-Manager are approved by the Trustee-Manager Directors on a semi-annual basis. Each of the financial statements of Ascott BT and Trustee-Manager are also kept separate and distinct and are duly audited by external auditors on an annual basis to ensure that the Ascott BT Trust Property is properly accounted for and the Ascott BT Trust Property is kept distinct from the property of the Trustee-Manager held in its own capacity.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF ASCOTT BUSINESS TRUST (ASCOTT BT)

ADHERENCE TO BUSINESS SCOPE

The Trustee-Manager Board reviews and approves all authorised businesses undertaken by Ascott BT so as to ensure its adherence to the business scope under the Ascott BT Trust Deed. Such authorised businesses include:

(i) the management or operation of hospitality assets;
(ii) the acquisition, disposition and ownership of Authorised Investments (as defined in the Ascott BT Trust Deed) and all activities, concerns, functions and matters reasonably incidental thereto;
(iii) ownership of subsidiaries which are engaged in the acquisition, disposition and ownership of Authorised Investments and all activities, concerns, functions and matters reasonably incidental thereto; and
(iv) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (ii) and (iii) of this definition, including (without limitation) the management, and/or leasing of the Authorised Investments.

Management provides regular updates to the Trustee-Manager Board and the Audit Committee about potential projects that it is looking into on behalf of Ascott BT and the Trustee-Manager Board, and the Audit Committee ensure that all such projects are within the permitted business scope under the Ascott BT Trust Deed. Prior to the carrying out of any significant business transactions, the Trustee-Manager Board, the Audit Committee and or management will have careful regard to the provisions of the Ascott BT Trust Deed and when in doubt, will seek advice from professional advisers.

POTENTIAL CONFLICTS OF INTEREST

The Trustee-Manager is not involved in any other businesses other than managing Ascott BT. All potential conflicts of interest, as and when they arise, will be identified by the Trustee-Manager Board and management, and will be reviewed accordingly.

The Trustee-Manager is a wholly-owned subsidiary of CapitaLand Limited (CapitaLand). CapitaLand is the parent company of The Ascott Limited. The Ascott Limited, in turn, is the sponsor of ART (Sponsor). Therefore, there may be potential conflicts of interest between Ascott BT, the Trustee-Manager and ART.

The Trustee-Manager has instituted, among others, the following procedures to deal with issues of conflicts of interest:

- The Trustee-Manager Board comprises four independent directors who do not have management or business relationships with the Trustee-Manager and are independent from the substantial shareholders of the Trustee-Manager. The independent directors form the majority of the Trustee-Manager Board. This allows the Trustee-Manager Board to examine independently and objectively, any potential issue of conflicts of interest arising between the Trustee-Manager in its own capacity and the Ascott BT Unitholders as a whole.
- In respect of matters in which the Sponsor and/or its subsidiaries has an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum shall comprise a majority of the independent Trustee-Manager Directors and shall exclude nominee directors of the Sponsor and/ or its subsidiaries.
- In respect of matters in which a Trustee-Manager Director or his Associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director shall abstain from voting. In such matters, the quorum must comprise a majority of the Trustee-Manager Directors and must exclude such interested director.

> Where matters concerning Ascott BT relate to transactions to be entered into by the Trustee-Manager for and on behalf of Ascott BT with an interested person of the Trustee-Manager or Ascott BT (which would include relevant associates thereof), the Audit Committee is required to consider the terms of such transactions (except transactions under agreements which are deemed to have been specifically approved by Ascott BT Unitholders upon purchase of Ascott BT Units) to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Ascott BT and the Stapled Securityholders, and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transactions in question. If the Trustee-Manager is to sign any contract with an interested person of the Trustee-Manager or Ascott BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to interested person transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed to apply to business trusts.

PRESENT AND ONGOING INTERESTED PERSON TRANSACTIONS

(i) Exempted Agreements
The fees and charges payable by Ascott BT to the Trustee-Manager under the Ascott BT Trust Deed are considered interested person transactions which are deemed to have been specifically approved by the Ascott BT Unitholders upon their purchase of the Ascott BT Units, to the extent that there are no subsequent changes to the rates and/or bases of the fees charged thereunder which will adversely affect Ascott BT.

(ii) Future Interested Person Transactions
Depending on the materiality of the transaction, Ascott BT may make a public announcement of or obtain prior approval of the Ascott BT Unitholders for such a transaction. If necessary, the Trustee-Manager Board may make a written statement in accordance with the resolution of the Trustee-Manager Board and signed by at least two Trustee-Manager Directors on behalf of the Trustee-Manager Board certifying that, inter alia, such interested person transaction is not detrimental to the interests of the Ascott BT Unitholders as a whole, based on the circumstances at the time of the transaction.

The Trustee-Manager may, in future, seek an annual general mandate from the Ascott BT Unitholders for recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations with interested persons, and all transactions would then be conducted under such a general mandate for that relevant financial year. In seeking such an annual general mandate, the Trustee-Manager may appoint an independent financial adviser to render an opinion as to whether the methods or procedures for determining the transaction prices contemplated under the annual general mandate are sufficient, in an effort to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of Ascott BT and the Ascott BT Unitholders.

The Trustee-Manager has in place an internal control system as well as policies and procedures to ensure that all future interested person transactions will be undertaken on an arm's length basis, on normal commercial terms, will not be prejudicial to the interests of Ascott BT and the minority Ascott BT Unitholders, and will be in accordance with all applicable requirements of the BTA, the Listing Manual and all applicable guidelines as may from time to time be prescribed to apply to business trusts relating to the transaction in question.

Management identifies interested person transactions in relation to Ascott BT. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by Ascott BT. The Trustee-Manager incorporates into its plan a review of all interested person transactions entered into by Ascott BT during the financial year. The Audit Committee reviews at least quarterly in each financial year the interested person transactions entered into during such quarterly period to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. The review includes the examination of the nature of the transactions and their supporting documents or such other data that the Audit Committee deems necessary. If a member of the Audit Committee has an interest in a transaction, he or she will abstain from participating in the review and approval process in relation to that transaction.

In addition, all such interested person transactions conducted and any contracts entered into by the Trustee-Manager on behalf of Ascott BT with an interested person of the Trustee-Manager or Ascott BT, shall comply with and be in accordance with all applicable requirements of the Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.

In particular, when Ascott BT acquires assets from the Sponsor or parties related to the Sponsor in future, the Trustee-Manager will obtain valuations from independent parties. In any event, interested person transactions entered into by Ascott BT, depending on the materiality of such transactions, may be publicly announced or, as the case may be, approved by Ascott BT Unitholders, and will, in addition, be:

- reviewed and recommended by the Audit Committee of the Trustee-Manager, which comprises only independent directors; and
- decided by the Trustee-Manager Board, of which more than half of the directors are independent directors.

FEES AND EXPENSES CHARGED TO ASCOTT BT ARE APPROPRIATE AND IN ACCORDANCE WITH THE ASCOTT BT TRUST DEED

The Trustee-Manager is entitled under the Ascott BT Trust Deed to a management fee comprising a base fee of up to a maximum of 0.3% per annum of the property values (being the aggregate value of the real estate held by Ascott BT) and base performance fee of 4.0% per annum of Ascott BT and its subsidiaries (the Ascott BT Group)'s share of gross profit for each financial year. In the event that the Ascott BT Group's share of gross profit increases by more than 6.0% annually, the Trustee-Manager is entitled to an outperformance fee of 1.0% of the difference between the Ascott BT Group's share of that financial year's gross profit and 106% of the preceding year's gross profit.

The management fee is payable to the Trustee-Manager in the form of cash and/or Stapled Securities or (as the case may be) Ascott BT Units as the Trustee-Manager may elect, and in such proportion and for such period as may be determined by the Trustee-Manager.

Under the Ascott BT Trust Deed, the Trustee-Manager is entitled to a trustee fee not exceeding 0.015% per annum of the value of the assets for the time being held or deemed to by held upon trust, subject to a minimum of S$13,500 per month, excluding out-of-pocket expenses and goods and services tax which is borne by Ascott BT. The trustee fee is payable to the Trustee-Manager in arrears on a monthly basis.

The Trustee-Manager is also entitled to receive an acquisition fee at the rate of up to a maximum of 1.0% of the Enterprise Value (as defined in the Ascott BT Trust Deed) of any real estate-related asset acquired directly or indirectly by Ascott BT, prorated if applicable to the proportion of Ascott BT's interest.

The acquisition fee is payable to the Trustee-Manager in the form of cash but in the event that the Trustee-Manager receives any acquisition fee in connection with an acquisition from a related party, such acquisition fee shall be payable in the form of Stapled Securities or (as the case may be) Ascott BT Units.

The Trustee-Manager is also entitled to a divestment fee at the rate of 0.5% of the Enterprise Value of any real estate or real estate-related asset disposed directly or indirectly by Ascott BT, prorated if applicable to the proportion of Ascott BT's interest.

Any increase in the rate or any change in structure of the Trustee-Manager's management fee, trustee fee, the acquisition fee or the divestment fee, must be approved by an extraordinary resolution passed at a meeting of Ascott BT Unitholders duly convened and held in accordance with the provisions of the Ascott BT Trust Deed.

The table below sets out the fees earned by the Trustee-Manager for the financial period ended 31 December 2019.

Fee	Amount (S$)	% in Cash	% in Units
Management Fee	8,341	50	50
Trustee Fee	435	100	–

For the financial period ended 31 December 2019, the Trustee-Manager will receive 100% of trustee fee in cash while the management fee is in the form of 50% cash and 50% Stapled Securities. No expenses were paid to the Trustee-Manager during the financial period ended 31 December 2019 and any out-of-pocket expenses incurred were funded by BT's working capital.

The Trustee-Manager Board will meet every quarter to review the material expenses, cost allocations and fees charged to Ascott BT and to ensure that the fees and expenses payable to the Trustee-Manager out of the Ascott BT Trust Property are appropriate and in accordance with the Ascott BT Trust Deed.

COMPLIANCE WITH THE BUSINESS TRUSTS ACT AND LISTING MANUAL

The Company Secretaries and Compliance Officer monitor Ascott BT's compliance with the BTA and the Listing Manual. The Trustee-Manager has an internal compliance manual which serves to summarise all the applicable rules and regulations as well as key internal policies and processes which Ascott BT needs to comply with. The manual will be consistently updated whenever there are changes to the rules and regulations and such policies and processes, and this will help management to ensure that applicable rules and regulations are being complied with.

The Trustee-Manager will also engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual.

COMPLIANCE OF THE TRUSTEE-MANAGER BOARD

Under regulation 12(1) of the BTR, the Trustee-Manager Board is required to comprise:

> at least a majority of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager;

> at least one-third of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager; and

> at least a majority of Trustee-Manager Directors who are independent from any single substantial shareholder of the Trustee-Manager.

The Trustee-Manager Board consists of seven directors, four of whom are independent directors for the purposes of the BTR. In accordance with Rule 12(8) of the BTR, the Trustee-Manager Board and the board of Ascott Residence Trust Management Limited (Reit Manager) (Reit Manager Board) has determined that the following Directors are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager:

Tan Beng Hai, Bob;
Zulkifli Bin Baharudin;
Sim Juat Quee Michael Gabriel; and
Elaine Carole Young.

Ms Beh Siew Kim, Mr Lee Chee Koon and Mr Lim Cho Pin Andrew Geoffrey are considered non-independent Directors. Ms Beh is the CEO of the Managers, Mr Lee and Mr Lim are employees of CapitaLand group.

None of the Trustee-Manager Directors would, by definition under the BTR, be independent from a substantial shareholder. The Trustee-Manager is a related corporation of the Reit Manager as both the Trustee-Manager and the Reit Manager are directly held by CapitaLand and as Ascott BT and Ascott Reit are stapled, the directors of the Managers are identical to avoid any differences or deadlock in the operation of the stapled group. As a result, all four independent directors of the Reit Manager, namely Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin, Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young will prima facie be deemed to be connected to a substantial shareholder of the Reit Manager and hence not independent pursuant to Regulations 12(1)(a) and 12(1)(b) of the BTR.

The MAS has granted an exemption to the Trustee-Manager from compliance with Regulations 12(1)(a) and 12(1)(b) of the BTR to the extent that non-compliance with these regulations is due to any Trustee-Manager Director being considered to be not independent from management and business relationships with the Trustee-Manager or from every substantial shareholder of the Trustee-Manager solely by virtue of such Trustee-Manager Director also being a director of the Reit Manager. For the avoidance of doubt, a Trustee-Manager Director shall not be considered independent from a substantial shareholder if he is also a director of a subsidiary or an associated company of the substantial shareholder (where the subsidiary or associated company is not the Trustee-Manager or the Reit Manager.

ASCOTT RESIDENCE TRUST
FINANCIAL STATEMENTS

REPORT OF THE TRUSTEE OF ASCOTT REAL ESTATE INVESTMENT TRUST (FORMERLY KNOWN AS ASCOTT RESIDENCE TRUST)

DBS Trustee Limited (the "Ascott Reit Trustee") is under a duty to take into custody and hold the assets of Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust) ("Ascott Reit") held by it or through its subsidiaries (collectively, the "Ascott Reit Group") in trust for the holders of units in Ascott Reit. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Ascott Reit Trustee shall monitor the activities of Ascott Residence Trust Management Limited (the "Ascott Reit 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 "Ascott Reit Trust Deed") between the Ascott Reit Manager and the Ascott Reit Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Ascott Reit Trustee, the Ascott Reit Manager has, in all material respects, managed the Ascott Reit Group during the year covered by these financial statements, set out on pages 153 to 322 in accordance with the limitations imposed on the investment and borrowing powers set out in the Ascott Reit Trust Deed.

For and on behalf of the Ascott Reit Trustee,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
3 March 2020

REPORT OF THE MANAGER OF ASCOTT REAL ESTATE INVESTMENT TRUST (FORMERLY KNOWN AS ASCOTT RESIDENCE TRUST)

In the opinion of the directors of Ascott Residence Trust Management Limited (the "Ascott Reit Manager"), the Manager of Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust) ("Ascott Reit"), the accompanying consolidated financial statements of Ascott Reit and its subsidiaries (the "Ascott Reit Group"), and Ascott Residence Trust (the "Stapled Group", comprising the Ascott Reit Group and Ascott Business Trust and its subsidiaries) set out on pages 153 to 322, comprising the Statements of Financial Position, Statements of Total Return, Statements of Movements in Stapled Securityholders' Funds, Portfolio Statements and Statements of Cash Flows of the Ascott Reit Group and the Stapled Group, Distribution Statements of the Ascott Reit Group, and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of the Ascott Reit Group and the Stapled Group as at 31 December 2019 and the financial performance, movements in Stapled Securityholders' funds, and cash flows of the Ascott Reit Group and the Stapled Group, and the distributable income of the Ascott Reit 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 Ascott Reit's trust deed between DBS Trustee Limited (the "Ascott Reit Trustee") and the Ascott Reit Manager dated 19 January 2006 (as amended) and the stapling deed of Ascott Residence Trust between the Ascott Reit Trustee, the Ascott Reit Manager and Ascott Business Trust Management Pte. Ltd. (Trustee-Manager of Ascott Business Trust) dated 9 September 2019. At the date of this statement, there are reasonable grounds to believe that the Ascott Reit Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

For and on behalf of the Ascott Reit Manager,
Ascott Residence Trust Management Limited

Beh Siew Kim
Director

Singapore
3 March 2020

REPORT OF
THE TRUSTEE-MANAGER OF ASCOTT BUSINESS TRUST

The directors of Ascott Business Trust Management Pte. Ltd., the trustee-manager of Ascott Business Trust ("Ascott BT") (the "Trustee-Manager"), are pleased to present their report to the Stapled Securityholders of Ascott Residence Trust ("ART") for the financial year ended 31 December 2019, together with the audited financial statements of the Ascott BT and its subsidiaries ("Ascott BT Group") for the financial period from 9 September 2019 (date of constitution) to 31 December 2019.

It should be noted that the Trustee-Manager was only incorporated on 2 August 2019 and Ascott BT only became a registered business trust on 30 December 2019. Accordingly, references to actions taken by the Trustee-Manager should be read taking this into account.

DIRECTORS

The directors of the Trustee-Manager in office at the date of this report are:

Tan Beng Hai, Bob (Chairman)	(Appointed on 30 December 2019)
Beh Siew Kim (Chief Executive Officer)	(Appointed on 2 August 2019)
Zulkifli Bin Baharudin	(Appointed on 30 December 2019)
Sim Juat Quee Michael Gabriel	(Appointed on 30 December 2019)
Elaine Young Carole	(Appointed on 30 December 2019)
Lee Chee Koon	(Appointed on 30 December 2019)
Lim Cho Pin Andrew Geoffrey	(Appointed on 30 December 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE STAPLED SECURITIES AND DEBENTURES

Neither at the end of nor at any time during the financial period from 9 September 2019 (date of constitution) to 31 December 2019 was the Trustee-Manager a party to any arrangement whose object was to enable any or all directors of the Trustee-Manager to acquire benefits by means of the acquisition of Stapled Securities, or debentures, of Ascott BT.

REPORT OF
THE TRUSTEE-MANAGER OF ASCOTT BUSINESS TRUST

DIRECTORS' INTERESTS IN STAPLED SECURITIES OR DEBENTURES OF ASCOTT BT

According to the register kept by the Trustee-Manager for the purpose of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "BTA") particulars of interests of Directors who held office at the end of the financial period (including those held by their spouses and infant children) in Stapled Securities of ART are as follows:

Name of director in which interests are held	Direct and deemed holdings registered in the name of the director, spouse or infant children			
	Direct At date of constitution or date of appointment	Deemed At date of Constitution or date of appointment	Direct At 31 December 2019	Deemed At 31 December 2019
Tan Beng Hai, Bob	70,938	–	70,938	–
Beh Siew Kim	269,837	–	269,837	–
Zulkifli Bin Baharudin	84,174	–	84,174	–
Sim Juat Quee Michael Gabriel	38,250	–	38,250	–
Elaine Young Carole	103,312	–	103,312	–
Lee Chee Koon	46,440	–	46,440	–
Lim Cho Pin Andrew Geoffrey	25,800	–	25,800	–

There were no changes in the abovementioned interests of Ascott BT between 31 December 2019 and 21 January 2020.

DIRECTORS' CONTRACTUAL BENEFITS

During the financial period from 9 September 2019 to 31 December 2019, no director of the Trustee-Manager has received or became entitled to receive a benefit in Ascott BT by reason of a contract made by the Trustee-Manager, on behalf of Ascott BT or a related corporation with the director, or with a firm of which such director is a member or with a company in which such director has a substantial financial interest, except that the directors served as directors or employees of related corporations and received remuneration in that capacity from related corporations.

STAPLED SECURITY OPTIONS

During the financial period, there were:

(i) no options granted by the Trustee-Manager to any person to take up unissued Stapled Securities in ART; and;

(ii) no Stapled Securities issued by virtue of any exercise of option to take up unissued Stapled Securities of ART.

There were no unissued Stapled Securities in ART under option as at the end of the financial period.

REPORT OF THE TRUSTEE-MANAGER OF ASCOTT BUSINESS TRUST

AUDIT COMMITTEE

The members of the audit committee of the Trustee-Manager (the "Audit Committee") during the year and at the date of this statement are:

- Sim Juat Quee Michael Gabriel (Chairman), Independent, Non-Executive Director;
- Zulkifli Bin Baharudin, Independent, Non-Executive Director; and
- Elaine Carole Young, Independent, Non-Executive Director.

The Audit Committee performs the functions specified in Section 201B of the Companies Act, Chapter 50, Regulation 13(6) of the Business Trusts Regulations 2005 ("BTR"), the Listing Rules issued by Singapore Exchange Securities Trading Limited (the "SGX Listing Manual") and the Code of Corporate Governance 2018.

Since the Trustee-Manager was only incorporated on 2 August 2019 and Ascott BT only became a registered business trust on 30 December 2019, no meeting was held by the Audit Committee during the financial period.

In performing its functions, the Audit Committee met with Ascott BT's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of Ascott BT's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by Ascott BT's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of Ascott BT prior to their submission to the directors of the Trustee-Manager for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors of the Trustee-Manager that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of Ascott BT.

In appointing our auditors for the Ascott BT Group, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

INDEPENDENT AUDITOR

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

STATEMENT BY THE TRUSTEE-MANAGER

In the opinion of the Directors,

(a) the consolidated financial statements of the Ascott BT Group as set out on pages 153 to 322 are drawn up so as to give a true and fair view of the financial position of the Ascott BT Group as at 31 December 2019, and the financial performance, changes in stapled securityholders' funds and cash flows of the Ascott BT Group, for the financial period from 9 September 2019 (date of constitution) to 31 December 2019 in accordance with the provisions of the Business Trusts Act, Chapter 31A of Singapore (the "BTA") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Trustee-Manager will be able to fulfil, out of the trust property of Ascott BT, the liabilities of Ascott BT as and when they fall due.

In accordance with Section 86(2) of the BTA, the directors of the Trustee-Manager further certify that:

– the fees or charges paid or payable out of the property of the Ascott BT Group to the Trustee-Manager are in accordance with the Ascott BT trust deed dated 9 September 2019 (as amended);

– interested person transactions are not detrimental to the interests of all the Stapled Securityholders as a whole based on the circumstances at the time of the transactions; and

– the Board of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Ascott BT Group or the interest of the Stapled Securityholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager,
Ascott Business Trust Management Pte. Ltd.,

Tan Beng Hai, Bob
Director

Beh Siew Kim
Director

Singapore
3 March 2020

STATEMENT BY
THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

In accordance with Section 86 of the Business Trusts Act, Chapter 31A of Singapore, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect of the business of the Ascott BT Group or on the interests of all the unitholders of Ascott BT as a whole.

Beh Siew Kim
Chief Executive Officer

Singapore
3 March 2020

INDEPENDENT AUDITORS' REPORT

Stapled Securityholders of Ascott Residence Trust
(Constituted under the Stapling Deed in the Republic of Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited:

i) the consolidated financial statements of Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust) ("Ascott Reit") and its subsidiaries (the "Ascott Reit Group"), which comprise the Statement of Financial Position and Portfolio Statement as at 31 December 2019, the Statement of Total Return, Distribution Statement, Statement of Movements in Stapled Securityholders' Funds and Statement of Cash Flows of the Ascott Reit Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;

ii) the consolidated financial statements of Ascott Business Trust ("Ascott BT") and its subsidiaries (the "Ascott BT Group"), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Total Return and Statement of Comprehensive Income, Statement of Movements in Stapled Securityholders' Funds and Statement of Cash Flows of the Ascott BT Group for the financial period from 9 September 2019 (date of constitution) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies; and

iii) the consolidated financial statements of Ascott Residence Trust, which comprise the Statement of Financial Position and Portfolio Statement as at 31 December 2019, the Statement of Total Return, Statement of Movements in Stapled Securityholders' Funds and Statement of Cash Flows of Ascott Residence Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; as set out on pages 153 to 322. Ascott Residence Trust, which comprises the Ascott Reit Group and the Ascott BT Group, is hereinafter referred to as the "Stapled Group".

In our opinion:

a) the accompanying consolidated financial statements of the Ascott Reit Group and the Stapled Group present fairly, in all material respects, the financial positions and portfolio holdings of the Ascott Reit Group and the Stapled Group as at 31 December 2019, the financial performance, movements in stapled securityholders' funds and cash flows of the Ascott Reit Group and the Stapled Group, and the distributable income of the Ascott Reit Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("ISCA");

b) the accompanying consolidated financial statements of the Ascott BT Group are properly drawn up in accordance with the provisions of the Business Trusts Act, Chapter 31A of Singapore (the "BTA") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the state of affairs of the Ascott BT Group as at 31 December 2019 and the financial performance, movements in stapled securityholders' funds and cash flows of the Ascott BT Group for the financial period from 9 September 2019 (date of constitution) to 31 December 2019.

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 Stapled Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties, freehold land and buildings and investment property under development
Note 4 – Investment properties
Note 6 – Property, plant and equipment
Note 8 – Investment property under development

Risk:

The Stapled Group has portfolios of investment properties, freehold land and buildings, and investment property under development which are stated at their fair values as at 31 December 2019 of $6,096.1 million, $524.9 million and $74.9 million respectively.

The fair values of the investment properties, freehold land and buildings and investment property under development are appraised by external property valuers. 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, terminal capitalisation rates, capitalisation rates and gross development costs.

Our response:

We assessed the Stapled Group's process relating to the selection of the external property valuers, the determination of the scope of work of the external property valuers, and the review and acceptance of the valuation reports issued by the external property valuers.

We evaluated the qualification and competence of the external property valuers. We also read the terms of engagement of the external property valuers with the Stapled Group to ascertain whether there are matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies adopted against those applied by other valuers for similar property types. We tested the reasonableness of inputs of the projected cash flows used in the valuations to master leases or historical records of supporting revenue per available unit, adjusted for current market factors.

We evaluated the key assumptions used in the valuations, which included discount rates , terminal capitalisation rates, capitalisation rates and gross development costs by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside expected range, we undertook further procedures to understand the effect of additional factors and when necessary, held further discussions with the external property valuers.

We also considered the appropriateness 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 Stapled Group has a structured process in appointing and instructing external property valuers, and in reviewing and accepting their valuations. The external property 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 external property valuers were in line with generally accepted market practices. The key assumptions used in the valuations, including the projected cash flows, discount rates, terminal capitalisation rates, capitalisation rates and gross development costs were supported by the evidence available and are within the range of industry and market data.

We also found the related disclosures in the financial statements to be appropriate.

Accounting for business combination of Ascott Reit and Ascendas Hospitality Trust
Note 40 – Acquistion of subsidiaries and non-controlling interests

Risk:

On 31 December 2019, the combination with Ascendas Hospitality Trust ("A-HTRUST") was completed by way of a trust scheme of arrangement (the "Combination"). Ascott Reit acquired all the units in Ascendas Hospitality Real Estate Investment Trust and Ascott BT acquired all the units in Ascendas Hospitality Business Trust.

The Combination is a material non-routine transaction which is complex and significant judgements involved in determining whether the transaction is a business combination or asset acquisition, each of which requires different accounting treatments. In accounting for a business combination, there is further judgment involved and inherent uncertainty in the estimation used by management in allocating the overall purchase price to the assets, liabilities and goodwill that make up the acquisition.

Our response:

We examined the scheme implementation agreement and other legal and contractual documents to determine whether the Combination is appropriately classified and accounted for in accordance with the relevant accounting standards, and faithfully presents the nature of the transaction.

We read the purchase price allocation report prepared by management's experts. Together with our valuation specialist, we discussed with management on the purchase price allocation to understand their basis of identifying and valuing the identified assets and liabilities. We also considered the objectivity, independence and competency of management's experts, and scope of their engagement.

We compared the methodologies and key assumptions used in determining the fair values of the identified assets acquired and liabilities assumed to generally accepted market practices and market data. We checked the computations for allocating the purchase price to those assets, liabilities and goodwill acquired.

We also considered the appropriateness of disclosure for the Combination in the financial statements.

Our findings:

The judgments exercised by the Stapled Group in the accounting for the Combination as a business combination, as well as the purchase price allocation assessment were appropriately supported by available information.

The management's experts are members of recognised professional bodies and have considered their own independence in carrying out their work.

The methods and key assumptions used in estimating the fair values of respective assets acquired and liabilities assumed in the Combination were supported by the evidence available.

We also found the disclosures of the Combination in the financial statements to be appropriate.

Other information

Ascott Residence Trust Management Limited, the Manager of Ascott Reit (the "Ascott Reit Manager") and Ascott Business Trust Management Pte. Ltd. the Trustee-Manager of Ascott BT (the "Ascott BT Trustee-Manager"), (collectively, the "Managers") are 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.

Responsibilities of the Ascott Reit Manager for the financial statements

The Ascott Reit Manager is responsible for the preparation and fair presentation of the financial statements of the Ascott Reit Group and the Stapled Group in accordance with the recommendations of RAP 7 issued by the ISCA, and for such internal controls as the Ascott Reit 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 Ascott Reit Manager is responsible for assessing the ability of the Ascott Reit Group and the Stapled Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Ascott Reit Manager either intends to terminate the Ascott Reit Group and the Stapled Group or to cease operations of the Ascott Reit Group and the Stapled Group, or has no realistic alternative but to do so.

The Ascott Reit Manager's responsibilities include overseeing the financial reporting process of the Ascott Reit Group and the Stapled Group.

Responsibilities of the Ascott BT Trustee-Manager for the financial statements

The Ascott BT Trustee-Manager is responsible for the preparation of financial statements of the Ascott BT Group that gives a true and fair view in accordance with the provisions of the BTA and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Ascott BT Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

In preparing the financial statements, the Ascott BT Trustee-Manager is responsible for assessing the ability of the Ascott BT Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Ascott BT Trustee-Manager either intends to terminate the Ascott BT Group or to cease the operations of the Ascott BT Group, or has no realistic alternative but to do so.

The Ascott BT Trustee-Manager's responsibilities include overseeing the Ascott BT 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 internal controls of the Ascott Reit Group, the Ascott BT Group and the Stapled Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managers.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Managers and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Ascott Reit Group, the Ascott BT Group and the Stapled Group 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 Ascott Reit Group, the Ascott BT Group and the Stapled Group to cease to continue as a going concern.

Stapled Securityholders of Ascott Residence Trust
(Constituted under the Stapling 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 Ascott Reit Group, the Ascott BT Group and the Stapled 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 Managers 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 Managers 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 Managers, 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.

Report on other legal and regulatory requirement

In our opinion, the accounting and other records required by the BTA to be kept by the Ascott BT Trustee-Manager on behalf of Ascott BT have been properly kept in accordance with the provisions of the BTA.

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
3 March 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Non-current assets					
Investment properties	4	5,659,587	552,265	6,096,138	4,679,295
Other non-current assets	5	–	–	–	65,535
Property, plant and equipment	6	44,258	584,583	628,841	48,564
Investment property under development	8	74,860	–	74,860	–
Investment securities	9	2,534	–	–	–
Associate	12	3,006	–	3,006	3,040
Financial derivative assets	13	11,010	6,524	17,534	8,294
Deferred tax assets	14	3,212	4,335	7,547	4,309
		5,798,467	1,147,707	6,827,926	4,809,037
Current assets					
Inventories		372	297	669	328
Trade and other receivables	15	90,231	12,504	62,459	56,919
Assets held for sale	16	253,292	–	253,292	215,000
Cash and cash equivalents	17	245,884	29,619	275,503	227,847
Financial derivative assets	13	1,378	1,559	2,937	–
		591,157	43,979	594,860	500,094
Total assets		6,389,624	1,191,686	7,422,786	5,309,131
Non-current liabilities					
Financial liabilities	18	1,683,053	328,806	2,011,859	1,835,316
Financial derivative liabilities	13	4,181	1,833	6,014	6,850
Trade and other payables	19	8,820	9,735	18,555	–
Deferred income	20	605	3,781	4,386	–
Deferred tax liabilities	14	153,154	46,998	200,152	117,865
Lease liabilities	21	274,098	110,802	274,098	–
		2,123,911	501,955	2,515,064	1,960,031
Current liabilities					
Financial liabilities	18	311,656	25,498	337,154	70,137
Financial derivative liabilities	13	1,765	416	2,181	280
Liabilities held for sale	16	13,445	–	13,445	–
Trade and other payables	19	139,524	73,959	173,207	141,252
Deferred income	20	159	1,697	1,856	–
Current tax liabilities		18,549	1,093	19,642	6,522
Lease liabilities	21	17,928	4,912	17,928	–
		503,026	107,575	565,413	218,191
Total liabilities		2,626,937	609,530	3,080,477	2,178,222
Net assets		3,762,687	582,156	4,342,309	3,130,909

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Represented by:					
Stapled Securityholders' funds	22	3,282,909	577,644	3,860,553	2,644,051
Perpetual securities holders	23	396,299	–	396,299	397,127
Non-controlling interests	11	83,479	4,512	85,457	89,731
		3,762,687	582,156	4,342,309	3,130,909
Stapled Securities/Units in issue ('000)	23	3,083,089	3,083,089	3,083,089	2,164,592
Net asset value per Stapled Security/ Unit ($)		1.06	0.19	1.25	1.22

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2019

	Note	Ascott Reit Group 2019 $'000	Ascott BT Group Period from 9 September 2019 (date of constitution) to 31 December 2019 $'000	Stapled Group[1] 2019 $'000	Ascott Reit Group 2018 $'000
Gross revenue	24	514,956	–	514,956	514,273
Direct expenses	25	(262,345)	–	(262,345)	(274,913)
Gross profit		252,611	–	252,611	239,360
Finance income	26	2,080	–	2,080	1,194
Other income		626	–	626	1,479
Finance costs	26	(51,817)	–	(51,817)	(47,116)
Ascott Reit Manager's management fees	27	(23,416)	–	(23,416)	(23,900)
Ascott BT Trustee-Manager's management fees	27	–	(8)	(8)	–
Ascott Reit Trustee's fee		(582)	–	(582)	(546)
Professional fees	28	(2,591)	–	(2,591)	(2,920)
Audit fees		(2,194)	(40)	(2,234)	(2,398)
Foreign exchange gain/(loss)		1,871	–	1,871	(6,097)
Other operating expenses		(1,993)	–	(1,993)	(1,999)
Net income/(loss) before share of results of associate		174,595	(48)	174,547	157,057
Share of results of associate (net of tax)	12	(7)	–	(7)	(21)
Net income/(loss)	29	174,588	(48)	174,540	157,036
Net change in fair value of investment properties, investment property under development and assets held for sale		250,221	–	250,221	35,499
Net change in fair value of financial derivatives		(926)	–	(926)	–
Profit from divestments	30	1,019	–	1,019	3,211
Assets written off	4	(4,040)	–	(4,040)	(364)
Transaction costs relating to the combination		(7,081)	(12,620)	(19,701)	–
Impairment of goodwill	7	(60,866)	(79,233)	(140,099)	–
Total return/(loss) for the year/period before income tax		352,915	(91,901)	261,014	195,382
Income tax expense	31	(44,692)	–	(44,692)	(43,541)
Total return/(loss) for the year/period		308,223	(91,901)	216,322	151,841

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to a stapling deed dated 9 September 2019 (the "Stapling Deed"). The Statements of Total Return comprise results for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2019

	Note	Ascott Reit Group 2019 $'000	Ascott BT Group Period from 9 September 2019 (date of constitution) to 31 December 2019 $'000	Stapled Group(1) 2019 $'000	Ascott Reit Group 2018 $'000
Total return/(loss) attributable to:					
Unitholders and perpetual securities holders		308,163	(91,901)	216,262	147,593
Non-controlling interests	11	60	–	60	4,248
		308,223	(91,901)	216,322	151,841
Earnings per Stapled Security/ Unit (cents)	32				
Basic				9.04	5.95
Diluted				8.99	5.91

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to a stapling deed dated 9 September 2019 (the "Stapling Deed"). The Statements of Total Return comprise results for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

STATEMENTS OF COMPREHENSIVE INCOME OF THE ASCOTT BT GROUP

Period from 9 September 2019 (date of constitution) to 31 December 2019

	Period from 9 September 2019 (date of constitution) to 31 December 2019 $'000
Loss for the period	(91,901)
Other comprehensive income for the period, net of tax	–
Total comprehensive income for the period	(91,901)

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

DISTRIBUTION STATEMENTS OF THE ASCOTT REIT GROUP

Year ended 31 December 2019

	Note	Ascott Reit Group(1) 2019 $'000	Ascott Reit Group 2018 $'000
Amount available for distribution to Unitholders at beginning of the year		85,893	80,226
Total return attributable to Unitholders and perpetual securities holders		308,163	147,593
Less: Total return attributable to perpetual securities holders		(19,741)	(19,200)
Distribution adjustments	A	(122,865)	26,390
Income available for distribution to Unitholders	B	165,557	154,783
Amount available for distribution to Unitholders		251,450	235,009
Distributions to Unitholders during the year			
– Distribution of 3.73 cents per Unit for the period from 1 July 2017 to 31 December 2017		–	(80,183)
– Distribution of 3.19 cents per Unit for the period from 1 January 2018 to 30 June 2018		–	(68,933)
– Distribution of 3.97 cents per Unit for the period from 1 July 2018 to 31 December 2018		(85,848)	–
– Distribution of 3.43 cents per Unit for the period from 1 January 2019 to 30 June 2019		(74,616)	–
		(160,464)	(149,116)
Amount available for distribution to Unitholders at end of the year		90,986	85,893

(1) The distribution for the period from 1 July 2019 to 31 December 2019 pertained to the permitted distribution prior to the completion of the combination of Ascott Reit and Ascendas Hospitality Trust on 31 December 2019 (the "Combination"). The consideration units issued pursuant to the Combination are not entitled to the permitted distribution. Hence, the distribution statement of the Stapled Group is not presented.

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

DISTRIBUTION STATEMENTS OF THE ASCOTT REIT GROUP

Year ended 31 December 2019

	Ascott Reit Group[1] 2019 $'000	Ascott Reit Group 2018 $'000
Note A – Distribution adjustments		
Distribution adjustment items:		
– Net change in fair value of investment properties, investment property under development and assets held for sale	(250,221)	(35,499)
– Net change in fair value of financial derivatives	926	–
– Profit from divestments	(1,019)	(3,211)
– Assets written off	4,040	364
– Depreciation of property, plant and equipment	12,498	12,744
– Ascott Reit Manager's management fees paid/payable in Units	17,060	17,505
– Ascott Reit Trustee's fee	87	111
– Foreign exchange loss – unrealised	4,182	8,988
– Operating lease expense recognised on a straight-line basis	–	3,104
– Interest expense on lease liabilities	11,202	–
– Lease payments for right-of-use assets	(17,795)	–
– Deferred tax expense	8,761	18,375
– Tax expense relating to the divestment of assets held for sale	9,125	–
– Non-controlling interests' share of adjustments	(6,763)	(2,411)
– Partial distribution of divestment gain	17,500	6,500
– Other adjustments	(395)	(180)
– Transaction costs relating to the Combination	7,081	–
– Impairment of goodwill	60,866	–
Net effect of distribution adjustments	(122,865)	26,390

(1) The distribution for the period from 1 July 2019 to 31 December 2019 pertained to the permitted distribution prior to the completion of the combination of Ascott Reit and Ascendas Hospitality Trust on 31 December 2019 (the "Combination"). The consideration units issued pursuant to the Combination are not entitled to the permitted distribution. Hence, the distribution statement of the Stapled Group is not presented.

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

DISTRIBUTION STATEMENTS OF THE ASCOTT REIT GROUP

Year ended 31 December 2019

	Ascott Reit Group[(1)] 2019 $'000	Ascott Reit Group 2018 $'000
Note B – Income available for distribution to Unitholders		
Comprises:		
– from operations [(a)]	63,533	132,252
– from Unitholders' contributions [(b)]	102,024	22,531
Income available for distribution to Unitholders	165,557	154,783

(1) The distribution for the period from 1 July 2019 to 31 December 2019 pertained to the permitted distribution prior to the completion of the combination of Ascott Reit and Ascendas Hospitality Trust on 31 December 2019 (the "Combination"). The consideration units issued pursuant to the Combination are not entitled to the permitted distribution. Hence, the distribution statement of the Stapled Group is not presented.

(a) Distributable income from operations comprise income received by Ascott Reit, including taxable profits from operations arising from the Singapore properties (net of attributable expenses) and tax-exempt dividend income recognised at Ascott Reit.

(b) Distributable income from Unitholders' contributions comprise (i) profit from operations arising from overseas properties that cannot be declared as dividend income to the property holding companies; (ii) adjustment for depreciation expense of the overseas properties; and (iii) adjustment for trust expense relating to overseas properties that are paid in Units.

Profits from operations arising from overseas properties may not be declared and paid as dividends to Ascott Reit in the current period because the overseas property companies (i) may need to obtain tax clearance before they can declare and pay dividends; (ii) may not be able to pay all its cash generated from operations as dividends as a result of local accounting rules that require the depreciation of real estate properties, thus reducing accounting profits available for payment of dividends; and (iii) may use the cash generated from its operations to repay third party borrowings.

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

Ascott Reit Group	Attributable to Unitholders								
	Units in issue $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Hedging reserve $'000	Total $'000	Perpetual securities $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	1,771,310	1,083,116	(170,205)	2,148	(1,240)	2,685,129	397,127	89,427	3,171,683
Total return for the year	–	147,593	–	–	–	147,593	–	4,248	151,841
Total return attributable to perpetual securities holders	–	(19,200)	–	–	–	(19,200)	19,200	–	–
Other comprehensive income									
Effective portion of change in fair values of cash flow hedges	–	–	–	–	3,443	3,443	–	–	3,443
Net change in fair value of cash flow hedge reclassified to Statement of Total Return	–	–	–	–	800	800	–	–	800
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	–	–	(41,930)	–	–	(41,930)	–	(837)	(42,767)
Total other comprehensive income	–	–	(41,930)	–	4,243	(37,687)	–	(837)	(38,524)

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

Ascott Reit Group	Attributable to Unitholders: Units in issue $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Hedging reserve $'000	Total $'000	Perpetual securities $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Ascott Reit Manager's management fee payable in Units	17,554	–	–	–	–	17,554	–	–	17,554
Distribution to Unitholders	(44,126)	(104,990)	–	–	–	(149,116)	–	–	(149,116)
Distribution to perpetual securities holders	–	–	–	–	–	–	(19,200)	–	(19,200)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(3,464)	(3,464)
Total contributions by and distributions to owners	(26,572)	(104,990)	–	–	–	(131,562)	(19,200)	(3,464)	(154,226)
Changes in ownership interests in subsidiaries									
Change in ownership interests in subsidiaries with a change in control	–	–	135	–	–	135	–	–	135
Change in ownership interests in subsidiaries with no change in control	–	(357)	–	–	–	(357)	–	357	–
Total changes in ownership interests in subsidiaries	–	(357)	135	–	–	(222)	–	357	135
Transfer between reserves	–	(1,428)	–	1,428	–	–	–	–	–
At 31 December 2018	1,744,738	1,104,734	(212,000)	3,576	3,003	2,644,051	397,127	89,731	3,130,909

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

Ascott Reit Group	Attributable to Stapled Securityholders						Perpetual securities $'000	Non-controlling interests $'000	Total equity $'000
	Stapled Securities in issue $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Hedging reserve $'000	Total $'000			
At 1 January 2019	1,744,738	1,104,734	(212,000)	3,576	3,003	2,644,051	397,127	89,731	3,130,909
Adjustment on initial recognition of FRS 116	–	9,802	–	–	–	9,802	–	–	9,802
Total return for the year	–	308,163	–	–	–	308,163	–	60	308,223
Total return attributable to perpetual securities holders	–	(19,741)	–	–	–	(19,741)	19,741	–	–
Other comprehensive income									
Effective portion of change in fair values of cash flow hedges	–	–	–	–	(5,653)	(5,653)	–	–	(5,653)
Net change in fair value of cash flow hedge reclassified to Statement of Total Return	–	–	–	–	(1,096)	(1,096)	–	–	(1,096)
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	–	–	(26,548)	–	–	(26,548)	–	(329)	(26,877)
Total other comprehensive income	–	–	(26,548)	–	(6,749)	(33,297)	–	(329)	(33,626)

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

Ascott Reit Group	Attributable to Stapled Securityholders								
	Stapled Securities in issue $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Hedging reserve $'000	Total $'000	Perpetual securities $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Ascott Reit Manager's management fee payable in Stapled Securities	17,020	–	–	–	–	17,020	–	–	17,020
Issue of Stapled Securities for the Combination	510,899	–	–	–	–	510,899	–	–	510,899
Acquisition fees payable in Stapled Securities	3,822	–	–	–	–	3,822	–	–	3,822
Issuance of perpetual securities	–	–	–	–	–	–	150,000	–	150,000
Issue expenses relating to issuance of perpetual securities	–	–	–	–	–	–	(1,369)	–	(1,369)
Redemption of perpetual securities	–	–	–	–	–	–	(150,000)	–	(150,000)
Distribution to holders of Stapled Securities	(88,817)	(71,647)	–	–	–	(160,464)	–	–	(160,464)
Distribution to perpetual securities holders	–	–	–	–	–	–	(19,200)	–	(19,200)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(3,085)	(3,085)
Total contributions by and distributions to owners	442,924	(71,647)	–	–	–	371,277	(20,569)	(3,085)	347,623

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

	Attributable to Stapled Securityholders								
Ascott Reit Group	**Stapled Securities in issue $'000**	**Revenue reserve $'000**	**Foreign currency translation reserve $'000**	**Capital reserve $'000**	**Hedging reserve $'000**	**Total $'000**	**Perpetual securities $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Changes in ownership interests in subsidiaries									
Change in ownership interests in subsidiaries with a change in control	–	–	3,009	–	–	3,009	–	(3,253)	(244)
Change in ownership interests in subsidiaries with no change in control	–	(355)	–	–	–	(355)	–	355	–
Total changes in ownership interests in subsidiaries	–	(355)	3,009	–	–	2,654	–	(2,898)	(244)
Transfer between reserves	–	(439)	–	439	–	–	–	–	–
At 31 December 2019	2,187,662	1,330,517	(235,539)	4,015	(3,746)	3,282,909	396,299	83,479	3,762,687

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

	Attributable to Stapled Securityholders							
Ascott BT Group	**Stapled Securities in issue $'000**	**Revenue reserve $'000**	**Foreign currency translation reserve $'000**	**Capital reserve $'000**	**Hedging reserve $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 9 September 2019 (date of constitution)	–	–	–	–	–	–	–	–
Total comprehensive income for the period								
Loss for the period	–	(91,901)	–	–	–	(91,901)	–	(91,901)
Total comprehensive income	–	(91,901)	–	–	–	(91,901)	–	(91,901)
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Trustee-Manager's management fee payable in Stapled Securities	4	–	–	–	–	4	–	4
Issue of Stapled Securities for the Combination	664,662	–	–	–	–	664,662	–	664,662
Acquisition fees payable in Stapled Securities	4,879	–	–	–	–	4,879	–	4,879
Total contributions by and distributions to owners	669,545	–	–	–	–	669,545	–	669,545
Changes in ownership interests in subsidiaries								
Acquisition through business combination	–	–	–	–	–	–	4,512	4,512
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	4,512	4,512
At 31 December 2019	669,545	(91,901)	–	–	–	577,644	4,512	582,156

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

	Attributable to Stapled Securityholders								
Stapled Group (1)	Stapled Securities in issue $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Hedging reserve $'000	Total $'000	Perpetual securities $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019	1,744,738	1,104,734	(212,000)	3,576	3,003	2,644,051	397,127	89,731	3,130,909
Adjustment on initial recognition of FRS 116	–	9,802	–	–	–	9,802	–	–	9,802
Total return for the year	–	216,262	–	–	–	216,262	–	60	216,322
Total return attributable to perpetual securities holders	–	(19,741)	–	–	–	(19,741)	19,741	–	–
Other comprehensive income									
Effective portion of change in fair values of cash flow hedges	–	–	–	–	(5,653)	(5,653)	–	–	(5,653)
Net change in fair value of cash flow hedge reclassified to Statement of Total Return	–	–	–	–	(1,096)	(1,096)	–	–	(1,096)
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	–	–	(26,548)	–	–	(26,548)	–	(329)	(26,877)
Total other comprehensive income	–	–	(26,548)	–	(6,749)	(33,297)	–	(329)	(33,626)

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. The Statements of Movement in Stapled Securityholders' Funds comprise movements for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

Stapled Group (1)	Attributable to Stapled Securityholders: Stapled Securities in issue $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Hedging reserve $'000	Total $'000	Perpetual securities $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Ascott Reit Manager's management fee payable in Stapled Securities	17,020	–	–	–	–	17,020	–	–	17,020
Trustee-Manager's management fee payable in Stapled Securities	4	–	–	–	–	4	–	–	4
Issue of Stapled Securities for the Combination	1,175,561	–	–	–	–	1,175,561	–	–	1,175,561
Acquisition fees payable in Stapled Securities	8,701	–	–	–	–	8,701	–	–	8,701
Issuance of perpetual securities	–	–	–	–	–	–	150,000	–	150,000
Issue expenses relating to issuance of perpetual securities	–	–	–	–	–	–	(1,369)	–	(1,369)
Redemption of perpetual securities	–	–	–	–	–	–	(150,000)	–	(150,000)
Distribution to holders of Stapled Securities	(88,817)	(71,647)	–	–	–	(160,464)	–	–	(160,464)
Distribution to perpetual securities holders	–	–	–	–	–	–	(19,200)	–	(19,200)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(3,085)	(3,085)
Total contributions by and distributions to owners	1,112,469	(71,647)	–	–	–	1,040,822	(20,569)	(3,085)	1,017,168

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. The Statements of Movement in Stapled Securityholders' Funds comprise movements for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

STATEMENTS OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2019

	Attributable to Stapled Securityholders								
Stapled Group [1]	**Stapled Securities in issue $'000**	**Revenue reserve $'000**	**Foreign currency translation reserve $'000**	**Capital reserve $'000**	**Hedging reserve $'000**	**Total $'000**	**Perpetual securities $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Changes in ownership interests in subsidiaries									
Acquisition through business combination	–	–	–	–	–	–	–	1,978	1,978
Change in ownership interests in subsidiaries with a change in control	–	–	3,009	–	–	3,009	–	(3,253)	(244)
Change in ownership interests in subsidiaries with no change in control	–	(355)	–	–	–	(355)	–	355	–
Total changes in ownership interests in subsidiaries	–	(355)	3,009	–	–	2,654	–	(920)	1,734
Transfer between reserves	–	(439)	–	439	–	–	–	–	–
At 31 December 2019	2,857,207	1,238,616	(235,539)	4,015	(3,746)	3,860,553	396,299	85,457	4,342,309

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. The Statements of Movement in Stapled Securityholders' Funds comprise movements for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

By Geography

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Investment Properties and Investment Property under Development											
Australia											
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000	Freehold	Not applicable	Not applicable	Not applicable	157,300	157,300	158,017	4.1	4.8	6.0
Citadines Connect Sydney Airport [1]	113-121 Baxter Road, Mascot, New South Wales, NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	61,123	61,123	–	1.6	1.9	–
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000	Freehold	Not applicable	Not applicable	Not applicable	18,111	18,111	18,919	0.5	0.6	0.7
Quest Campbelltown	1 Rennie Road, Woodbine, NSW 2560	Freehold	Not applicable	Not applicable	Not applicable	20,943	20,943	21,808	0.5	0.6	0.8
Quest Mascot	108-114 Robey Road, Mascot, NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	24,526	24,526	24,455	0.6	0.7	0.9
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127	Leasehold	99 years	92 years	93 years	44,499	44,499	44,575	1.2	1.4	1.7
Balance carried forward						326,502	326,502	267,774	8.5	10.0	10.1

(1) On 1 May 2019, the Ascott Reit Group acquired Felix Hotel from Baxter International Hotel Pty Ltd as trustee for the Baxter International Hotel Unit Trust, an unrelated third party, and rebranded the property as Citadines Connect Sydney Airport. 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 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						326,502	326,502	267,774	8.5	10.0	10.1
Belgium											
Citadines Sainte-Catherine Brussels	51 quai au Bois à Brûler, 1000 Brussels	Freehold	Not applicable	Not applicable	Not applicable	35,754	35,754	32,670	0.9	1.1	1.2
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels	Freehold	Not applicable	Not applicable	Not applicable	30,601	30,601	30,306	0.8	0.9	1.1
China											
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630	Leasehold	70 years	55 years	56 years	98,415	98,415	99,895	2.5	3.0	3.8
Citadines Xinghai Suzhou (2)	Block 27, Jiacheng Gardens, 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021	Leasehold	70 years	47 years	48 years	–	–	29,707	–	–	1.1
Citadines Zhuankou Wuhan (2)	159 Dongfeng Avenue (Xianglong Business Centre Zone C), Wuhan Economic and Technological Development Zone, Wuhan 430056	Leasehold	40 years	24 years	25 years	–	–	43,981	–	–	1.7
Somerset Grand Central Dalian	No. 128-2 Jinma Road, Dalian Development Area, Dalian 116600	Leasehold	50 years	37 years	38 years	89,136	89,136	103,305	2.3	2.7	3.9
Balance carried forward						580,408	580,408	607,638	15.0	17.7	22.9

(2) On 18 December 2019, the Ascott Reit Group entered into sale and purchase agreements with Chengdu Suxiang Hotel Management Co., Ltd and Chengdu Baixi Hotel Management Co., Ltd, unrelated third parties, to divest its interests in Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan respectively 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 RMB500 million, being 33% above the valuation of the properties as at 30 June 2019 which was appraised based on the discounted cash flow approach. The properties have been reclassified to assets held for sale (Note 16).

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						580,408	580,408	607,638	15.0	17.7	22.9
China (continued)											
Somerset Heping Shenyang	80 Taiyuan North Street, Heping District, Shenyang 110000	Leasehold	40 years	27 years	28 years	69,628	69,628	79,851	1.8	2.1	3.0
Somerset Olympic Tower Property Tianjin	126 Chengdu Road, Heping District, Tianjin 300051	Leasehold	70 years	43 years	44 years	63,375	63,375	64,621	1.6	1.9	2.4
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031	Leasehold	70 years	46 years	47 years	76,770	76,770	75,134	2.0	2.3	2.8
Balance carried forward						790,181	790,181	827,244	20.4	24.0	31.1

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						790,181	790,181	827,244	20.4	24.0	31.1
France											
Citadines Antigone Montpellier (3)	588 boulevard d'Antigone, 34000 Montpellier	Freehold	Not applicable	Not applicable	Not applicable	16,088	16,088	16,237	0.4	0.5	0.6
Citadines Austerlitz Paris (3) (4)	27 rue Esquirol, 75013 Paris	Freehold	Not applicable	Not applicable	1 year	10,976	10,976	11,085	0.3	0.3	0.4
Citadines Castellane Marseille (3) (4)	60 rue du Rouet, 13006 Marseille	Freehold	Not applicable	Not applicable	1 year	12,479	12,479	12,959	0.3	0.4	0.5
Citadines City Centre Grenoble (3)	9-11 rue de Strasbourg, 38000 Grenoble	Freehold	Not applicable	Not applicable	Not applicable	9,021	9,021	8,899	0.2	0.3	0.3
Citadines City Centre Lille (3)	Avenue Willy Brandt – Euralille, 59777 Lille	Freehold	Not applicable	Not applicable	Not applicable	15,035	15,035	14,832	0.4	0.5	0.6
Citadines Croisette Cannes (3)	1 rue le Poussin, 06400 Cannes	Freehold	Not applicable	Not applicable	Not applicable	7,818	7,818	7,494	0.2	0.2	0.3
Balance carried forward						861,598	861,598	898,750	22.2	26.2	33.8

(3) As at 31 December 2019, these 22 (2018: 23) investment properties are leased to related corporations under master lease arrangements.

(4) As at 31 December 2019, the finance lease arrangements for these four freehold investment properties in France have expired and the Ascott Reit Group had acquired legal title to these properties.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						861,598	861,598	898,750	22.2	26.2	33.8
France (continued)											
Citadines Didot Montparnasse Paris [3]	94 rue Didot, 75014 Paris	Freehold	Not applicable	Not applicable	Not applicable	21,049	21,049	21,858	0.5	0.6	0.8
Citadines Les Halles Paris [3]	4 rue des Innocents, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	84,648	84,648	90,086	2.2	2.6	3.4
Citadines Maine Montparnasse Paris [3] [4]	67 avenue du Maine, 75014 Paris	Freehold	Not applicable	Not applicable	1 year	24,808	24,808	23,732	0.6	0.8	0.9
Citadines Montmartre Paris [3]	16 avenue Rachel, 75018 Paris	Freehold	Not applicable	Not applicable	Not applicable	36,536	36,536	37,002	0.9	1.1	1.4
Citadines Place d'Italie Paris [3]	18 place d'Italie, 75013 Paris	Freehold	Not applicable	Not applicable	Not applicable	52,022	52,022	50,586	1.3	1.6	1.9
Citadines Prado Chanot Marseille [3]	9-11 boulevard de Louvain, 13008 Marseille	Freehold	Not applicable	Not applicable	Not applicable	9,472	9,472	9,836	0.2	0.3	0.4
Balance carried forward						1,090,133	1,090,133	1,131,850	27.9	33.2	42.6

(3) As at 31 December 2019, these 22 (2018: 23) investment properties are leased to related corporations under master lease arrangements.
(4) As at 31 December 2019, the finance lease arrangements for these four freehold investment properties in France have expired and the Ascott Reit Group had acquired legal title to these properties.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						1,090,133	1,090,133	1,131,850	27.9	33.2	42.6
France (continued)											
Citadines Presqu'île Lyon [3]	2 rue Thomassin, 69002 Lyon	Freehold	Not applicable	Not applicable	Not applicable	22,102	22,102	22,326	0.6	0.7	0.8
Citadines République Paris [3] [4]	75 bis, avenue Parmentier, 75011 Paris	Freehold	Not applicable	Not applicable	1 year	22,703	22,703	22,639	0.6	0.7	0.9
Citadines Tour Eiffel Paris [3]	132 Boulevard de Grenelle, 75015 Paris	Freehold	Not applicable	Not applicable	Not applicable	69,598	69,598	74,817	1.8	2.1	2.8
Citadines Trocadéro Paris [3]	29 Bis, rue Saint-Didier, 75116 Paris	Freehold	Not applicable	Not applicable	Not applicable	42,505	42,505	42,974	1.1	1.3	1.6
La Clef Louvre Paris [3]	8 rue de Richelieu, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	48,428	48,428	46,760	1.3	1.5	1.8
Balance carried forward						1,295,469	1,295,469	1,341,366	33.3	39.5	50.5

(3) As at 31 December 2019, these 22 (2018: 23) investment properties are leased to related corporations under master lease arrangements.

(4) As at 31 December 2019, the finance lease arrangements for these four freehold investment properties in France have expired and the Ascott Reit Group had acquired legal title to these properties.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						1,295,469	1,295,469	1,341,366	33.3	39.5	50.5
Germany											
Citadines Arnulfpark Munich (3)	Arnulfstrasse 51, 80636 München	Freehold	Not applicable	Not applicable	Not applicable	37,453	37,453	36,963	1.0	1.1	1.4
Citadines City Centre Frankfurt (3)	Europa-Allee 23, 60327 Frankfurt am Main	Freehold	Not applicable	Not applicable	Not applicable	62,396	62,396	64,013	1.6	1.9	2.4
Citadines Kurfürstendamm Berlin (3)	Olivaer Platz 1, 10707 Berlin-Wilmersdorf	Freehold	Not applicable	Not applicable	Not applicable	22,493	22,493	22,404	0.6	0.7	0.9
Citadines Michel Hamburg (3)	Ludwig-Erhard-Straße 7, 20459 Hamburg	Leasehold	99 years	91 years	92 years	48,113	48,113	49,961	1.2	1.5	1.9
The Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg	Freehold	Not applicable	Not applicable	Not applicable	78,167	78,167	76,034	2.0	2.4	2.9
Balance carried forward						1,544,091	1,544,091	1,590,741	39.7	47.1	60.0

(3) As at 31 December 2019, these 22 (2018: 23) investment 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 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						1,544,091	1,544,091	1,590,741	39.7	47.1	60.0
Indonesia											
Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230	Leasehold	26 years	4 years	5 years	62,112	62,112	62,184	1.6	1.9	2.4
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940	Leasehold	30 years	5 years	6 years	37,553	37,553	38,562	1.0	1.1	1.5
Japan											
Citadines Central Shinjuku	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo 1600021	Freehold	Not applicable	Not applicable	Not applicable	142,545	142,545	130,194	3.7	4.3	4.9
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho, Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105	Freehold	Not applicable	Not applicable	Not applicable	58,262	58,262	58,004	1.5	1.8	2.2
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 1600022	Freehold	Not applicable	Not applicable	Not applicable	115,020	115,020	110,182	3.0	3.5	4.2
Balance carried forward						1,959,583	1,959,583	1,989,867	50.5	59.7	75.2

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						1,959,583	1,959,583	1,989,867	50.5	59.7	75.2
Japan (continued)											
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044	Freehold	Not applicable	Not applicable	Not applicable	45,140	45,140	43,133	1.2	1.4	1.6
Actus Hakata V-Tower	3-15-10 Hakata Ekimae, Hakata-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	46,907	46,907	43,852	1.2	1.4	1.7
Big Palace Kita 14jo	4-1-6 Kita14jo Nishi, Kita-ku, Sapporo	Freehold	Not applicable	Not applicable	Not applicable	18,965	18,965	18,325	0.5	0.6	0.7
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	7,493	7,493	7,248	0.2	0.2	0.3
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	5,755	5,755	5,424	0.1	0.2	0.2
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	4,766	4,766	4,494	0.1	0.1	0.2
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	85,664	85,664	80,567	2.2	2.6	3.0
Balance carried forward						2,174,273	2,174,273	2,192,910	56.0	66.2	82.9

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						2,174,273	2,174,273	2,192,910	56.0	66.2	82.9
Japan (continued)											
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032	Freehold	Not applicable	Not applicable	Not applicable	39,575	39,575	37,351	1.0	1.2	1.4
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	38,495	38,495	37,557	1.0	1.2	1.4
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	20,078	20,078	18,760	0.5	0.6	0.7
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	17,777	17,777	17,250	0.5	0.5	0.7
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	21,580	21,580	20,669	0.6	0.7	0.8
Balance carried forward						2,311,778	2,311,778	2,324,497	59.6	70.4	87.9

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						2,311,778	2,311,778	2,324,497	59.6	70.4	87.9
Japan (continued)											
Hotel WBF Honmachi [(5)]	4-4-10, Kitakyuhojimachi, Chuo-ku, Osaka 541-0057	Freehold	Not applicable	Not applicable	Not applicable	44,786	44,786	–	1.2	1.4	–
Hotel WBF Kitasemba East [(5)]	2-6-8, Awajicho, Chuo-ku, Osaka 541-0047	Freehold	Not applicable	Not applicable	Not applicable	44,410	44,410	–	1.2	1.4	–
Hotel WBF Kitasemba West [(5)]	3-2-7, Awajicho, Chuo-ku, Osaka 541-0047	Freehold	Not applicable	Not applicable	Not applicable	44,661	44,661	–	1.2	1.4	–
Sotetsu Grand Fresa Tokyo-Bay Ariake (formerly known as Hotel Sunroute Ariake) [(5)]	3-6-6 Ariake Koto-ku, Tokyo 135-0063	Freehold	Not applicable	Not applicable	Not applicable	335,268	335,268	–	8.7	10.1	–
Balance carried forward						2,780,903	2,780,903	2,324,497	71.9	84.7	87.9

(5) On 31 December 2019, the Combination with Ascendas Hospitality Trust was completed adding 14 properties to the portfolio, of which five properties are held under the Ascott Reit Group and the other nine properties are held under the Ascott BT Group.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						2,780,903	2,780,903	2,324,497	71.9	84.7	87.9
Malaysia											
Somerset Kuala Lumpur	187, Jalan Ampang, 50450, Kuala Lumpur	Freehold	Not applicable	Not applicable	Not applicable	47,913	47,913	51,455	1.2	1.5	1.9
Philippines											
Ascott Makati	Glorietta 4, Ayala Center, Makati City 1224	Leasehold	48 years	25 years	26 years	114,934	114,934	117,441	3.0	3.5	4.4
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229	Freehold	Not applicable	Not applicable	Not applicable	15,373	15,373	14,812	0.4	0.5	0.6
Singapore											
Ascott Orchard Singapore (3)	11 Cairnhill Road, Singapore 229724	Leasehold	99 years	93 years	94 years	406,172	406,172	398,505	10.6	12.3	15.1
Somerset Liang Court Property Singapore (6)	177B River Valley Road, Singapore 179032	Leasehold	97 years	57 years	58 years	140,300	140,300	209,550	3.6	4.3	7.9
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	85 years	86 years	131,235	131,235	131,138	3.4	4.0	5.0
Balance carried forward						3,636,830	3,636,830	3,247,398	94.1	110.8	122.8

(3) As at 31 December 2019, these 22 (2018: 23) investment properties are leased to related corporations under master lease arrangements.

(6) On 21 November 2019, the Ascott Reit Group entered into a put and call option agreement relating to the sale of partial gross floor area of Somerset Liang Court Property Singapore. The retained gross floor area will be redeveloped into a new serviced residence property. The gross floor area which will be divested has been reclassified to assets held for sale (Note 16).

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						3,636,830	3,636,830	3,247,398	94.1	110.8	122.8
Singapore (continued)											
lyf one-north Singapore (under development) [7]	Lot 5360P MK3 at Nepal Hill, one-north, Portsdown Road	Leasehold	60 years	59 years	Not applicable	74,860	74,860	–	1.9	2.3	–
Park Hotel Clarke Quay [5]	1 Unity Street, Singapore 237983	Leasehold	99 years	85 years	86 years	325,000	325,000	–	8.4	9.8	–
Spain											
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	Freehold	Not applicable	Not applicable	Not applicable	67,776	67,776	71,653	1.8	2.1	2.7
The United Kingdom											
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH	Freehold	Not applicable	Not applicable	Not applicable	77,512	77,512	75,732	2.0	2.4	2.9
Citadines Trafalgar Square London	18/21 Northumberland Avenue, London WC2N 5EA	Freehold	Not applicable	Not applicable	Not applicable	174,367	174,367	175,191	4.5	5.3	6.6
Balance carried forward						4,356,345	4,356,345	3,569,974	112.7	132.7	135.0

(5) On 31 December 2019, the Combination with Ascendas Hospitality Trust was completed adding 14 properties to the portfolio, of which five properties are held under the Ascott Reit Group and the other nine properties are held under the Ascott BT Group.

(7) An agreement for lease was entered by the Ascott Reit Group with Jurong Town Corporation ("JTC") relating to the grant by JTC of a lease of this property for a term of 60 years expiring on 2 January 2079. The lease and lease term will be confirmed by JTC in writing after Ascott Reit has (i) completely finished the building works at or on the property to JTC's satisfaction; and (ii) the temporary occupation permit(s) for the entire building works has been obtained from the relevant authorities.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						4,356,345	4,356,345	3,569,974	112.7	132.7	135.0
The United Kingdom (continued)											
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL	Freehold	Not applicable	Not applicable	Not applicable	76,732	76,732	72,292	2.0	2.3	2.7
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF	Freehold	Not applicable	Not applicable	Not applicable	160,389	160,389	157,845	4.2	4.9	6.0
The United States of America											
DoubleTree by Hilton Hotel New York – Times Square South	341 West 36th Street, New York, New York, 10018	Freehold	Not applicable	Not applicable	Not applicable	149,682	149,682	148,909	3.9	4.6	5.6
Element New York Times Square West	311 West 39th Street, New York, New York, 10018	Leasehold	99 years	93 years	94 years	224,791	224,791	229,208	5.8	6.8	8.7
Sheraton Tribeca New York Hotel	370 Canal Street, New York, New York, 10013	Leasehold	99 years	93 years	94 years	228,759	228,759	224,132	5.9	7.0	8.5
Vietnam											
Somerset Chancellor Court Ho Chi Minh City	21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City	Leasehold	48 years	22 years	23 years	53,409	53,409	54,786	1.4	1.6	2.1
Somerset Grand Hanoi	49 Hai Ba Trung Street, Hanoi	Leasehold	45 years	18 years	19 years	107,787	107,787	119,871	2.8	3.3	4.5
Balance carried forward						5,357,894	5,357,894	4,577,017	138.7	163.2	173.1

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation			Percentage of Securityholders' funds		
				2019	2018	Stapled Group 2019 $'000	Ascott Reit Group 2019 $'000	Ascott Reit Group 2018 $'000	Stapled Group 2019 %	Ascott Reit Group 2019 %	Ascott Reit Group 2018 %
Balance brought forward						5,357,894	5,357,894	4,577,017	138.7	163.2	173.1
Vietnam (continued)											
Somerset Ho Chi Minh City	8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City	Leasehold	45 years	20 years	21 years	44,854	44,854	46,633	1.2	1.4	1.8
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Cau Giay, Hanoi	Leasehold	36 years	22 years	23 years	39,673	39,673	42,277	1.0	1.2	1.6
Somerset West Lake Hanoi [(8)]	254D Thuy Khue Road, Hanoi	Leasehold	49 years	22 years	23 years	–	–	13,368	–	–	0.5
Portfolio of investment properties and investment property under development						5,442,421	5,442,421	4,679,295	140.9	165.8	177.0
Right-of-use assets						292,026	292,026	–	7.6	8.9	–
Investment properties and investment property under development in the Statement of Financial Position of the Ascott Reit Group						5,734,447	5,734,447	4,679,295	148.5	174.7	177.0
Balance carried forward						5,734,447	5,734,447	4,679,295	148.5	174.7	177.0

(8) Somerset West Lake Hanoi was divested on 31 October 2019 to Platocean Pte. Ltd., an unrelated third party, through the divestment of the Ascott Reit Group's interest in The Ascott (Vietnam) Investments Pte Ltd. The sale price was agreed on a willing buyer willing seller basis taking into account the agreed property value of the property of USD13.5 million, being 39% above the valuation of the property as at 30 June 2019 which was appraised based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						5,734,447	5,734,447	4,679,295	148.5	174.7	177.0
Investment properties of the Ascott BT Group											
Japan											
Sotetsu Grand Fresa Osaka-Namba (formerly known as Hotel Sunroute Osaka Namba) [5]	1-1-13, Nipponbashi, Chuo-ku, Osaka 542-0073	Freehold	Not applicable	Not applicable	Not applicable	246,447	–	–	6.4	–	–
South Korea											
Sotetsu Hotels The Splaisir Seoul Dongdaemun [5]	226 Jangchoongdan-ro, Gwanghui-dong, Jung-gu, Seoul	Freehold	Not applicable	Not applicable	Not applicable	94,410	–	–	2.4	–	–
Ibis Ambassador Seoul Insadong [5]	31 Samil-daero 30-gil, Ikseon-dong, Jongno-gu, Seoul	Freehold	Not applicable	Not applicable	Not applicable	95,694	–	–	2.5	–	–
Investment properties and investment property under development in the Statement of Financial Position of the Stapled Group						6,170,998	5,734,447	4,679,295	159.8	174.7	177.0
Balance carried forward						6,170,998	5,734,447	4,679,295	159.8	174.7	177.0

(5) On 31 December 2019, the Combination with Ascendas Hospitality Trust was completed adding 14 properties to the portfolio, of which five properties are held under the Ascott Reit Group and the other nine properties are held under the Ascott BT Group.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Balance brought forward						6,170,998	5,734,447	4,679,295	159.8	174.7	177.0
Freehold land and buildings of the Ascott BT Group											
Australia											
Courtyard by Marriott Sydney-North Ryde [5]	7-11 Talavera Road, North Ryde, NSW 2113	Freehold	Not applicable	Not applicable	Not applicable	46,875	–	–	1.2	–	–
Novotel Sydney Central [5]	169-179 Thomas Street, Sydney, NSW 2000	Freehold	Not applicable	Not applicable	Not applicable	145,100	–	–	3.7	–	–
Novotel Sydney Parramatta [5]	350 Church Street, Parramatta, NSW 2150	Freehold	Not applicable	Not applicable	Not applicable	31,354	–	–	0.8	–	–
Pullman and Mercure Brisbane King George Square [5]	Corner Ann and Roma Street, Brisbane, QLD 4000	Freehold	Not applicable	Not applicable	Not applicable	69,084	–	–	1.8	–	–
Freehold land and buildings of the Ascott BT Group balance carried forward						292,413	–	–	7.5	–	–

(5) On 31 December 2019, the Combination with Ascendas Hospitality Trust was completed adding 14 properties to the portfolio, of which five properties are held under the Ascott Reit Group and the other nine properties are held under the Ascott BT Group.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2019	Remaining Term of Lease 2018	At Valuation Stapled Group 2019 $'000	At Valuation Ascott Reit Group 2019 $'000	At Valuation Ascott Reit Group 2018 $'000	Percentage of Securityholders' funds Stapled Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2019 %	Percentage of Securityholders' funds Ascott Reit Group 2018 %
Freehold land and buildings of the Ascott BT Group balance brought forward						292,413	–	–	7.5	–	–
Australia (continued)											
Pullman and Mercure Melbourne Albert Park [5]	65 Queens Road, Melbourne, VIC 3004	Freehold	Not applicable	Not applicable	Not applicable	91,008	–	–	2.4	–	–
Pullman Sydney Hyde Park [5]	36 College Street, Sydney, NSW 2000	Freehold	Not applicable	Not applicable	Not applicable	141,479	–	–	3.7	–	–
Portfolio of freehold land and buildings of the Ascott BT Group						524,900	–	–	13.6	–	–
Total investment properties, investment property under development and freehold land and buildings						6,695,898	5,734,447	4,679,295	173.4	174.7	177.0
Other assets and liabilities (net)						(2,353,589)	(1,971,760)	(1,548,386)	(60.9)	(60.1)	(58.6)
Net assets						4,342,309	3,762,687	3,130,909	112.5	114.6	118.4
Perpetual securities holders						(396,299)	(396,299)	(397,127)	(10.3)	(12.1)	(15.0)
Non-controlling interests						(85,457)	(83,479)	(89,731)	(2.2)	(2.5)	(3.4)
Stapled Securityholders' funds						3,860,553	3,282,909	2,644,051	100.0	100.0	100.0

(5) On 31 December 2019, the Combination with Ascendas Hospitality Trust was completed adding 14 properties to the portfolio, of which five properties are held under the Ascott Reit Group and the other nine properties are held under the Ascott BT Group.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

On 31 December 2019, Somerset Grand Central Dalian, Somerset Heping Shenyang, Somerset Olympic Tower Property Tianjin, Citadines Central Shinjuku, Citadines Karasuma-Gojo Kyoto, Citadines Shinjuku Tokyo, Somerset Azabu East Tokyo, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Roppongi Residences Tokyo, S-Residence Fukushima Luxe, S-Residence Hommachi Marks, S-Residence Midoribashi Serio, S-Residence Tanimachi 9 chome, Citadines Mount Sophia Property Singapore, DoubleTree by Hilton Hotel New York – Times Square South, Element New York Times Square West, Sheraton Tribeca New York Hotel, Somerset Chancellor Court Ho Chi Minh City, Somerset Grand Hanoi and Somerset Ho Chi Minh City were pledged as securities to banks for banking facilities granted to certain subsidiaries (Note 18).

On 31 December 2018, Citadines Zhuankou Wuhan, Somerset Grand Central Dalian, Somerset Heping Shenyang, Somerset Olympic Tower Property Tianjin, Somerset Xu Hui Shanghai, Citadines Central Shinjuku, Citadines Karasuma-Gojo Kyoto, Citadines Shinjuku Tokyo, Somerset Azabu East Tokyo, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Roppongi Residences Tokyo, S-Residence Fukushima Luxe, S-Residence Hommachi Marks, S-Residence Midoribashi Serio, S-Residence Tanimachi 9 chome, Citadines Mount Sophia Property Singapore, DoubleTree by Hilton Hotel New York – Times Square South, Element New York Times Square West, Sheraton Tribeca New York Hotel, Somerset Chancellor Court Ho Chi Minh City, Somerset Grand Hanoi and Somerset Ho Chi Minh City were pledged as securities to banks for banking facilities granted to certain subsidiaries (Note 18).

As at 31 December 2019, the carrying amounts of all the investment properties and investment property under development were based on independent valuations carried out by HVS (except for 14 properties acquired from Ascendas Hospitality Trust in relation with the Combination). The valuation as at 31 December 2019 for properties acquired in relation to the Combination in Australia, Japan, South Korea and Singapore were conducted by Cushman & Wakefield (Valuations) Pty Ltd, JLL Morii Valuation & Advisory K.K., CBRE Korea Co., Ltd. and Cushman & Wakefield VHS Pte Ltd respectively.

In 2018, the carrying amounts of all the investment properties were based on independent valuations carried out by Colliers International as at 31 December 2018.

The Managers believe that the external property valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The Stapled Group's valuations include plant and equipment located in the investment properties. The valuations adopted in the portfolio table above were adjusted for values ascribed to plant and equipment.

The fair values were derived based on the discounted cash flow, capitalisation and residual methods. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate, capitalisation rate and gross development costs.

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

	Ascott Reit Group 2019 $'000	Ascott BT Group Period from 9 September 2019 (date of constitution) to 31 December 2019 $'000	Stapled Group(1) 2019 $'000	Ascott Reit Group 2018 $'000
Cash flows from operating activities				
Total return/(loss) for the year/period before income tax	352,915	(91,901)	261,014	195,382
Adjustments for:				
Depreciation of property, plant and equipment	12,498	–	12,498	12,744
Operating lease expense recognised on a straight-line basis	–	–	–	3,104
Finance costs	51,817	–	51,817	47,116
Finance income	(2,080)	–	(2,080)	(1,194)
Foreign exchange loss – unrealised	4,182	–	4,182	8,988
Loss on disposal of property, plant and equipment	18	–	18	134
Managers' management fees paid/payable in Units/Stapled Securities	17,060	4	17,064	17,505
Net change in fair value of investment properties, investment property under development and assets held for sale	(250,221)	–	(250,221)	(35,499)
Net change in fair value of financial derivatives	926	–	926	–
Profit from divestments	(1,019)	–	(1,019)	(3,211)
Assets written off	4,040	–	4,040	364
Transaction costs relating to the Combination	7,081	12,620	19,701	–
Impairment of goodwill	60,866	79,233	140,099	–
Impairment loss/write-off of trade and other receivables	159	–	159	43
Share of results of associate (net of tax)	7	–	7	21
Operating income before working capital changes	258,249	(44)	258,205	245,497
Changes in working capital:				
– Inventories	(44)	–	(44)	(118)
– Trade and other receivables	(34,273)	–	26,614	(2,231)
– Trade and other payables	(6,683)	35,001	(32,569)	3,272
Cash generated from operations	217,249	34,957	252,206	246,420
Income tax paid	(23,211)	–	(23,211)	(19,753)
Net cash generated from operating activities	194,038	34,957	228,995	226,667
Balance carried forward	194,038	34,957	228,995	226,667

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. The Statements of Cash Flows comprise movements for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

	Note	Ascott Reit Group 2019 $'000	Ascott BT Group Period from 9 September 2019 (date of constitution) to 31 December 2019 $'000	Stapled Group[1] 2019 $'000	Ascott Reit Group 2018 $'000
Balance brought forward		194,038	34,957	228,995	226,667
Cash flows from investing activities					
Acquisition of investment properties	4	(58,106)	–	(58,106)	–
Acquisition of investment property under development		–	–	–	(65,045)
Acquisition of subsidiaries, net of cash acquired	40	(6,668)	(8,839)	(15,507)	–
Capital expenditure on investment properties and assets held for sale		(13,585)	–	(13,585)	(13,334)
Capital expenditure on investment property under development		(8,286)	–	(8,286)	–
Deposits received from divestment of subsidiaries/investment property	19	3,878	–	3,878	5,000
Disposal of subsidiaries, net of cash disposed of	34	13,649	–	13,649	–
Proceeds from disposal of assets held for sale	16,34	348,333	–	348,333	90,175
Payment of transaction costs for disposal of assets held for sale		(2,756)	–	(2,756)	(4,670)
Payment of transaction costs relating to the Combination		(1,292)	–	(1,292)	–
Interest received		2,080	–	2,080	1,194
Proceeds from sale of property, plant and equipment		41	–	41	255
Purchase of property, plant and equipment		(9,786)	–	(9,786)	(14,247)
Net cash from/(used in) used in investing activities		267,502	(8,839)	258,663	(672)
Balance carried forward		461,540	26,118	487,658	225,995

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. The Statements of Cash Flows comprise movements for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

	Ascott Reit Group 2019 $'000	Ascott BT Group Period from 9 September 2019 (date of constitution) to 31 December 2019 $'000	Stapled Group(1) 2019 $'000	Ascott Reit Group 2018 $'000
Balance brought forward	461,540	26,118	487,658	225,995
Cash flows from financing activities				
Distributions to Stapled Securityholders	(160,464)	–	(160,464)	(149,116)
Distributions to perpetual securities holders	(19,200)	–	(19,200)	(19,200)
Dividends paid to non-controlling interests	(3,085)	–	(3,085)	(3,464)
Interest paid	(48,928)	–	(48,928)	(43,413)
Proceeds from borrowings and issue of medium term notes	547,444	–	547,444	472,719
Repayment of borrowings and medium term notes	(745,138)	–	(745,138)	(507,721)
Payment of transaction costs on borrowings	(2,056)	–	(2,056)	(500)
Proceeds from issuance of perpetual securities	150,000	–	150,000	–
Payment of lease liabilities	(7,518)	–	(7,518)	(2,931)
Redemption of perpetual securities	(150,000)	–	(150,000)	–
Payment of transaction costs on issuance of perpetual securities	(1,169)	–	(1,169)	–
Change in restricted cash deposits for bank facilities	337	–	337	(239)
Net cash used in financing activities	(439,777)	–	(439,777)	(253,865)
Net increase/(decrease) in cash and cash equivalents	21,763	26,118	47,881	(27,870)
Cash and cash equivalents at 1 January/9 September 2019 (date of constitution)	225,516	–	225,516	255,253
Effect of exchange rate changes on balances held in foreign currency	(716)	–	(716)	(1,867)
Cash and cash equivalents reclassified to assets held for sale	(2,673)	–	(2,673)	–
Cash and cash equivalents at 31 December	243,890	26,118	270,008	225,516

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. The Statements of Cash Flows comprise movements for the Ascott Reit Group from 1 January 2019 to 31 December 2019 and the Ascott BT Group from 9 September 2019 (date of constitution) to 31 December 2019.

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

Significant non-cash transactions

Ascott Reit Group and the Stapled Group

During the year, the Ascott Reit Group and the Stapled Group have the following significant non-cash transactions:

- A total of 13,133,752 (2018: 15,352,904) Stapled Securities were issued or will be issued as payment of the Ascott Reit Manager's management fees amounting to $17,060,000 (2018: $17,505,000) in respect of the year ended 31 December 2019.

- The Ascott Reit Group and the Stapled Group incurred capital expenditure on investment property under development of $9,293,000 of which $1,497,000 (2018: $490,000) was included in trade and other payables.

- The Ascott Reit Group and the Stapled Group acquired property, plant and equipment with an aggregate cost of $9,510,000 (2018: $14,276,000), of which $47,000 (2018: $323,000) was included in trade and other payables.

Ascott BT Group

A total of 3,156 (2018: Nil) Stapled Securities will be issued as payment of the Ascott BT Trustee-Manager's management fees amounting to $4,000 (2018: Nil) in respect of the period from 9 September 2019 to 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Ascott Reit Manager, the Ascott BT Trustee-Manager and the Ascott Reit Trustee on 3 March 2020.

1. GENERAL

Ascott Residence Trust is a stapled group comprising Ascott Real Estate Investment Trust ("Ascott Reit") and its subsidiaries (the "Ascott Reit Group") and Ascott Business Trust ("Ascott BT") and its subsidiaries (the "Ascott BT Group") (collectively, the "Stapled Group").

Ascott Reit is a Singapore-domiciled unit trust constituted pursuant to the Ascott Reit trust deed dated 19 January 2006 (as amended) (the "Ascott Reit Trust Deed") between Ascott Residence Trust Management Limited (the "Ascott Reit Manager") and DBS Trustee Limited (the "Ascott Reit Trustee"). The Ascott Reit Trust Deed is governed by the laws of the Republic of Singapore. The Ascott Reit Trustee is under a duty to take into custody and hold the assets of Ascott Reit held by it or through its subsidiaries in trust for the holders of units in Ascott Reit.

Ascott BT is a business trust constituted by a trust deed dated 9 September 2019 (as amended) (the "Ascott BT Trust Deed") and is managed by Ascott Business Trust Management Pte. Ltd. (the "Ascott BT Trustee-Manager").

A stapling deed dated 9 September 2019 was entered into between the Ascott Reit Manager, the Ascott Reit Trustee and the Ascott BT Trustee-Manager (the "Stapling Deed").

On 21 October 2019, the unitholders of Ascott Reit approved the trust scheme of arrangement in relation to the stapling of Ascott Reit to Ascott BT (the "Ascott Reit Scheme"). The Stapling Deed took effect on and from 31 December 2019, the date on which the Ascott Reit Scheme is implemented. On 31 December 2019, the units in each of Ascott Reit and Ascott BT are stapled together and cannot be traded separately. Each stapled security in Ascott Residence Trust (the "Stapled Security") comprises a unit in Ascott Reit (the "Ascott Reit Unit") and a unit in Ascott BT (the "Ascott BT Unit").

The Stapled Group's financial statements comprised financial position of the Stapled Group as at 31 December 2019 and financial performance of Ascott Reit Group for the period from 1 January 2019 to 31 December 2019 and the Ascott BT Group for the period from 9 September 2019 (date of constitution) to 31 December 2019.

The principal activities of the significant subsidiaries of the Stapled Group 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, hotels, rental housing properties and other hospitality assets in any country in the world.

For financial reporting purposes, with effect from 28 June 2019, the intermediate and ultimate holding companies of the Stapled Group are CapitaLand Limited and Temasek Holdings (Private) Limited. The intermediate and ultimate holding companies are incorporated in the Republic of Singapore. Prior to 28 June 2019, the ultimate holding company of the Ascott Reit Group was CapitaLand Limited.

The consolidated financial statements of the Ascott Reit Group relate to Ascott Reit, its subsidiaries and its interest in its associates. The consolidated financial statements of the Ascott BT Group relate to Ascott BT and its subsidiaries. The consolidated financial statements of the Stapled Group relate to the Ascott Reit Group and the Ascott BT Group.

1. GENERAL (continued)

1.1 The Combination of Ascott Reit and Ascendas Hospitality Trust

On 3 July 2019, the Ascott Reit Manager, Ascendas Hospitality Fund Management Pte. Ltd., as manager of Ascendas Hospitality Real Estate Investment Trust ("A-HREIT"), and Ascendas Hospitality Trust Management Pte. Ltd., as trustee-manager of Ascendas Hospitality Business Trust ("A-HBT"), jointly announced the proposed combination of Ascott Reit and Ascendas Hospitality Trust ("A-HTRUST") by way of a trust scheme of arrangement (the "Combination"). A-HTRUST comprised A-HREIT and A-HBT.

On 31 December 2019, the Combination was effected through the acquisition of all the issued and paid-up stapled units in A-HTRUST (the "A-HTRUST Stapled Securities") by way of a trust scheme of arrangement for a consideration of $1.0868 for each A-HTRUST Stapled Security (the "A-HTRUST Scheme Consideration").

The A-HTRUST Scheme Consideration of $1.0868 for each A-HTRUST Stapled Security comprises $0.0543 in cash and 0.7942 units in a stapled Ascott Reit and Ascott BT issued at a price of $1.30 each.

Following the completion of the Combination:

- the Ascott Reit previously known as Ascott Residence Trust is renamed as Ascott Real Estate Investment Trust.
- Ascott Reit acquired A-HREIT and Ascott BT acquired A-HBT so as to retain business trust structure following the combination.
- A-HTRUST was delisted from the official List of SGX-ST on 3 January 2020.
- A-HREIT ceased to exist as a real estate investment trust under the Securities and Futures Act and an authorised collective investment scheme.
- A-HBT ceased to be a registered business trust under the Business Trusts Act.

Ascott BT's first set of financial statements cover the period from 9 September 2019 (date of constitution) to 31 December 2019.

1. GENERAL (continued)

1.2 Service agreements

Several service agreements are in place in relation to the management of Ascott Reit and Ascott BT and their property operations. The fee structures of these services are as follows:

(i) Ascott Reit Trustee's fees

Pursuant to Clause 16.2 of the Ascott Reit Trust Deed, the Ascott Reit Trustee's fee shall not exceed 0.1% per annum of the value of the assets of the Ascott Reit Group (the "Ascott Reit 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 Ascott Reit. The Ascott Reit Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Ascott Reit Trust Deed. The Ascott Reit Trustee's fees are payable monthly in arrears.

(ii) Ascott Reit Manager's fees

Management fees

The Ascott Reit Manager is entitled under Clauses 15.1.1 and 15.1.2 of the Ascott Reit Trust Deed to the following management fees:

(a) a base fee of 0.3% per annum of the property values; and

(b) an annual performance fee of:

- base performance fee of 4.0% per annum of the Ascott Reit Group's share of gross profit for each financial year; and
- in the event that the Ascott Reit Group's share of gross profit increases by more than 6.0% annually, an outperformance fee of 1.0% of the difference between the Ascott Reit Group's share of that financial year's gross profit and 106% of the Ascott Reit Group's share of the preceding year's gross profit.

The base management fees payable in cash and in the form of Stapled Securities shall be payable quarterly in arrears. Performance fees shall be payable once a year, after the end of the financial year.

When management fees are payable in Stapled Securities, the Ascott Reit Manager shall be entitled to receive such number of Stapled Securities as may be purchased for the relevant amount of the management fees at the market price (as defined in the Ascott Reit Trust Deed).

1. **GENERAL** (continued)

1.2 **Service agreements** (continued)

(ii) Ascott Reit Manager's fees (continued)

Acquisition fee

Pursuant to Clause 15.2.1 of the Ascott Reit Trust Deed, the Ascott Reit Manager is entitled to receive the following acquisition fees:

(a) an acquisition fee of 1.0% of the enterprise value ("Enterprise Value") of any real estate or real estate related asset acquired directly or indirectly by Ascott Reit, prorated if applicable to the proportion of Ascott Reit'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 Ascott Reit Deposited Property, provided that the Ascott Reit Manager shall charge an acquisition fee of 0.5% instead of 1.0%.

Where assets acquired by Ascott Reit 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 Ascott Reit and where the asset acquired by the Ascott Reit is a property, Enterprise Value shall mean the value of the property.

The Ascott Reit Manager may opt to receive such acquisition fee in the form of cash or Stapled Securities or a combination of cash and Stapled Securities as it may determine.

In the event that the Ascott Reit 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 Stapled Securities to be issued by Ascott Reit at the market price.

Divestment fee

The Ascott Reit Manager is entitled under Clause 15.2.1 of the Ascott Reit 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 Ascott Reit, prorated if applicable to the proportion of Ascott Reit's interest.

The divestment fee is payable to the Ascott Reit Manager in the form of cash. In the event that the Ascott Reit 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 Stapled Securities to be issued by Ascott Reit at the market price.

(iii) Ascott BT Trustee-Manager's fees

Trustee fee

Pursuant to Clause 14.4.2 of the Ascott BT Trust Deed, the Ascott BT Trustee-Manager's fee shall not exceed 0.015% per annum of the value of the assets of the Ascott BT Group (the "Ascott BT Deposited Property"), subject to a minimum of $13,500 per month, excluding out-of-pocket expenses and goods and services tax which is borne by Ascott BT. The Ascott BT Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the Ascott BT Trust Deed. The Ascott BT Trustee-Manager's fees are payable monthly in arrears.

1. GENERAL (continued)

1.2 Service agreements (continued)

(iii) Ascott BT Trustee-Manager's fees (continued)

Management fees

The Ascott BT Trustee-Manager is entitled under Clauses 14.1.1 and 14.1.2 of the Ascott BT Trust Deed to the following management fees:

(a) a base fee of 0.3% per annum of the property values; and

(b) an annual performance fee of:

- base performance fee of 4.0% per annum of the Ascott BT Group's share of gross profit for each financial year; and
- in the event that the Ascott BT Group's share of gross profit increases by more than 6.0% annually, an outperformance fee of 1.0% of the difference between the Ascott BT Group's share of that financial year's gross profit and 106% of the Ascott BT Group's share of the preceding year's gross profit.

The base management fees and performance fees payable in cash and in the form of Stapled Securities shall be payable quarterly in arrears.

When management fees are payable in Stapled Securities, the Ascott BT Trustee-Manager shall be entitled to receive such number of Stapled Securities as may be purchased for the relevant amount of the management fees at the market price (as defined in the Ascott BT Trust Deed).

Acquisition fee

Pursuant to Clause 14.2.1 of the Ascott BT Trust Deed, the Ascott BT Trustee-Manager is entitled to receive the following acquisition fees:

(c) an acquisition fee of 1.0% of the Enterprise Value of any real estate or real estate related asset acquired directly or indirectly by Ascott BT, prorated if applicable to the proportion of Ascott BT's interest; and

(d) 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 Ascott BT Deposited Property, provided that the Ascott BT Trustee-Manager shall charge an acquisition fee of 0.5% instead of 1.0%.

Where assets acquired by Ascott BT 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 Ascott BT and where the asset acquired by Ascott BT is a property, Enterprise Value shall mean the value of the property.

1 GENERAL (continued)

1.2 Service agreements (continued)

(iii) Ascott BT Trustee-Manager's fees (continued)

Acquisition fee (continued)

The Ascott BT Trustee-Manager may opt to receive such acquisition fee in the form of cash or Stapled Securities or a combination of cash and Stapled Securities as it may determine.

In the event that the Ascott BT Trustee-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 Stapled Securities to be issued by Ascott BT at the market price.

Divestment fee

The Ascott BT Trustee-Manager is entitled under Clause 14.2.1 of the Ascott BT 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 Ascott BT, prorated if applicable to the proportion of the Ascott BT's interest.

The divestment fee is payable to the Ascott BT Trustee-Manager in the form of cash. In the event that the Ascott BT Trustee-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 Stapled Securities to be issued by Ascott BT at the market price.

(iv) Fees under serviced residence management agreements

The serviced residence management fee for each property is agreed between the Stapled Group and the relevant serviced residence management company as follows:

(a) each property (with the exception of properties located in Belgium, Spain and United Kingdom) is charged:

- basic management fees of between 2.0% and 3.0% per annum of the total revenue of each property; and

- incentive management fees of up to 11.0% per annum of gross operating profit of each property; and

(b) each property located in Belgium, Spain and United Kingdom is charged:

- basic management fees of 3.0% per annum of the total revenue and up to 13.0% per annum of net operating profit ("NOP") of each property; and

- incentive management fees of 50% of any excess NOP achieved above the NOP hurdle of certain properties.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Ascott Reit Group and the Stapled Group 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 Ascott Reit Trust Deed and the Stapling 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").

The financial statements of the Ascott BT Group have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"), the applicable requirements of the Business Trusts Act, Chapter 31A of Singapore and the provisions of the Ascott BT Trust Deed.

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 functional currency of Ascott Reit and Ascott BT. 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 requires management 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:

- Note 3.3 and 4 – classification of investment properties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4, 6 and 8 – determination of fair value of investment properties, freehold land and buildings, and investment property under development

- Note 3.1, 7 and 40 – acquisition of subsidiaries and non-controlling interests (determination of fair value of assets acquired and liabilities assumed and impairment of goodwill in business combinations)

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

Measurement of fair values

A number of the Stapled Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Ascott Reit Group, the Ascott BT Group and the Stapled Group have 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 Managers.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as valuation of investment property by external property 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 FRSs/SFRS(I)s, including the level in the fair value hierarchy in which such valuations should be classified.

The valuation of significant assets and their financial impact are discussed by the Audit Committee and Board of Directors of the Managers.

When measuring the fair value of an asset or a liability, the Ascott Reit Group, the Ascott BT Group and the Stapled Group use 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 Ascott Reit Group, the Ascott BT Group and the Stapled Group recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2 BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies

The Ascott Reit Group, the Ascott BT Group and the Stapled Group have applied the following FRSs or SFRS(I)s, amendments to and interpretations of FRSs/SFRS(I)s for the first time for the annual period beginning on 1 January 2019:

Applicable to 2019 financial statements

- FRS 116/SFRS(I) 16 *Leases*
- INT FRS 123/SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28/SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109/SFRS(I) 9)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12/SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23/SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19/SFRS(I) 1-19)
- Amendments to FRS109/SFRS(I) 9, FRS39/SFRS(I) 1-39 and FRS107/SFRS(I) 7 *Interest Rate Benchmark Reform*

Other than FRS 116/SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

FRS 116/SFRS(I) 16

The Ascott Reit Group, the Ascott BT Group and the Stapled Group applied FRS 116/SFRS (I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under FRS 17/SFRS(I) 1-17 and related interpretations with no restatement of comparative information. Additionally, the disclosure requirements in FRS 116/SFRS(I) 16 have not generally been applied to comparative information.

On transition to FRS 116/SFRS(I) 16, the Ascott Reit Group, the Ascott BT Group and the Stapled Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under FRS 17/SFRS(I) 1-17 and INT FRS 104/SFRS(I) INT 4 were not reassessed for whether there is a lease under FRS 116/SFRS(I) 16. Therefore, the definition of a lease under FRS 116/SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Stapled Group does not expect the adoption of FRS 116/SFRS(I) 16 to impact their ability to comply with the aggregate leverage limit described in Note 22.

i. As a lessee

The Ascott Reit Group, the Ascott BT Group and the Stapled Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Ascott Reit Group, the Ascott BT Group and the Stapled Group. Under FRS 116/SFRS(I) 16, the Ascott Reit Group, the Ascott BT Group and the Stapled Group recognise right-of-use ("ROU") assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

2 BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies (continued)

FRS 116/SFRS(I) 16 (continued)

i. As a lessee (continued)

At commencement or on modification of a contract that contains a lease component, the Ascott Reit Group, the Ascott BT Group and the Stapled Group allocate the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property, the Ascott Reit Group, the Ascott BT Group and the Stapled Group have elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under FRS 17/SFRS(I) 1-17

Previously, the Ascott Reit Group, the Ascott BT Group and the Stapled Group classified property leases as operating leases under FRS 17/SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use ("ROU") assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Ascott Reit Group, the Ascott BT Group and the Stapled Group applied this approach to all leases.

The Ascott Reit Group, the Ascott BT Group and the Stapled Group have tested its ROU assets for impairment on the date of transition and have concluded that there is no indication that the ROU assets are impaired.

The Ascott Reit Group, the Ascott BT Group and the Stapled Group used a number of practical expedients when applying FRS 116/SFRS(I) 16 to leases previously classified as operating leases under FRS 17/SFRS(I) 1-17. In particular, the Ascott Reit Group, the Ascott BT Group and the Stapled Group:

- did not recognise ROU assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise ROU assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the ROU asset at the date of initial application; and
- used hindsight when determining the lease term.

ii. As a lessor

The Ascott Reit Group, the Ascott BT Group and the Stapled Group lease out its investment properties, including own property and ROU assets. The Ascott Reit Group, the Ascott BT Group and the Stapled Group have classified these leases as operating leases.

The Ascott Reit Group, the Ascott BT Group and the Stapled Group are not required to make any adjustments on transition to FRS 116/SFRS(I) 16 for leases in which it acts as a lessor.

2 BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies (continued)

FRS 116/SFRS(I) 16 (continued)

ii. As a lessor (continued)

The impact on the Ascott Reit Group's financial statements arising from the adoption of FRS 116/SFRS(I) 16 is as follows:

	Ascott Reit Group $'000
Statement of Financial Position as at 1 January 2019	
Increase in investment properties – ROU assets	301,083
Increase in lease liabilities	(301,083)
Decrease in trade and other payables	9,802
Increase in net assets	9,802
Increase in Stapled Securityholders' Funds	9,802

When measuring lease liabilities for leases that were classified as operating leases, the Ascott Reit Group discounted lease payments using the applicable incremental borrowing rates as at 1 January 2019. An explanation of the differences between the operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	Ascott Reit Group $'000
Operating lease commitments disclosed as at 31 December 2018	550,087
Discounted using the incremental borrowing rate at 1 January 2019	(142,440)
Adjustments relating to different treatment of incremental rent rate	(106,564)
Lease liabilities recognised as at 1 January 2019	301,083

Early adoption of Amendments to FRS109/SFRS(I) 9, FRS39/SFRS(I) 1-39 and FRS107/ SFRS(I) 7 Interest Rate Benchmark Reform

The Stapled Group has early adopted amendments to FRS109/SFRS(I) 9, FRS39/SFRS(I) 1-39 and FRS107/SFRS(I) on 1 January 2019. The Stapled Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in other comprehensive income or stapled securityholders' funds (as the case may be) that existed on 1 January 2019. The adoption of amendments to FRS109/SFRS(I) 9, FRS39/SFRS(I) 1-39 and FRS107/SFRS(I) 7 did not have a material impact on the financial statements.

The details of the accounting policies are disclosed in Note 3.6 for related disclosures about the risks and hedge accounting.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Ascott Reit Group, the Ascott BT Group and the Stapled Group consistently to all periods presented in these financial statements, except as explained in note 2.5 which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

(ii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Stapled Group.

The Stapled Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in Statement of Total Return. NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRS/SFRS(I). If the business combination is achieved in stages, the Stapled Group's previously held equity interest in the acquiree is re-measured to fair value at each acquisition date and any changes are taken to the total return.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Stapled Group incurs in connection with a business combination are expensed as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(iii) Property acquisition and business combination

Where a property is acquired, via corporate acquisitions or otherwise, the Managers consider whether the acquisition represents an acquisition of a business or an acquisition of an asset. The Stapled Group accounts for an acquisition as 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 Managers consider whether significant processes are acquired (e.g. strategic management and serviced residence operations, etc.). Where significant processes are acquired, the acquisition is considered an acquisition of business.

When acquisition of an asset or a group of assets does not constitute a business combination, it is treated as property acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The acquisition cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.

(iv) Subsidiaries

Subsidiaries are entities controlled by the Ascott Reit Group or the Ascott BT Group. The Ascott Reit Group and the Ascott BT Group control an entity when they are exposed to, or have rights to, variable returns from their involvement with the entity and have 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 Ascott Reit Group, the Ascott BT Group and the Stapled 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 interests of the Ascott Reit Group or the Ascott BT Group 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 Ascott Reit Group and the Ascott BT Group derecognise 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 Ascott Reit Group and the Ascott BT Group retain any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) Associates

Associates are those entities in which the Ascott Reit Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Ascott Reit Group holds 20% or more of the voting power of another entity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(v) Associates (continued)

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 Ascott Reit 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 Ascott Reit Group, from the date that significant influence commences until the date that significant influence ceases.

When the Ascott Reit 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 Ascott Reit Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 3.7. An impairment loss is recognised in the Statement of Total Return. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(vi) 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 of the Ascott Reit Group, the Ascott BT Group and the Stapled Group. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Ascott Reit 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.

3.2 Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each entity in the Ascott Reit Group, the Ascott BT Group, and the Stapled Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to the functional currency at the exchange rate prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from translation are recognised in the Statement of Total Return, except for differences arising from the translation of monetary items that in substance form part of the Ascott Reit Group's, the Ascott BT Group's and the Stapled Group's net investment in a foreign operation, financial liabilities designated as hedges of net investment in a foreign operation (see Note 3.6 (vi)) or qualifying cash flow hedges, to the extent such hedges are effective, which are recognised in Stapled Securityholders' funds.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments, arising on acquisitions 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 other comprehensive income ("OCI") or Stapled Securityholders' funds, and presented in the foreign currency translation reserve. However, if the foreign operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to total return as part of the profit or loss on disposal. When the disposal is 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 Ascott Reit Group, the Ascott BT Group and the Stapled Group dispose 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 Stapled Securityholders' funds and are presented in the foreign currency translation reserve.

3.3 Investment properties and investment properties under development

Investment properties comprise serviced residences, hotels, rental housing properties and other hospitality assets which are held either to earn rental or for capital appreciation or both. Investment properties under development are properties being constructed or developed for future use as investment properties. Certain of the Stapled Group's investment properties acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Investment properties and investment properties under development are initially recognised at cost, including transaction costs, and subsequently at fair value with any change therein recognised in the total return. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Fair value is determined in accordance with the Ascott Reit Trust Deed and the Ascott BT Trust Deed, which requires the investment 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investment properties and investment properties under development (continued)

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 investment properties.

When an investment property or investment property under development is disposed of, the resulting gain or loss recognised in the Statement of Total Return is the difference between the net disposal proceed and the carrying amount of the property.

Properties are classified either as investment properties or property, plant and equipment in the Statement of Financial Position. In assessing whether a property is classified as an investment property or property, plant and equipment, the Stapled Group takes into consideration several factors including, but not limited to, the business model, the extent of ancillary services provided, the power that the Stapled Group has to make significant operating and financing decisions regarding the operations of the property and the significance of its exposure to variations in the net cash flows of the property. The factors above are considered collectively, together with the facts and circumstances of each lease, in determining the classification of a property.

3.4 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Certain of the Stapled Group's property, plant and equipment acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Subsequent to recognition, freehold land and buildings are measured at fair value less accumulated depreciation and accumulated impairment losses while other plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on the revaluation is recognised in other comprehensive income ("OCI") or stapled securityholders' funds (as the case may be), except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the Statement of Total Return, in which case the credit to that extent is recognised in the Statement of Total Return. Any deficit on revaluation is recognised in the Statement of Total Return except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in OCI or stapled securityholders' funds (as the case may be).

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property, plant and equipment (continued)

(ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset if it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Stapled Group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use. Depreciation on property, plant and equipment is recognised in the Statement of Total Return on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment as follows:

Buildings	-	26 to 31 years
Plant and machinery	-	2 to 15 years
Renovation	-	8 to 12 years
Motor vehicles	-	5 to 8 years
Office equipment, computers and furniture	-	2 to 10 years

Freehold land and assets under construction are stated at cost and are not depreciated. Expenditure relating to assets under construction (including borrowing costs) are capitalised when incurred. Depreciation will commence when the development is completed and ready to use.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting date, and adjusted if appropriate.

3.5 Intangible assets

Goodwill

For business combinations, the Stapled Group measures goodwill as at acquisition date based on the fair value of the consideration transferred (including the fair value of any pre-existing equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the amount is negative, a gain on bargain purchase is recognised in the total return. Goodwill is subsequently measured at cost less accumulated impairment losses.

Goodwill arising from the acquisition of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment as described in Note 3.7

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments

(i) Non-derivative financial assets

Classification and measurement

The Stapled Group classify their financial assets as financial assets at amortised cost and fair value through profit or loss ("FVTPL").

The classification depends on the Stapled Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Stapled Group reclassifies financial assets when and only when its business model for managing those assets changes.

At initial recognition

A financial asset is recognised if the Stapled Group becomes a party to the contractual provisions of the financial asset.

At initial recognition, the Stapled Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Total Return.

At subsequent measurement

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial assets at FVTPL

Financial assets that are held for trading as well as those that do not meet the criteria for classification as amortised cost are classified as FVTPL. Movement in fair values and interest income is recognised in the Statement of Total Return in the period in which it arises and presented in "other income".

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the Statement of Cash Flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and form an integral part of the Stapled Group's cash management are included as a component of cash and cash equivalents.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(iii) Non-derivative financial liabilities

The Stapled Group initially recognises debt securities issued on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at FVTPL) are recognised initially on the trade date, which is the date that the Stapled Group becomes a party to the contractual provisions of the instrument.

The Stapled Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprised loans and borrowings, and trade and other payables (excluding advance rental and liability for employee benefits).

(iv) Derecognition

Financial assets are derecognised if the Stapled Group's contractual rights to the cash flows from the financial assets expire or if the Stapled Group transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets. The Stapled Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(v) Offsetting

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

(vi) Derivative financial instruments and hedge accounting

The Stapled Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through total return. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Stapled Group designates each hedge as either: (a) cash flow hedge; or (b) net investment hedge.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

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

On initial designation of the derivative as the hedging instrument, the Stapled Group formally documents the economic relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Stapled Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total return.

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

Cash flow hedges

The Stapled Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in Stapled Securityholders' funds. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statement of Total Return.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amounts recognised in the hedging reserve is included in the initial cost of the non-financial item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in Stapled Securityholders' funds until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to Statement of Total Return in the same period or periods as the hedged expected future cash flows affect total return.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

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

Net investment hedge

The Stapled Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in the foreign currency translation reserve in Stapled Securityholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in the Statement of Total Return. The amount recognised in the foreign currency translation reserve is reclassified to the Statement of Total Return on disposal of the foreign operation.

Other non-trading derivatives

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

Specific policies applicable from 1 January 2019 for hedges directly affected by interbank offer rates (IBOR) reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. In Singapore, the fundamental review and reform of the two key Singapore Dollar interest rate benchmarks that are widely referenced in financial contracts, namely Singapore interbank offered rates (SIBORs) and Singapore swap offer rates (SORs), and the transition from SOR to the Singapore Overnight Rate Average (SORA), is also ongoing.

The Ascott Reit Group, the Ascott BT Group and the Stapled Group early adopted the principles of the amendments to FRS 109/SFRS(I) 9, FRS 39/SFRS(I) 1-39 and FRS107/SFRS(I) 7 issued in December 2019 in relation to the project on interest rate benchmark reform ("the amendments").

A hedging relationship is directly affected by the uncertainties arising from the IBOR reform with respect to the hedged risk and the timing and amount of the interest rate benchmark-based cash flows of the hedged item and hedge instruments. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Ascott Reit Group, the Ascott BT Group and the Stapled Group assumes that the benchmark interest rate on which the cash flows are based is not altered as a result of IBOR reform.

The Ascott Reit Group, the Ascott BT Group and the Stapled Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship at the earlier of, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and hedging instrument; and when the hedging relationship is discontinued.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

(vii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Stapled Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount of loss allowance. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the Statement of Total Return.

(viii) Stapled Securityholders' funds

Stapled Securityholders' funds represent the Stapled Securityholders' residual interest in the net assets of the Ascott Reit Group, the Ascott BT Group and the Stapled Group upon termination and is classified as equity. Incremental costs directly attributable to the issue of Stapled Securities are recognised as a deduction from Stapled Securityholders' funds.

(ix) Perpetual securities

The perpetual securities do not have a maturity date and distribution payment is optional at the discretion of Ascott Reit. As Ascott Reit does not have a contractual obligation to repay the principal nor make any distributions, perpetual securities are classified as Stapled Securityholders' funds.

Any distributions made are directly debited from Stapled Securityholders' funds. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

3.7 Impairment

(i) Financial assets

The Stapled Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and financial guarantee contracts. For trade receivables, the Stapled Group applies the simplified approach permitted by FRS 109/ SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Stapled Group applies the general approach of 12-month ECL at initial recognition for all other financial assets and financial guarantee contracts.

At each reporting date, the Stapled Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

(i) Financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Stapled Group on terms that the Stapled Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

(ii) Non-financial assets

The carrying amounts of the Stapled Group's non-financial assets, other than investment properties, investment properties under development, 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Inventories

Inventories comprise principally food and beverage and other serviced residence, hotels 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.

3.9 Assets and liabilities held for sale

Non-current 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/SFRS(I)s. Thereafter, except for investment properties and freehold land and buildings, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Statement of Total Return. Gains are not recognised in excess of any cumulative impairment loss.

3.10 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 Stapled 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.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Stapled 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases

Policy applicable from 1 January 2019

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Stapled Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Stapled Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Stapled Group recognises a right-of-use assets and a lease liability at the lease commitment date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Stapled Group by the end if the lease term or the cost of the right-of-use assets reflects that the Stapled Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Short-term leases and leases of low-value assets

The Stapled Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including office equipment. The Stapled Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

To classify each lease, the Stapled Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Stapled Group leases out its investment property, including own property and right-of-use assets. The Stapled Group has classified these leases as operating leases.

The Stapled Group recognises lease payments received from investment property under operating leases as rental income on a straight-line basis over the lease term as part of 'gross revenue'.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases (continued)

Policy applicable before 1 January 2019

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When entities within the Group are lessees of an operating lease

Where the Ascott Reit Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss 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 profit or loss in the accounting period in which they are incurred.

When entities within the Ascott Reit Group are lessors of an operating lease

Assets subject to operating leases are included in investment properties (Note 3.3).

3.13 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 and 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Expenses

(i) Direct expenses

Direct expenses consist of serviced residence management fees, property taxes, staff costs and other property outgoings where such expenses are the responsibility of the Stapled Group.

(ii) Trustee's fees

The Ascott Reit Trustee's fee and Ascott BT Trustee-Manager's trustee fee are recognised on an accrual basis using the applicable formula as stipulated in Note 1.2(i) and Note 1.2(iii) respectively.

(iii) Ascott Reit Manager's management fees

Ascott Reit Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1.2(ii).

(iv) Ascott BT Trustee-Manager's management fees

Ascott BT Trustee-Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1.2(iii).

(v) Serviced residence management fees

The serviced residence management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1.2(iv).

3.15 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 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 Stapled Securityholders' funds.

The Stapled Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37/SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

Current tax assets and liabilities are offset only if certain criteria are met.

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 Stapled 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 Stapled Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Income tax (continued)

In determining the amount of current and deferred tax, the Stapled Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Stapled 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 Stapled 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 Ascott Reit. Subject to compliance with the terms and conditions of the tax ruling, Ascott Reit is not subject to tax on the taxable income of Ascott Reit. Instead, the distributions made by Ascott Reit out of such taxable income are distributed free of tax deducted at source to individual Stapled Securityholders and qualifying Stapled Securityholders. Qualifying Stapled Securityholders 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 Ascott Reit, and bodies of persons registered or constituted in Singapore. This treatment is known as the tax transparency treatment.

The Ascott Reit Trustee will deduct tax at the reduced rate of 10% from distributions made out of Ascott Reit's taxable income that is not taxed at Ascott Reit's level to beneficial Stapled Securityholders 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 Stapled Securityholders, the Ascott Reit Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by Ascott Reit. Such Stapled Securityholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source by the Ascott Reit Trustee.

Ascott Reit 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 Ascott Reit from its properties located outside Singapore.

Distributions for the Stapled Group 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 Ascott Reit Trust Deed and the Ascott BT Trust Deed, the Ascott Reit Manager and the Ascott BT Trustee-Manager are required to pay distributions declared within 60 days of the end of each distribution period. Distributions, when paid, will be in Singapore Dollars.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Earnings per Stapled Security/Unit

The Stapled Group presents basic and diluted earnings per Stapled Security. Basic earnings per Stapled Security is calculated by dividing the total return attributable to Stapled Securityholders by the weighted average number of Stapled Securities outstanding during the year. Diluted earnings per Stapled Security is determined by adjusting the total return attributable to Stapled Securityholders and the weighted average number of Stapled Securities outstanding, adjusted for the effects of all dilutive potential Stapled Securities.

3.18 Segment reporting

An operating segment is a component of the Ascott Reit Group, the Ascott BT Group and the Stapled Group that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Stapled Group's other components. All operating segments' operating results are reviewed regularly by the Ascott Reit Manager's and the Ascott BT Trustee-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 investment properties, investment properties under development and property, plant and equipment during the year.

4 INVESTMENT PROPERTIES

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
At 1 January	**4,679,295**	**–**	**4,679,295**	4,908,400
Recognition of right-of-use asset on adoption of FRS 116	**301,083**	**–**	**301,083**	–
Adjusted balance at 1 January	**4,980,378**	**–**	**4,980,378**	4,908,400
Acquisition of investment properties	**58,106**	**–**	**58,106**	–
Acquisition through business combination (Note 40)	**794,125**	**552,265**	**1,230,676**	–
Capital expenditure	**13,526**	**–**	**13,526**	13,334
Disposal of subsidiaries (Note 34)	**(13,618)**	**–**	**(13,618)**	–
Net change in fair value of investment properties	**52,584**	**–**	**52,584**	35,499
Disposal of assets	**–**	**–**	**–**	(1,912)
Assets written off	**(4,040)**	**–**	**(4,040)**	(364)
Transfer to assets and liabilities held for sale (Note 16)	**(185,245)**	**–**	**(185,245)**	(213,334)
Transfer (to)/from property, plant and equipment (Note 6)	**(768)**	**–**	**(768)**	197
Translation difference	**(35,461)**	**–**	**(35,461)**	(62,525)
At 31 December	**5,659,587**	**552,265**	**6,096,138**	4,679,295

Certain investment properties of the Stapled Group with an aggregate carrying value of $1,830,678,000 (2018: $1,954,579,000) are pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 18).

The Stapled Group assessed the classification of its investment 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 investment properties, amongst other factors.

As at 31 December 2018, the Ascott Reit Group held interest in four investment properties in France under finance lease arrangements. Under each of these finance lease arrangements, the Ascott Reit 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 Ascott Reit Group. At 31 December 2018, the carrying value of these investment properties was $70,415,000. During the year, the finance leases had expired and the Ascott Reit Group had acquired legal title to these properties.

During the year, the Ascott Reit Group carried out asset enhancement initiatives on certain investment properties. As a result of such asset enhancement initiatives, assets no longer in use amounting to $4,040,000 (2018: $364,000) were written off.

4 INVESTMENT PROPERTIES (continued)

The investment properties of the Ascott BT Group included a right-of-use asset relating to the operating lease for Sotetsu Grand Fresa Tokyo-Bay Ariake ("Ariake Hotel") on adoption of FRS 116/SFRS(I) 16. Ascendas Ariake Godo Kaisha ("AAGK"), a subsidiary of Ascott BT, leases Ariake Hotel from Ascendas Hospitality Tokutei Mokuteki Kaisha, a subsidiary of Ascott Reit. FRS 116/SFRS(I) 16 requires AAGK to recognise a right-of-use asset and lease liability relating to this operating lease. There is no impact for the Stapled Group as the intra-group transaction will be eliminated upon consolidation.

Measurement of fair value

Fair value hierarchy

The fair value of investment properties is determined by external property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The fair value measurement for the investment properties have been categorised as level 3 fair values based on inputs to the valuation techniques used. The following table reconciles the net carrying value of the investment properties to the market value.

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000
Market value of investment properties	5,367,561	436,551	5,804,112
Add: Carrying amount of lease liabilities	292,026	115,714	292,026
Carrying value of investment properties	5,659,587	552,265	6,096,138

Level 3 fair values

Reconciliations from the beginning balances to the ending balances for fair value measurements of level 3 are set out in the table above.

Valuation technique

The Stapled Group's investment property portfolio is valued by external property valuers every six months. External 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 and capitalisation methods (2018: 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 investment properties include market-corroborated discount rate, terminal capitalisation rate and capitalisation rate.

The valuation of the Stapled Group's investment property portfolio is discussed with the Audit Committee and Board of Directors in accordance with the Stapled Group's reporting policies.

4 INVESTMENT PROPERTIES (continued)

Significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow: 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.	**Stapled Group** • Discount rate: South East Asia and Australia: 4.18% - 10.73% (2018: 5.00% - 11.60%) North Asia: 3.80% - 8.33% (2018: 3.80% - 7.10%) Europe and United States of America: 5.59% - 8.48% (2018: 5.00% - 8.75%) • Terminal capitalisation rate: South East Asia and Australia: 3.50% - 7.75% (2018: 3.90% - 8.80%) North Asia: 4.00% - 6.00% (2018: 4.30% - 6.10%) Europe and United States of America: 4.75% - 7.50% (2018: 4.00% - 8.50%)	The estimated fair value would increase (decrease) if: • the discount rate were lower (higher); or • the terminal capitalisation rate were lower (higher).
Capitalisation method: The valuation method considers the net present value of the expected future operating income of the property and dividing them by the capitalisation rate.	**Stapled Group** • Capitalisation rate: Singapore: 4.10% (2018: not applicable) North Asia: 4.00% - 4.50% (2018: not applicable)	The estimated fair value would increase (decrease) if the capitalisation rate were lower (higher).

4 INVESTMENT PROPERTIES (continued)

Sensitivity analysis for key unobservable inputs

The significant unobservable inputs used in the fair value measurement of the Stapled Group's investment 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.

5 OTHER NON-CURRENT ASSETS

As at 31 December 2018, other non-current assets comprise cost of acquisition of 60-year leasehold land for the development of lyf one-north Singapore, capitalised costs relating to the site and interest incurred on the acquisition of leasehold land.

The site was handed over to the Ascott Reit Group in January 2019. Accordingly, the costs have been reclassified from "other non-current assets" to "investment property under development" in 2019.

6 PROPERTY, PLANT AND EQUIPMENT

Ascott Reit Group	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Cost					
At 1 January 2018	10,813	317	100,445	600	112,175
Additions	1,973	159	11,716	428	14,276
Disposals/written off	(3)	(12)	(2,320)	(191)	(2,526)
Transfer to investment properties (Note 4)	–	–	(31)	(166)	(197)
Transfer to assets held for sale (Note 16)	–	–	(5,919)	–	(5,919)
Translation difference	(158)	19	(2,608)	(235)	(2,982)
At 31 December 2018	12,625	483	101,283	436	114,827
At 1 January 2019	12,625	483	101,283	436	114,827
Additions	789	–	8,478	243	9,510
Disposals/written off	–	(2)	(1,746)	–	(1,748)
Disposal of subsidiaries (Note 34)	(130)	(59)	(683)	–	(872)
Transfer from investment properties (Note 4)	–	–	768	–	768
Transfer to assets held for sale (Note 16)	–	(31)	(13,643)	–	(13,674)
Translation difference	182	(3)	189	(7)	361
At 31 December 2019	13,466	388	94,646	672	109,172

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Ascott Reit Group	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Accumulated depreciation					
At 1 January 2018	7,443	287	54,677	–	62,407
Charge for the year	731	82	11,931	–	12,744
Disposals/written off	(3)	(12)	(2,122)	–	(2,137)
Transfer to assets held for sale (Note 16)	–	–	(4,253)	–	(4,253)
Translation difference	(84)	19	(2,433)	–	(2,498)
At 31 December 2018	8,087	376	57,800	–	66,263
At 1 January 2019	8,087	376	57,800	–	66,263
Charge for the year	797	78	11,623	–	12,498
Disposals/written off	–	(71)	(1,618)	–	(1,689)
Disposal of subsidiaries (Note 34)	(110)	(59)	(532)	–	(701)
Transfer to assets held for sale (Note 16)	–	(31)	(11,771)	–	(11,802)
Translation difference	148	(2)	199	–	345
At 31 December 2019	8,922	291	55,701	–	64,914
Carrying amounts					
At 1 January 2018	3,370	30	45,768	600	49,768
At 31 December 2018	4,538	107	43,483	436	48,564
At 31 December 2019	4,544	97	38,945	672	44,258

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	At Valuation		At Cost			
Ascott BT Group	Freehold land $'000	Buildings $'000	Plant and machinery $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
At valuation/cost						
At 9 September 2019 (date of constitution)	–	–	–	–	–	–
Acquisition though business combination (Note 40)	189,553	335,347	34,859	15,006	9,818	584,583
At 31 December 2019	189,553	335,347	34,859	15,006	9,818	584,583
Accumulated depreciation						
At 9 September 2019 (date of constitution)/ 31 December 2019	–	–	–	–	–	–
Carrying amounts						
At 9 September 2019 (date of constitution)	–	–	–	–	–	–
At 31 December 2019	189,553	335,347	34,859	15,006	9,818	584,583

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Stapled Group [1]	At Valuation Freehold land $'000	At Valuation Buildings $'000	At Cost Plant and machinery $'000	At Cost Renovation $'000	At Cost Motor vehicles $'000	At Cost Office equipment, computers and furniture $'000	At Cost Assets under construction $'000	Total $'000
At valuation/cost								
At 1 January 2019	–	–	–	12,625	483	101,283	436	114,827
Acquisition through business combination (Note 40)	189,553	335,347	34,859	–	–	15,006	9,818	584,583
Additions	–	–	–	789	–	8,478	243	9,510
Disposals/written off	–	–	–	–	(2)	(1,746)	–	(1,748)
Disposal of subsidiaries (Note 34)	–	–	–	(130)	(59)	(683)	–	(872)
Transfer from investment properties (Note 4)	–	–	–	–	–	768	–	768
Transfer to assets held for sale (Note 16)	–	–	–	–	(31)	(13,643)	–	(13,674)
Translation difference	–	–	–	182	(3)	189	(7)	361
At 31 December 2019	189,553	335,347	34,859	13,466	388	109,652	10,490	693,755
Accumulated depreciation								
At 1 January 2019	–	–	–	8,087	376	57,800	–	66,263
Charge for the year	–	–	–	797	78	11,623	–	12,498
Disposals/written off	–	–	–	–	(71)	(1,618)	–	(1,689)
Disposal of subsidiaries (Note 34)	–	–	–	(110)	(59)	(532)	–	(701)
Transfer to assets held for sale (Note 16)	–	–	–	–	(31)	(11,771)	–	(11,802)
Translation difference	–	–	–	148	(2)	199	–	345
At 31 December 2019	–	–	–	8,922	291	55,701	–	64,914
Carrying amounts								
At 1 January 2019	–	–	–	4,538	107	43,483	436	48,564
At 31 December 2019	189,553	335,347	34,859	4,544	97	53,951	10,490	628,841

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. Opening balances as at 1 January 2019 consist opening balance of the Ascott Reit Group as at 1 January 2019.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model is as follows:

	Ascott BT Group and Stapled Group 2019 $'000
Freehold land	
Cost and carrying amount	**107,989**
Buildings	
Cost and carrying amount	**273,287**

As at 31 December 2019, certain property, plant and equipment are revalued to their fair values. The fair value of the freehold land and buildings is determined by external property valuers having appropriate professional qualifications and recent experience in the location and category of the properties being valued.

Fair value hierarchy

The fair value measurement for the freehold land and buildings have been categorised as level 3 fair values based on inputs to the valuation techniques used.

Valuation technique and significant unobservable inputs

Freehold land and buildings are stated at fair value based on valuation performed by external property valuers. The fair values were derived based on the discounted cash flow and capitalisation methods. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

The following table shows the significant unobservable inputs used in the valuation models:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow	**Stapled Group** • Discount rate: Australia: 7.75% - 8.50 • Terminal capitalisation rate: Australia: 6.00% - 6.75%	The estimated fair value would increase (decrease) if: • the discount rate were lower (higher); or • the terminal capitalisation rate were lower (higher).
Capitalisation method	**Stapled Group** • Capitalisation rate: Australia: 6.00% - 6.75%	The estimated fair value would increase (decrease) if the capitalisation rate were lower (higher).

7 GOODWILL

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Goodwill arising from business combination (Note 40)	**60,866**	**79,233**	**140,099**	–
Less: Impairment loss	**(60,866)**	**(79,233)**	**(140,099)**	–
	–	**–**	**–**	–

Following the completion of the Combination, the Ascott Reit Group, the Ascott BT Group and the Stapled Group recognised goodwill of $60,866,000, $79,233,000 and $140,099,000 respectively. For the purposes of impairment testing, goodwill has been allocated to the CGUs as follows:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
A-HREIT Group	**60,866**	**–**	**60,866**	–
A-HBT Group	**–**	**79,233**	**79,233**	–
	60,866	**79,233**	**140,099**	–

On 31 December 2019, the Ascott Reit Group, the Ascott BT Group and the Stapled Group assessed the carrying amount of the CGUs (inclusive of goodwill allocated) for indicators of impairment. The recoverable amount of each CGU is determined based on their respective fair value less costs to sell, which is estimated to approximate the fair value of net assets of A-HREIT and its subsidiaries (the "A-HREIT Group") and A-HBT and its subsidiaries (the "A-HBT Group") acquired on 31 December 2019 (Note 40). Based on the Ascott Reit Group's, the Ascott BT Group's and the Stapled Group's assessment, the carrying amounts of the CGUs (inclusive of goodwill allocated) were determined to be higher than its recoverable amount, and impairment loss of $60,866,000, $79,233,000 and $140,099,000 were recognised respectively.

Fair value hierarchy

The fair value measurement for the CGUs have been categorised as level 3 fair values based on inputs to the valuation techniques used.

Measurement of fair values

The valuation techniques used for measuring the fair value less costs to sell of the CGUs are disclosed in Note 40 which include the valuation techniques of the material assets acquired and liabilities assumed for the acquisition of the A-HREIT Group and the A-HBT Group as at 31 December 2019.

8 INVESTMENT PROPERTY UNDER DEVELOPMENT

	Ascott Reit Group and Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
At 1 January	**–**	–
Land and land related costs [(1)]	**64,913**	–
Development costs and interest capitalised	**9,915**	–
Net change in fair value of investment property under development	**32**	–
At 31 December	**74,860**	–

(1) The land and land related costs were reclassified from "other non-current assets" as at 31 December 2018 to "investment property under development" upon the handover of the site for the development of lyf one-north Singapore in January 2019.

Other non-current assets of $65,535,000 as at 31 December 2018 comprise cost of acquisition of 60-year leasehold land for the development of lyf one-north Singapore, capitalised costs relating to the site and interest incurred on the acquisition of leasehold land.

Fair value hierarchy

The fair value of investment property under development is determined by external property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value measurement for the investment property under development have been categorised as level 3 fair values based on inputs to the valuation techniques used.

Level 3 fair values

Reconciliations from the beginning balances to the ending balances for fair value measurements of level 3 are set out in the table above.

8 INVESTMENT PROPERTY UNDER DEVELOPMENT (continued)

Valuation technique and significant unobservable inputs

Investment property under development is stated at fair value based on valuation performed by external property valuers. In determining the fair value, the valuers have adopted the residual land value method.

The following table shows the significant unobservable inputs used in the valuation models:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Under the residual land value method of valuation, the total gross development costs and developer's profit are deducted from the gross development value to arrive at the residual value of land. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of the valuation.	• Terminal capitalisation rates: 4.75% (2018: not applicable) • Gross development costs: $48,893,000 (2018: not applicable)	The estimated fair value would increase (decrease) if: • the capitalisation rates were lower (higher); or • the gross development costs decrease (increase).

9 INVESTMENT SECURITIES

Through the combination, the Ascott Reit Group acquired 1% interest in Ascendas Hospitality Australia Investment Fund No. 1 ("AHAIF1"). The Ascott Reit Group's ownership in AHAIF1 enables AHAIF1 to meet the Australian corporate law requirement for a Managed Investment Scheme and certain requirements to qualify as a Managed Investment Trust under the Australian tax law. AHAIF1 owns 100% equity interest in Ascendas Australia Hotel Trust, which owns the hotel properties in Australia. Investments in unquoted investment securities are measured at fair value with change in fair value recognised in the Statement of Total Return.

As at 31 December 2019, the fair value of the Ascott Reit Group's 1% interest in AHAIF1 is $2,534,000. The effective interest held by the Stapled Group is 100%. Upon consolidation, the investment securities will be adjusted against the non-controlling interests at the Ascott BT Group.

10 SUBSIDIARIES

The Ascott Reit Group and the Ascott BT Group have equity investments in subsidiaries.

Details of the significant subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Stapled Group 2019 %	2018 %
Held by Ascott Reit			
Ascott REIT MTN Pte. Ltd.	Singapore	**100**	100
Ascott REIT MTN (Euro) Pte. Ltd.	Singapore	**100**	100
Ascendas Hospitality Real Estate Investment Trust [c] [e] [h]	Singapore	**100**	–
Held through Ascott Reit subsidiaries			
Ascendas Hospitality MTN Pte. Ltd. [c] [e] [h]	Singapore	**100**	–
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 Connect Sydney Airport Unit Trust [a] [f]	Australia	**100**	–
Guangzhou Hai Yi Property Development Company [a]	China	**100**	100
Shanghai Xin Wei Property Development Co., Ltd. [a]	China	**100**	100
Somerset Heping (Shenyang) Property Co., Ltd. [a]	China	**100**	100
Suzhou Chong Rui Xin Shi Ji Real Estate Co., Ltd. [a]	China	**100**	100
Tianjin Consco Property Development Co., Ltd. [a]	China	**100**	100
Wangze (Dalian) Enterprise Co., Limited [a]	China	**100**	100
Wuhan Citadines Property Development Co., Ltd. [a]	China	**100**	100
Oriville SAS [a]	France	**100**	100
Citadines Munich Arnulfpark GmbH & Co. KG [a]	Germany	**100**	100
Citadines Europaviertel (Frankfurt) GmbH & Co., KG [a]	Germany	**93**	93

10 SUBSIDIARIES (continued)

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Stapled Group 2019 %	2018 %
Held through Ascott Reit subsidiaries (cont'd)			
Citadines Hamburg Michel GmbH & Co., KG [(a)]	Germany	**93**	93
PT Bumi Perkasa Andhika [(a)]	Indonesia	**100**	100
PT Ciputra Liang Court [(a)]	Indonesia	**57**	57
ARC-CapitaLand Three TMK [(a)]	Japan	**100**	100
ARC-CapitaLand Four TMK [(a)]	Japan	**100**	100
Ascendas Hospitality Honmachi Tokutei Mokuteki Kaisha [(d) (e) (h)]	Japan	**100**	–
Ascendas Hospitality Tokutei Mokuteki Kaisha [(d) (e) (h)]	Japan	**100**	–
Ascott REIT Six TMK [(a)]	Japan	**100**	100
Citadines Kyoto Gojo TMK [(a)]	Japan	**100**	100
Citadines Shinjuku TMK [(a)]	Japan	**100**	100
Infini Garden TMK [(a)]	Japan	**100**	100
Somerset Azabu East TMK [(a)]	Japan	**100**	100
Somerset Roppongi TMK [(a)]	Japan	**100**	100
Zenith Residences Tokyo Tokutei Mokuteki Kaisha [(a)]	Japan	**100**	100
Ascott REIT (Jersey) Limited [(b)]	United Kingdom/ Jersey	**100**	100
Somerset Ampang (Malaysia) Sdn. Bhd. [(a)]	Malaysia	**100**	100
Ascott Baumwall (Hamburg) BV [(a)]	Netherlands	**100**	100
Ascott Hospitality Holdings Philippines, Inc [(a)]	Philippines	**100**	100
Ascott Makati, Inc [(a)]	Philippines	**100**	100
SQ Resources, Inc [(a)]	Philippines	**63**	63
SN Resources, Inc [(a)]	Philippines	**97**	97
Barrydale SM LLC [(a)]	United States of America	**100**	100
SM Ascott LLC [(a)]	United States of America	**100**	100
Tribeca Ascott LLC [(a)]	United States of America	**100**	100
Hanoi Tower Center Company Limited [(a)]	Vietnam	**76**	76
Mekong-Hacota Joint Venture Company Limited [(a)]	Vietnam	**62**	63
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 [(g)]	Vietnam	**–**	70

10 SUBSIDIARIES (continued)

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Stapled Group 2019 %	2018 %
Held through Ascott BT			
Ascendas Hospitality Business Trust [c] [e] [h]	Singapore	**100**	–
Held through Ascott BT subsidiaries			
Ascendas Australia Hotel Trust [d] [e] [h]	Australia	**100**	–
Ascendas Hospitality Australia Investment Fund No.1 [d] [e] [h]	Australia	**100**	–
Ascendas Hospitality Australia Investment Fund No.2 [d] [e] [h]	Australia	**100**	–
Ascendas Hospitality Operations Pty Ltd [d] [e] [h]	Australia	**100**	–
Ascendas Hotel Investment Company Pty Limited [d] [e] [h]	Australia	**100**	–
Ascendas Ariake Godo Kaisha [d] [e] [h]	Japan	**100**	–
Ascendas Japan Namba Tokutei Mokuteki Kaisha [d] [e] [h]	Japan	**100**	–
Ascendas Namba Godo Kaisha [d] [e] [h]	Japan	**100**	–
Ascendas Korea Hospitality No 1 Professional Investors Private Real Estate Investment, LLC [d] [e] [h]	South Korea	**99**	–
Ascendas Korea Hospitality Qualified Investors Private Real Estate Investment Trust No.2 [d] [e] [h]	South Korea	**99**	–

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) Audited by Ernst & Young LLP Singapore.
(d) Audited by other member firms of Ernst & Young Global.
(e) The subsidiaries were acquired through business combination on 31 December 2019. Details on acquisition of the subsidiaries are disclosed in Note 40.
(f) This subsidiary was incorporated during the year.
(g) This subsidiary was divested during the year. See Note 34.
(h) Ascendas Hospitality Real Estate Investment Trust, Ascendas Hospitality Business Trust and their subsidiaries were considered significant to the Stapled Group. The Stapled Group is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST as suitable auditing firms have been appointed to meet the Stapled Group's audit obligations. In accordance to Rule 716(1) of the Listing Manual of the SGX-ST, the Audit Committee and Board of Directors of the Managers confirm that they are satisfied that the appointment of a different auditor for its significant subsidiaries would not compromise the standard and effectiveness of the audit of the Stapled Group.

11 NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests ("NCI") and operate investment properties.

Name	Principal place of business/ Country of incorporation	Ownership interests held by NCI 2019 %	2018 %
Held by Ascott Reit			
PT Ciputra Liang Court	Indonesia	**42.6**	42.6
Hanoi Tower Center Company Limited	Vietnam	**24.0**	24.0
Mekong-Hacota Joint Venture Company Limited	Vietnam	**37.9**	37.0
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

The Ascott Reit Group's interests in its subsidiaries in Vietnam are held under the terms of joint venture arrangements with unrelated third parties. Under the terms of these joint venture arrangements, the net profits of each of the subsidiaries in Vietnam, after the fulfillment of certain statutory financial obligations and the payment of other amounts due, are to be distributed to the shareholders of these subsidiaries in certain proportions during different periods in accordance with the terms of the relevant joint venture arrangements and/or the applicable investment license under which these subsidiaries operate.

Under the investment license of Hanoi Tower Center Company Limited, Burton Engineering Pte Ltd is entitled to 76%, 70% and 50% of the distributed profits for each year during the first 25 years, the following ten years and the subsequent ten years, respectively, from the commencement of operations of Hanoi Tower Center Company Limited. From 9 February 2018, profits attributable to NCI of Hanoi Tower Center Company Limited increased from 24% to 30%.

On 31 October 2019, Ascott Reit divested its entire shareholding interest in The Ascott (Vietnam) Investments Pte Ltd, which holds 70% of the issued share capital of West Lake Development Company Limited (see Note 34).

NOTES TO THE FINANCIAL STATEMENTS

11 NON-CONTROLLING INTERESTS (continued)

The following summarises the financial information of each of the Ascott Reit Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with FRSs/SFRS(I)s, modified for fair value adjustments on acquisition and differences in the Stapled Group's accounting policies.

Ascott Reit Group	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[1] $'000	Other individually immaterial subsidiaries $'000	Total $'000
2019								
Revenue	6,828	15,977	8,378	8,798	6,749	2,030		
(Loss)/Profit	(2,865)	(2,675)	1,650	2,695	(194)	281		
Attributable to NCI:								
– (Loss)/Profit	(1,220)	(803)	611	889	(19)	84	518	60
Non-current assets	44,085	112,100	45,266	57,163	39,649	–		
Current assets	1,990	3,783	1,739	10,091	1,488	–		
Non-current liabilities	(986)	(14,655)	(4,542)	(8,779)	(9,071)	–		
Current liabilities	(5,392)	(2,888)	(1,167)	(2,296)	(907)	–		
Net assets	39,697	98,340	41,296	56,179	31,159	–		
Net assets attributable to NCI	16,898	24,039	15,643	18,539	3,116	–	5,244	83,479
Cash flows from operating activities	3,988	8,511	3,704	4,467	2,809	–		
Cash flows (used in)/from investing activities	(4,636)	(634)	(248)	156	(235)	–		
Cash flows used in financing activities	–	(6,706)	(3,983)	(3,911)	(2,401)	–		
Net (decrease)/increase in cash and cash equivalents	(648)	1,171	(527)	712	173	–		
Dividends paid to NCI	–	(1,310)	(703)	(790)	(64)	(54)		

(1) West Lake Development Company Limited was divested on 31 October 2019.

11 NON-CONTROLLING INTERESTS (continued)

Ascott Reit Group	PT Ciputra Liang Court $'000	Hanoi Tower Center Company Limited $'000	Mekong Hacota Joint Venture Company Limited $'000	Saigon Office and Serviced Apartment Company Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2018								
Revenue	6,694	14,924	8,430	8,851	5,768	2,586		
(Loss)/Profit	(2,522)	14,618	(1,925)	3,101	106	499		
Attributable to NCI:								
– (Loss)/Profit	(1,074)	4,340	(696)	1,023	11	150	494	4,248
Non-current assets	44,377	124,408	47,008	58,440	42,158	14,743		
Current assets	3,117	2,638	2,224	9,403	1,260	183		
Non-current liabilities	(994)	(16,831)	(6,418)	(9,709)	–	–		
Current liabilities	(3,675)	(4,521)	(1,250)	(2,255)	(11,342)	(4,176)		
Net assets	42,825	105,694	41,564	55,879	32,076	10,750		
Net assets attributable to NCI	18,231	26,199	15,387	18,440	3,208	3,225	5,041	89,731
Cash flows from operating activities	924	8,474	3,641	3,892	1,899	805		
Cash flows used in investing activities	(3,117)	(2,778)	(242)	(504)	(136)	(119)		
Cash flows used in financing activities	–	(6,249)	(3,684)	(4,434)	(3,086)	(1,142)		
Net decrease in cash and cash equivalents	(2,193)	(553)	(285)	(1,046)	(1,323)	(456)		
Dividends paid to NCI	–	(1,253)	(709)	(1,097)	(127)	(101)		

NOTES TO THE FINANCIAL STATEMENTS

11 NON-CONTROLLING INTERESTS (continued)

The following summarises the financial information of each of the Stapled Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with FRSs/SFRS(I)s, modified for fair value adjustments on acquisition and differences in the Stapled Group's accounting policies.

Stapled Group	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[1] $'000	Other individually immaterial subsidiaries $'000	Total $'000
2019								
Revenue	6,828	15,977	8,378	8,798	6,749	2,030		
(Loss)/Profit	(2,865)	(2,675)	1,650	2,695	(194)	281		
Attributable to NCI:								
– (Loss)/Profit	(1,220)	(803)	611	889	(19)	84	518	60
Non-current assets	44,085	112,100	45,266	57,163	39,649	–		
Current assets	1,990	3,783	1,739	10,091	1,488	–		
Non-current liabilities	(986)	(14,655)	(4,542)	(8,779)	(9,071)	–		
Current liabilities	(5,392)	(2,888)	(1,167)	(2,296)	(907)	–		
Net assets	39,697	98,340	41,296	56,179	31,159	–		
Net assets attributable to NCI	16,898	24,039	15,643	18,539	3,116	–	7,222	85,457
Cash flows from operating activities	3,988	8,511	3,704	4,467	2,809	–		
Cash flows (used in)/from investing activities	(4,636)	(634)	(248)	156	(235)	–		
Cash flows used in financing activities	–	(6,706)	(3,983)	(3,911)	(2,401)	–		
Net (decrease)/increase in cash and cash equivalents	(648)	1,171	(527)	712	173	–		
Dividends paid to NCI	–	(1,310)	(703)	(790)	(64)	(54)		

(1) West Lake Development Company Limited was divested on 31 October 2019.

12 ASSOCIATE

	Ascott Reit Group and Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Unquoted equity shares, at cost	**–***	–*
Less: Share of associate post acquisition revenue reserve	**(551)**	(544)
	(551)	(544)
Loan receivable	**3,810**	3,837
Less: Allowance for impairment loss	**(253)**	(253)
	3,006	3,040

* Less than $1,000

The loan to associate is unsecured, interest-free and repayable on demand with a notice period of twelve months. The loan to associate is not expected to be recalled in the next twelve months.

Movement in allowance for impairment loss is as follows:

	Ascott Reit Group and Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
At 1 January and 31 December	**253**	253

During the year, there was no additional allowance for impairment loss arising from the loan receivable as the ECL is not material. 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 Ascott Reit Group	Investment holding company held by the Ascott Reit Group
Country of incorporation	Hong Kong
Ownership interest/Voting rights held	40% (2018: 40%)

The associate is immaterial to the Ascott Reit Group and the Stapled Group. A member firm of KPMG International is the auditor of the associate. In 2019 and 2018, the Ascott Reit Group did not receive any dividends from the associate.

12 ASSOCIATE (continued)

The following table summarises the financial information for the Ascott Reit Group's interest in the associate, based on the amounts reported in the Ascott Reit Group's and the Stapled Group's consolidated financial statements:

	2019 $'000	2018 $'000
Loss after taxation	**(7)**	(21)

13 FINANCIAL DERIVATIVES

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Financial derivative assets				
Non-current				
Interest rate swaps	**753**	**–**	**753**	6,486
Cross currency interest rate swaps	**10,257**	**6,524**	**16,781**	1,808
	11,010	**6,524**	**17,534**	8,294
Current				
Cross currency interest rate swaps	**1,253**	**1,378**	**2,631**	–
Currency forwards	**125**	**181**	**306**	–
	1,378	**1,559**	**2,937**	–
Financial derivative liabilities				
Non-current				
Interest rate swaps	**(3,398)**	**–**	**(3,398)**	(1,636)
Cross currency interest rate swaps	**(783)**	**(1,833)**	**(2,616)**	(5,214)
	(4,181)	**(1,833)**	**(6,014)**	(6,850)
Current				
Interest rate swaps	**(69)**	**(288)**	**(357)**	(280)
Cross currency interest rate swaps	**(1,686)**	**(121)**	**(1,807)**	–
Currency forwards	**(10)**	**(7)**	**(17)**	–
	(1,765)	**(416)**	**(2,181)**	(280)

At the reporting date, the notional principal amounts of the financial instruments were as follows:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Interest rate swaps	**629,563**	**64,954**	**694,517**	640,741
Cross currency interest rate swaps	**538,723**	**143,480**	**682,203**	489,724
Currency forwards	**5,212**	**8,246**	**13,458**	–
	1,173,498	**216,680**	**1,390,178**	1,130,465

14 DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) are as follows:

Ascott Reit Group	At 1 January 2018 $'000	Credited/ (Charged) to Statement of Total Return (Note 31) $'000	Disposal of subsidiaries $'000	Translation differences $'000	At 31 December 2018 $'000	Acquisition through business combination (Note 40) $'000	Credited/ (Charged) to Statement of Total Return (Note 31) $'000	Translation differences $'000	At 31 December 2019 $'000
Deferred tax assets									
Unutilised capital allowances	59	(45)	–	1	15	–	29	–	44
Unutilised tax losses	5,278	(3,331)	–	(102)	1,845	–	(274)	2	1,573
Provisions and accruals	201	11	–	(4)	208	–	(8)	5	205
Unrealised foreign exchange loss – trade	232	2,022	–	(13)	2,241	–	(891)	40	1,390
	5,770	(1,343)	–	(118)	4,309	–	(1,144)	47	3,212
Deferred tax liabilities									
Investment properties	(107,030)	(21,260)	13,669	2,406	(112,215)	(31,867)	(7,978)	1,948	(150,112)
Provisions	(114)	114	–	–	–	–	–	–	–
Property, plant and equipment	(12,067)	6,204	–	213	(5,650)	–	4,055	77	(1,518)
Revaluation gain from business combinations	–	–	–	–	–	(1,288)	–	–	(1,288)
Unremitted earnings	–	–	–	–	–	(236)	–	–	(236)
	(119,211)	(14,942)	13,669	2,619	(117,865)	(33,391)	(3,923)	2,025	(153,154)
Net deferred tax (liabilities)/assets	(113,441)	(16,285)	13,669	2,501	(113,556)	(33,391)	(5,067)	2,072	(149,942)

NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED TAX (continued)

	Ascott BT Group			Stapled Group[1]				
	At 9 September 2019 (date of constitution) $'000	Acquisition through business combination (Note 40) $'000	At 31 December 2019 $'000	At 1 January 2019 $'000	Acquisition through business combination (Note 40) $'000	Credited/ (Charged) to Statement of Total Return (Note 31) $'000	Translation differences $'000	At 31 December 2019 $'000
Deferred tax assets								
Deferred income	–	1,152	1,152	–	1,152	–	–	1,152
Unutilised capital allowances	–	–	–	15	–	29	–	44
Unutilised tax losses	–	–	–	1,845	–	(274)	2	1,573
Provisions and accruals	–	3,183	3,183	208	3,183	(8)	5	3,388
Unrealised foreign exchange loss – trade	–	–	–	2,241	–	(891)	40	1,390
	–	4,335	4,335	4,309	4,335	(1,144)	47	7,547
Deferred tax liabilities								
Investment properties	–	(42,532)	(42,532)	(112,215)	(74,399)	(7,978)	1,948	(192,644)
Property, plant and equipment	–	–	–	(5,650)	–	4,055	77	(1,518)
Revaluation gain from business combinations	–	(4,063)	(4,063)	–	(5,351)	–	–	(5,351)
Unremitted earnings	–	(403)	(403)	–	(639)	–	–	(639)
	–	(46,998)	(46,998)	(117,865)	(80,389)	(3,923)	2,025	(200,152)
Net deferred tax (liabilities)/ assets	–	(42,663)	(42,663)	(113,556)	(76,054)	(5,067)	2,072	(192,605)

(1) The Stapled Group comprises units in Ascott Reit stapled to units in Ascott BT pursuant to the Stapling Deed. Opening balances as at 1 January 2019 relates to opening balance of the Ascott Reit Group as at 1 January 2019.

14 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 Statements of Financial Position as follows:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Deferred tax assets	**3,212**	**4,335**	**7,547**	4,309
Deferred tax liabilities	**(153,154)**	**(46,998)**	**(200,152)**	(117,865)

As at 31 December 2019, deferred tax liabilities amounting to $1,220,000 (2018: $3,825,000) 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 Ascott Reit Group, the Ascott BT Group and the Stapled Group can utilise the benefits therefrom:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Tax losses	**56,050**	**–**	**56,050**	55,356
Deductible temporary differences	**3,590**	**–**	**3,590**	4,391
	59,640	**–**	**59,640**	59,747

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.

14 DEFERRED TAX (continued)

Unrecognised tax losses brought forward of the Ascott Reit Group amounting to $6,604,000 (2018: $4,455,000) expired during the year. In addition, $5,251,000 (2018: $4,173,000) of the losses brought forward were utilised to set off against current year's taxable profit. The remaining balance of $43,501,000 (2018: $43,566,000) and unrecognised tax losses arising during the year of $12,549,000 (2018: $11,790,000) have been carried forward. Tax losses that have been carried forward and are subject to expiration as follows:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Expiry dates				
– Within 1 to 5 years	**34,997**	**–**	**34,997**	39,129
– After 5 years	**21,053**	**–**	**21,053**	16,227
	56,050	**–**	**56,050**	55,356

15 TRADE AND OTHER RECEIVABLES

	Note	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Trade receivables		**20,893**	**6,152**	**27,045**	17,663
Impairment loss	35	**(89)**	**(3)**	**(92)**	(282)
		20,804	**6,149**	**26,953**	17,381
Amounts due from related parties:					
– trade		**5,007**	**–**	**5,007**	14,955
– non-trade		**2,102**	**3,558**	**341**	144
Loan due from Ascott BT		**34,957**	**–**	**–**	–
Deposits		**1,143**	**6**	**1,149**	1,934
Other receivables		**15,740**	**1,510**	**17,250**	11,972
Impairment loss	35	**(5)**	**–**	**(5)**	(4)
		15,735	**1,510**	**17,245**	11,968
		79,748	**11,223**	**50,695**	46,382
Prepayments		**10,483**	**1,281**	**11,764**	10,537
		90,231	**12,504**	**62,459**	56,919

The non-trade amounts due from related parties mainly pertain to payments made on behalf of these entities. Non-trade amounts and loan due from related parties are unsecured, interest-free and repayable on demand.

16 ASSETS AND LIABILITIES HELD FOR SALE

	Note	Ascott Reit Group and Stapled Group 2019 $'000	2018 $'000
Somerset Liang Court Property Singapore	(a)		
– Investment property		**153,681**	–
– Property, plant and equipment		**1,253**	–
		154,934	–
Ascott Raffles Place Singapore	(b)		
– Investment property		**–**	213,334
– Property, plant and equipment		**–**	1,666
		–	215,000
Citadines Xinghai Suzhou, China	(c)		
– Investment property		**46,796**	–
– Property, plant and equipment		**399**	–
– Trade and other receivables		**613**	–
– Cash and cash equivalents		**1,023**	–
		48,831	–
Citadines Zhuankou Wuhan, China	(c)		
– Investment property		**46,937**	–
– Property, plant and equipment		**220**	–
– Trade and other receivables		**720**	–
– Cash and cash equivalents		**1,650**	–
		49,527	–
Assets held for sale		**253,292**	215,000
Citadines Xinghai Suzhou, China	(c)		
– Trade and other payables		**1,036**	–
– Current tax liabilities		**119**	–
		1,155	–
Citadines Zhuankou Wuhan, China	(c)		
– Trade and other payables		**1,904**	–
– Financial liabilities		**10,386**	–
		12,290	–
Liabilities held for sale		**13,445**	–

16 ASSETS AND LIABILITIES HELD FOR SALE (continued)

(a) On 21 November 2019, the Ascott Reit Group entered into a put and call option agreement with DBS Trustee Limited (as trustee of Gemini One Trust), an unrelated third party, for the sale of the Ascott Reit Group's partial gross floor area ("GFA") of Somerset Liang Court Property Singapore. The retained GFA will be redeveloped into a new serviced residence property.

The GFA which will be divested was reclassified to assets held for sale as at 31 December 2019. The purchase consideration for the sale is approximately $163.3 million (before deducting estimated costs to sell of $8.4 million) and negotiated on a willing buyer willing seller basis, taking into account the independent valuation undertaken by Knight Frank Pte Ltd which was determined based on the residual land method.

(b) An independent property consultant was engaged to conduct a marketing exercise for the divestment of Ascott Raffles Place Singapore ("ARPS") in 2018. Pursuant to the planned divestment of ARPS, the investment property and property, plant and equipment relating to ARPS was reclassified to assets held for sale as at 31 December 2018. The Ascott Reit Group received an initial deposit of $5.0 million from the buyer in 2018. As at 31 December 2018, Ascott Raffles Place Singapore, with its carrying value of $215.0 million, was pledged as security for banking facility granted to the Ascott Reit Group. On 9 January 2019, the sale and purchase agreement with Cheong Sim Lam Pte. Ltd., an unrelated third party, for the divestment of ARPS at a consideration of $353.3 million was signed. The sale price was agreed on a willing buyer willing seller basis, being 64% above the valuation of the property as at 31 December 2018, which was appraised based on the discounted cash flow approach. On 9 May 2019, the divestment was completed and cash consideration of $348.3 million was received during the year.

(c) On 18 December 2019, the Ascott Reit Group entered into two sale and purchase agreements to divest its wholly-owned subsidiaries, Suzhou Chong Rui Xin Shi Ji Real Estate Co., Ltd and Wuhan Citadines Property Development Co., Ltd. The divestments were anticipated to be completed within 12 months and accordingly, all the assets and liabilities held by Suzhou Chong Rui Xin Shi Ji Real Estate Co., Ltd and Wuhan Citadines Property Development Co., Ltd were reclassified to assets held for sale and liabilities held for sale respectively. As at 31 December 2019, Citadines Zhuankou Wuhan was pledged as security for banking facilities granted to Wuhan Citadines Property Development Co., Ltd.

Fair value hierarchy

On 31 December 2019, the Stapled Group's assets and liabilities held for sale are valued as such:

- Investment properties: The valuation of Somerset Liang Court Property Singapore was based on the independent valuation conducted by Knight Frank Pte Ltd using the residual land method. Citadines Xinghai Suzhou and Citadines Zhuankou Wuhan were valued at their respective contracted sales price less estimated costs to sell.
- 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 less estimated costs to sell because of their short period to maturity.

The fair value measurement for assets held for sale for the Stapled Group have been categorised as level 3 fair values.

16 ASSETS AND LIABILITIES HELD FOR SALE (continued)

Reconciliation of Level 3 fair value

The following table presents the reconciliation of the assets held for sale from the beginning balances to the ending balances for Level 3 fair values.

	Ascott Reit Group and Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Balance at 1 January	**215,000**	191,020
Capital expenditure	**59**	–
Transfer from property, plant and equipment	**1,872**	1,666
Disposal of assets held for sale	**(350,066)**	(191,020)
Transfer from investment properties	**185,245**	213,334
Reclassifications to assets held for sale	**4,006**	–
Net change in fair value recognised in Statement of Total Return	**197,605**	–
Translation difference	**(429)**	–
Balance at 31 December	**253,292**	215,000

17 CASH AND CASH EQUIVALENTS

	Note	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Cash at bank and in hand		**196,450**	**19,598**	**216,048**	160,335
Fixed deposits with financial institutions		**49,434**	**10,021**	**59,455**	67,512
Cash and cash equivalents		**245,884**	**29,619**	**275,503**	227,847
Restricted cash deposits	(a)	**(1,994)**	**(3,501)**	**(5,495)**	(2,331)
Cash and cash equivalents in the Statements of Cash Flows		**243,890**	**26,118**	**270,008**	225,516

As at 31 December 2019, the interest rates per annum for cash and cash equivalents of the Ascott Reit Group, the Ascott BT Group and the Stapled Group ranged from 0% to 7.2% (2018: 0% to 5.3%), 0% to 1.9% and 0% to 7.2% respectively.

(a) These comprise bank balances of certain subsidiaries pledged as collateral for certain borrowings and a fixed deposit of $3,501,000 (2018: Nil) which arise from the acquisition of A-HBT. This relates to security deposit from a tenant which can only be drawn down as rental payment upon tenant's default or refunded to tenant upon lease expiry.

18 FINANCIAL LIABILITIES

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Non-current liabilities				
Secured bank loans	**557,738**	**–**	**557,738**	842,472
Unsecured bank loans	**431,840**	**259,150**	**690,990**	216,005
Medium term notes	**693,475**	**69,656**	**763,131**	776,839
	1,683,053	**328,806**	**2,011,859**	1,835,316
Current liabilities				
Secured bank loans	**174,122**	**–**	**174,122**	69,116
Unsecured bank loans	**469** [(1)]	**–**	**469** [(1)]	494 [(1)]
Medium term notes	**137,065**	**25,498**	**162,563**	–
Finance lease liabilities	**–**	**–**	**–**	527
	311,656	**25,498**	**337,154**	70,137
	1,994,709	**354,304**	**2,349,013**	1,905,453

(1) Relate to scheduled repayments.

The weighted average effective interest rates per annum relating to bank loans and medium term notes at the reporting date for the Ascott Reit Group, the Ascott BT Group and the Stapled Group are 2.41% (2018: 2.75%), 2.90% and 2.49% respectively.

Included in the Ascott Reit Group's, the Ascott BT Group's and the Stapled Group's bank loans and medium term notes is an amount of $8,736,000 (2018: $9,512,000), $1,082,000 and $9,818,000 respectively, relating to unamortised transaction costs.

Finance lease liabilities

As at 31 December 2018, the Ascott Reit Group had obligations under finance leases that are payable as follows:

	31 December 2018		
	Principal $'000	Interest $'000	Payments $'000
Repayable:			
Within 1 year	527	–	527

During the year, the finance leases had expired.

18 FINANCIAL LIABILITIES (continued)

Secured bank loans

The Ascott Reit Group's secured bank loans are secured on certain investment properties (Note 4), pledge of shares of certain subsidiaries, pledge over certain bank deposits (Note 17), assignment of rental proceeds from the properties, assignment of insurance policies on the properties and corporate guarantee from Ascott Reit.

Medium term notes

On 9 September 2009, a subsidiary of the Ascott Reit Group, 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 of the Ascott Reit Group, 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.

On 15 October 2014, Ascendas Hospitality MTN Pte. Ltd., and A-HBT (jointly known as "Issuers"), established a $1.0 billion Multi-currency Stapled Medium Term Note Programme ("Stapled MTN Programme"). Under this Stapled MTN Programme, the Issuers 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 the Issuers and the relevant dealer of the programme.

As at 31 December 2019, notes issued by the Stapled Group comprises:

- under the MTN Programme:
  - (i) $420.0 million (2018: $420.0 million) of fixed rate notes maturing between 2022 and 2024; and
  - (ii) JPY19.3 billion (2018: JPY19.3 billion) of fixed rate notes maturing between 2020 and 2025.
- under the EMTN Programme:
  - (i) EUR80.0 million (2018: EUR80.0 million) of fixed rate notes maturing in 2024.
- under the Stapled MTN Programme:
  - (i) $75.0 million ($49.5 million under A-HREIT and $25.5 million under A-HBT) of fixed rate notes maturing in 2020.
  - (ii) $70.0 million ($0.28 million under A-HREIT and $69.72 million under A-HBT) of fixed rate notes maturing in 2022.

18 FINANCIAL LIABILITIES (continued)

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Ascott Reit Group					
2019					
Medium term notes	EUR	2.75	2024	120,281	119,946
Medium term notes	SGD	3.30 – 4.21	2020 – 2024	469,780	469,168
Medium term notes	JPY	0.97 – 1.65	2020 – 2025	241,443	241,426
Secured fixed rate loan	JPY	0.25 – 0.69	2024 – 2026	79,438	78,387
Secured floating rate loans	JPY	0.17 – 0.71	2020 – 2026	175,847	174,965
Secured floating rate loans	RMB	4.85	2020	16,114	16,114
Secured floating rate loans	USD	3.00 – 5.56	2020 – 2023	465,236	462,394
Unsecured fixed rate loans	JPY	0.63 – 0.75	2022 – 2023	175,140	174,400
Unsecured floating rate loans	EUR	0.88 – 1.30	2022 – 2024	101,393	100,365
Unsecured floating rate loans	GBP	1.68 – 1.69	2022	37,908	37,524
Unsecured floating rate loans	JPY	0.58 – 1.30	2022 – 2024	115,069	114,264
Unsecured floating rate loan	RMB	5.70	2023	1,796	1,796[(1)]
Unsecured floating rate loans	SGD	2.44 – 2.49	2022	4,000	3,960
				2,003,445	1,994,709

(1) Include scheduled repayment of $469,000 in 2020.

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
2018					
Medium term notes	EUR	2.75	2024	124,902	124,499
Medium term notes	SGD	3.52 – 4.21	2022 – 2024	420,000	419,216
Medium term notes	JPY	0.97 – 1.65	2020 – 2025	233,144	233,124
Secured fixed rate loan	JPY	0.44	2024	37,447	36,963
Secured floating rate loans	EUR	0.98	2021	87,646	87,222
Secured floating rate loans	GBP	2.19	2021	9,988	9,939
Secured floating rate loans	JPY	0.24 – 1.30	2019 – 2024	252,472	251,240
Secured floating rate loans	RMB	4.66 – 4.90	2020 – 2026	30,008	30,008
Secured floating rate loans	SGD	3.02	2021	13,308	13,244
Secured floating rate loans	USD	3.54 – 5.75	2019 – 2023	487,867	482,972
Unsecured floating rate loans	GBP	1.67 – 2.69	2020 – 2023	163,972	163,183
Unsecured floating rate loan	RMB	5.70	2023	6,861	6,861[(1)]
Unsecured floating rate loans	SGD	3.43	2021	46,823	46,455
Finance leases	EUR	1.25	2019	527	527
				1,914,965	1,905,453

(1) Include scheduled repayment of $494,000 in 2019.

18 FINANCIAL LIABILITIES (continued)

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Ascott BT Group					
2019					
Medium term notes	SGD	3.30 – 3.35	2020 – 2022	95,220	95,154
Unsecured fixed rate loans	KRW	3.55	2024	37,344	37,175
Unsecured floating rate loans	AUD	2.49	2023	172,591	171,866
Unsecured floating rate loans	JPY	1.50	2023	1,251	1,251
Unsecured floating rate loans	USD	3.11	2022	48,980	48,858
				355,386	354,304
Stapled Group					
2019					
Medium term notes	EUR	2.75	2024	120,281	119,946
Medium term notes	JPY	0.97 – 1.65	2020 – 2025	241,443	241,426
Medium term notes	SGD	3.30 – 4.21	2020 – 2024	565,000	564,322
Secured fixed rate loan	JPY	0.25 – 0.69	2024 – 2026	79,438	78,387
Secured floating rate loans	JPY	0.17 – 0.71	2020 – 2026	175,847	174,965
Secured floating rate loans	RMB	4.85	2020	16,114	16,114
Secured floating rate loans	USD	3.00 – 5.56	2020 – 2023	465,236	462,394
Unsecured fixed rate loans	JPY	0.63 – 0.75	2022 – 2023	175,140	174,400
Unsecured fixed rate loans	KRW	3.55	2024	37,344	37,175
Unsecured floating rate loans	AUD	2.49	2023	172,591	171,866
Unsecured floating rate loans	EUR	0.88 – 1.30	2022 – 2024	101,393	100,365
Unsecured floating rate loans	GBP	1.68 – 1.69	2022	37,908	37,524
Unsecured floating rate loans	JPY	0.58 – 1.50	2022 – 2024	116,320	115,515
Unsecured floating rate loans	RMB	5.70	2023	1,796	1,796(1)
Unsecured floating rate loans	SGD	2.44 – 2.49	2022	4,000	3,960
Unsecured floating rate loans	USD	3.11	2022	48,980	48,858
				2,358,831	2,349,013

(1) Include scheduled repayment of $469,000 in 2020.

Guarantees

The Ascott Reit Group has provided corporate guarantees amounting to $205,293,000 (2018: $39,116,000) to Ascott Reit's subsidiaries which expire in 2020, 2021, 2022 and 2023. The earliest period that the guarantees could be called is within one year (2018: one year) from the reporting date.

The Ascott BT Group has provided corporate guarantees to banks amounting to $209,487,000 for unsecured bank loans undertaken by its subsidiaries in Australia and South Korea.

At the reporting date, the Ascott Reit Group and the Ascott BT Group do not consider it probable that a claim will be made under these guarantees.

NOTES TO THE FINANCIAL STATEMENTS

18 FINANCIAL LIABILITIES (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

Ascott Reit Group	Note	Bank loans and medium term notes $'000	Interest payable* (Note 19) $'000	Finance lease $'000	Lease liabilities (Note 21) $'000	Total $'000
Balance as at 1 January 2018		1,941,892	6,081	3,481	–	1,951,454
Changes from financing cash flows						
Proceeds from borrowings and issue of medium term notes		472,719	–	–	–	472,719
Repayment of borrowings and medium term notes		(507,721)	–	–	–	(507,721)
Payment of transaction costs on bank borrowings		(500)	–	–	–	(500)
Payment of lease liabilities		–	–	(2,931)	–	(2,931)
Interest paid		–	(43,413)	–	–	(43,413)
Total changes from financing cash flows		(35,502)	(43,413)	(2,931)	–	(81,846)
Other changes						
Finance costs		3,838	43,259	19	–	47,116
Effect of changes in foreign exchange rates		(5,302)	47	(42)	–	(5,297)
Balance as at 31 December 2018		1,904,926	5,974	527	–	1,911,427

* net of interest receivables from cross currency interest rate swaps.

18 FINANCIAL LIABILITIES (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

Ascott Reit Group	Note	Bank loans and medium term notes $'000	Interest payable* (Note 19) $'000	Finance lease $'000	Lease liabilities (Note 21) $'000	Total $'000
Balance as at 1 January 2019		1,904,926	5,974	527	–	1,911,427
Changes from financing cash flows						
Proceeds from borrowings and issue of medium term notes		547,444	–	–	–	547,444
Repayment of borrowings and medium term notes		(745,138)	–	–	–	(745,138)
Payment of transaction costs on bank borrowings		(2,056)	–	–	–	(2,056)
Payment of lease liabilities		–	–	(517)	(7,001)	(7,518)
Interest paid		–	(37,726)	–	(11,202)	(48,928)
Total changes from financing cash flows		(199,750)	(37,726)	(517)	(18,203)	(256,196)
Other changes						
Finance costs		3,891	36,724	–	11,202	51,817
Effect of changes in foreign exchange rates		8,337	131	(10)	(1,586)	6,872
Adoption of FRS116/SFRS(I) 16		–	–	–	301,083	301,083
Transfer to liabilities held for sale	16	(10,386)	–	–	–	(10,386)
Disposal of subsidiaries	34	–	–	–	(470)	(470)
Acquisition through business combination	40	287,691	536	–	–	288,227
Balance as at 31 December 2019		1,994,709	5,639	–	292,026	2,292,374

* net of interest receivables from cross currency interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS

18 FINANCIAL LIABILITIES (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Note	Bank loans and medium term notes $'000	Interest payable* (Note 19) $'000	Finance lease $'000	Lease liabilities (Note 21) $'000	Total $'000
Ascott BT Group						
Balance as at 9 September 2019 (date of constitution)		–	–	–	–	–
Other changes						
Acquisition through business combination	40	354,304	1,331	–	115,714	471,349
Balance as at 31 December 2019		354,304	1,331	–	115,714	471,349
Stapled Group						
Balance as at 1 January 2019		1,904,926	5,974	527	–	1,911,427
Changes from financing cash flows						
Proceeds from borrowings and issue of medium term notes		547,444	–	–	–	547,444
Repayment of borrowings and medium term notes		(745,138)	–	–	–	(745,138)
Payment of transaction costs on bank borrowings		(2,056)	–	–	–	(2,056)
Payment of lease liabilities		–	–	(517)	(7,001)	(7,518)
Interest paid		–	(37,726)	–	(11,202)	(48,928)
Total changes from financing cash flows		(199,750)	(37,726)	(517)	(18,203)	(256,196)
Other changes						
Finance costs		3,891	36,724	–	11,202	51,817
Effect of changes in foreign exchange rates		8,337	131	(10)	(1,586)	6,872
Adoption of FRS116/SFRS(I) 16		–	–	–	301,083	301,083
Transfer to liabilities held for sale	16	(10,386)	–	–	–	(10,386)
Disposal of subsidiaries	34	–	–	–	(470)	(470)
Acquisition through business combination	40	641,995	1,867	–	–	643,862
Balance as at 31 December 2019		2,349,013	6,970	–	292,026	2,648,009

* net of interest receivables from cross currency interest rate swaps.

19 TRADE AND OTHER PAYABLES

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Trade payables and accrued operating expenses	**65,757**	**29,748**	**95,505**	66,303
Amounts due to:				
– associate (non-trade)	**1,860**	**–**	**1,860**	1,883
– related parties				
– trade	**12,932**	**–**	**12,932**	17,231
– non-trade	**3,923**	**2,123**	**727**	313
– loan (interest-bearing)	**4,037**	**–**	**4,037**	4,086
– the Ascott Reit Manager	**3,426**	**–**	**3,426**	3,470
– the Ascott BT Trustee-Manager	**–**	**4**	**4**	–
– the Ascott Reit Trustee	**193**	**–**	**193**	147
– non-controlling interests (non-trade)	**–**	**–**	**–**	825
Loan due to Ascott Reit	**–**	**34,957**	**–**	–
Interest payable	**8,798**	**1,331**	**10,129**	9,199
Deposits received from divestment of investment properties/subsidiaries	**3,878**	**–**	**3,878**	5,000
Rental deposits and advance rental	**34,720**	**5,796**	**40,516**	32,795
Trade and other payables (current)	**139,524**	**73,959**	**173,207**	141,252
Other payables	**–**	**397**	**397**	–
Amounts due to non-controlling interests (non-trade)	**657**	**–**	**657**	–
Rental deposits	**8,163**	**9,338**	**17,501**	–
Trade and other payables (non-current)	**8,820**	**9,735**	**18,555**	–

The non-trade amounts due to an associate and related parties mainly pertain to payments made on behalf of the Stapled Group and are unsecured, interest-free and repayable on demand. The effective interest rate for the interest-bearing loan to related parties is 3.51% (2018: 3.46%) per annum.

The non-trade amounts due to non-controlling interests mainly pertain to interest-bearing loans extended to the Stapled Group with an effective interest rate of 4.18% (2018: 4.00%) per annum.

The non-current rental deposits are refundable to tenant upon the lease expiry ranging from June 2023 to April 2038.

20 DEFERRED INCOME

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Current	**159**	**1,697**	**1,856**	–
Non-current	**605**	**3,781**	**4,386**	–
Total	**764**	**5,478**	**6,242**	–

Deferred income relates to the following:

(i) Cash reimbursement received from Accor for its 50% share of the $30.0 million capital expenditure incurred by the Accor Australia hotels for refurbishment works which was completed in 2013. The reimbursement by Accor is conditional upon the non-termination of the hotel management agreement signed between Ascendas Hotel Investment Company Pty Limited and Accor prior to 30 June 2017 and on a pro-rata basis if the termination occurs after 30 June 2017 but before 30 June 2022.

(ii) Difference between the considerations received for rental deposits and its fair value at initial recognition and is credited to the Statement of Total Return.

21 LEASE LIABILITIES

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Current	**17,928**	**4,912**	**17,928**	–
Non-current	**274,098**	**110,802**	**274,098**	–
Total	**292,026**	**115,714**	**292,026**	–

The investment properties of the Ascott BT Group included a right-of-use asset relating to the operating lease for Ariake Hotel on adoption of FRS 116/SFRS(I) 16. AAGK, a subsidiary of Ascott BT, leases Ariake Hotel from Ascendas Hospitality Tokutei Mokuteki Kaisha, a subsidiary of Ascott Reit. FRS 116/SFRS(I) 16 requires AAGK to recognise a right-of-use asset and lease liability relating to this operating lease. There is no impact for the Stapled Group as the intra-group transaction will be eliminated upon consolidation.

Leases as lessee (FRS 116/SFRS(I) 16)

The Ascott Reit Group leases the land on which four of the investment properties were constructed. The leases have initial tenures ranging from 23 to 48 years. During the year, one of the investment properties has been divested by Ascott Reit Group.

The Ascott Reit 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 agreement, adjusted for incremental rent which have been provided for in the agreement.

21 LEASE LIABILITIES (continued)

Information about leases for which the Ascott Reit Group is a lessee is presented below.

Amounts recognised in the Statement of Total Return

	Ascott Reit Group and Stapled Group 2019 $'000
2019 – Lease under FRS 116/SFRS(I) 16	
Interest expense on lease liabilities	11,202
Change in fair value of right-of-use assets	7,004
Variable lease payments not capitalised in lease liabilities	
Variable lease payments which do not depend on an index or rate(1)	623
2018 – Operating lease under FRS 17/SFRS(I) 1-17	
Lease expense	20,233

(1) The Ascott Reit Group manages certain units at one of the investment properties on behalf of third-party unit owners. The variable lease payments paid to these unit owners are based on a percentage of the net operational profit derived from the investment property. Such variable lease payments are recognised in the Statement of Total Return when incurred and amounted to $623,000 for the year ended 31 December 2019.

Amounts recognised in Statement of Cash Flows

	Ascott Reit Group and Stapled Group 2019 $'000
Total cash outflow for leases	17,795

22 STAPLED SECURITYHOLDERS' FUNDS

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Stapled 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 Stapled 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.

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 Managers review the Stapled Group's capital structure regularly, which the Stapled Group defines as total Stapled Securityholders' funds (excluding non-controlling interests) and the level of distribution to Stapled Securityholders. The Stapled Group uses a combination of debt and equity to fund acquisition and asset enhancement projects.

The objectives of the Managers 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.

22 STAPLED SECURITYHOLDERS' FUNDS (continued)

Capital management (continued)

The Managers seek to maintain a combination of debt and equity in order to balance the cost of capital and the returns to Stapled Securityholders. The Managers also monitor the externally imposed capital requirements closely and ensures that the capital structure adopted complies with the requirements.

Ascott Reit is subject to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's Deposited Property.

As at the reporting date, Ascott Reit has a credit rating of BBB from Fitch Ratings (2018: BBB from Fitch Ratings). The Aggregate Leverage of the Ascott Reit Group as at 31 December 2019 was 33.5% (2018: 36.7%) of the Ascott Reit Group's Deposited Property. This complied with the Aggregate Leverage limit.

The aggregate leverage of the Stapled Group as at 31 December 2019 was 33.6%.

There were no changes in the Stapled Group's approach to capital management during the year.

23 STAPLED SECURITIES/UNITS IN ISSUE AND PERPETUAL SECURITIES

(a) Units in issue

	Ascott Reit Units		Ascott BT Units		Stapled Securities	
	2019 Number of Units '000	**2018 Number of Units '000**	**2019 Number of Units '000**	**2018 Number of Units '000**	**2019 Number of Units '000**	**2018 Number of Units '000**
At 1 January/date of constitution	**2,164,592**	2,149,688	**–**[1]	–	**–**	–
Issue of new Stapled Securities/Units:						
– Distribution *in specie*	**–**	–	**2,178,811**[2]	–	**2,178,811**	
– Partial consideration for the Combination	**904,278**[3]	–	**904,278**	–	**904,278**	–
– Ascott Reit Manager's management fees paid in Units	**14,219**	14,904	**–**	–	**–**	–
At 31 December	**3,083,089**	2,164,592	**3,083,089**	–	**3,083,089**	–

23 STAPLED SECURITIES/UNITS IN ISSUE AND PERPETUAL SECURITIES (continued)

(a) Units in issue (continued)

(1) Less than 1,000 Units. Ascott Reit established a wholly-owned business trust, Ascott BT, on 9 September 2019 in connection with the Combination. As at the date of constitution, there was one issued and outstanding Ascott BT unit which was held by the Ascott Reit Trustee.

(2) On 31 December 2019, pursuant to and on the terms of the Ascott Reit Scheme, each Unitholder of Ascott Reit as at the Ascott Reit Scheme Entitlement Date of 30 December 2019, 5.00 pm, was distributed *in specie* one Ascott BT Unit for each Ascott Reit Unit held by it.

(3) On 31 December 2019, 904,277,884 Units at $1.30 per Unit, amounting to $1,175,561,000, were issued to the A-HTRUST Stapled Securityholders as partial consideration for the Combination. The balance consideration at $0.0543 per Unit, amounting to $61,827,000, was settled in cash to the A-HTRUST Stapled Securityholders.

During the financial year ended 31 December 2019, the Ascott Reit Group issued 14,219,878 Units at issue prices ranging from $1.1814 to $1.3095 per Unit, amounting to $17,313,000, as payment of the Ascott Reit Manager's base management fees for the period from 1 October 2018 to 30 September 2019 and the Ascott Reit Manager's base performance fees for the period from 1 January 2018 to 31 December 2018.

During the financial year ended 31 December 2018, the Ascott Reit Group issued 14,903,726 Units at issue prices ranging from $1.0573 to $1.1928 per Unit, amounting to $17,021,000, as payment of the Ascott Reit Manager's base management fees for the period from 1 October 2017 to 30 September 2018 and the Ascott Reit Manager's base performance fees for the period from 1 January 2017 to 31 December 2017.

Each Ascott BT Unit was stapled to one Ascott Reit Unit to form one Stapled Security in accordance with the Stapling Deed entered into between the Ascott Reit Manager, the Ascott Reit Trustee and the Ascott BT Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in the Stapled Group.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the Stapled Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of the Stapled Group.

The holders of the Stapled Securities are entitled to receive distributions as and when declared by the Stapled Group.

A Stapled Securityholder's liability is limited to the amount paid or payable for any Stapled Securities in the Stapled Group.

Each Ascott Reit Unit and Ascott BT Unit carry the same voting rights. Each unit carries one vote.

23 STAPLED SECURITIES/UNITS IN ISSUE AND PERPETUAL SECURITIES (continued)

(b) Perpetual securities

On 4 September 2019, Ascott Reit issued $150.0 million of fixed rate perpetual securities with an initial distribution rate of 3.88% per annum with the first distribution rate reset falling on 4 September 2024 and subsequent resets occurring every five years thereafter.

On 30 June 2015, Ascott Reit 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, Ascott Reit 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 redemption notice relating to the redemption of the $150.0 million perpetual securities on its first call date on 27 October 2019 was made on 30 August 2019. The payment was effected on 29 October 2019, and accordingly the perpetual securities have been cancelled and redeemed in full.

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

In terms of distribution payments or in the event of winding-up of Ascott Reit:

- These perpetual securities rank *pari passu* with the holders of preferred Units (if any) and rank ahead of the Stapled Securityholders of ART, but junior to the claims of all other present and future creditors of Ascott Reit.
- Ascott Reit shall not declare or pay any distributions to the Stapled Securityholders, or make redemptions, unless Ascott Reit 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 Stapled Securityholders' Funds. The $396,299,000 (2018: $397,127,000) presented on the Statements of Financial Position represents the $400,000,000 (2018: $400,000,000) perpetual securities net of issue costs and include total return attributable to perpetual securities holders from issue date.

24 GROSS REVENUE

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Gross rental income	**495,188**	–	**495,188**	494,295
Hospitality income	**17,699**	–	**17,699**	18,287
Car park income	**2,069**	–	**2,069**	1,691
	514,956	–	**514,956**	514,273

25 DIRECT EXPENSES

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Operations and maintenance expenses	**48,938**	–	**48,938**	47,721
Staff costs	**59,735**	–	**59,735**	58,849
Serviced residence management fees	**26,336**	–	**26,336**	24,651
Property tax	**28,966**	–	**28,966**	28,650
Depreciation of property, plant and equipment	**12,498**	–	**12,498**	12,744
Marketing and selling expenses	**30,082**	–	**30,082**	30,580
Administrative and general expenses	**35,920**	–	**35,920**	33,749
Operating lease expense(1)	**–**	–	**–**	20,233
Other direct expenses	**19,870**	–	**19,870**	17,736
	262,345	–	**262,345**	274,913
Contributions to defined contribution plans included in staff costs	**4,764**	–	**4,764**	5,365

(1) Nil in 2019 due to adoption of FRS116/SFRS(I) 16. The adoption of this standard replaced the straight-line operating lease expense to change in fair value of right-of-use assets and interest expense on lease liabilities.

26 FINANCE INCOME AND COSTS

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Finance income				
Bank deposits	**2,080**	**–**	**2,080**	1,194
Finance costs				
Amortisation of transaction costs	**(3,891)**	**–**	**(3,891)**	(3,838)
Interest on bank loans	**(47,886)**	**–**	**(47,886)**	(50,477)
Cash flow hedges, reclassified from hedging reserve	**1,096**	**–**	**1,096**	(800)
Cross currency interest rate swaps [1]	**11,206**	**–**	**11,206**	9,042
Interest expense on lease liabilities	**(11,202)**	**–**	**(11,202)**	–
Others	**(1,140)**	**–**	**(1,140)**	(1,043)
	(51,817)	**–**	**(51,817)**	(47,116)

(1) Interest income arising from cross currency interest rate swaps are classified within finance costs as these financial derivatives were entered into by the Ascott Reit Group as cash flow hedging instruments for certain bank loans.

27 MANAGERS' MANAGEMENT FEES

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Ascott Reit Manager's fees				
– Base fee	**14,469**	**–**	**14,469**	14,589
– Base performance fee	**8,947**	**–**	**8,947**	9,311
Ascott BT Trustee-Manager's fees				
– Base fee	**–**	**8**	**8**	–
	23,416	**8**	**23,424**	23,900

A total of 13,133,752 (2018: 15,352,904) Stapled Securities and 3,156 (2018: Nil) Stapled Securities were issued or will be issued as payment of the Ascott Reit Manager's management fees and the Ascott BT Trustee-Manager's management fees amounting to $17,060,000 (2018: $17,505,000) and $4,000 (2018: Nil) respectively in respect of the year ended 31 December 2019.

28 PROFESSIONAL FEES

Professional fees of the Ascott Reit Group and the Stapled Group include valuation fees of $710,000 (2018: $467,000).

29 NET INCOME

The following items have been included in arriving at net income for the year:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Non-audit fees[(1)] paid to:				
– auditors of the Stapled Group	**246**	**–**	**246**	–
– other auditors	**87**	**–**	**87**	60
Loss on disposal of property, plant and equipment	**18**	**–**	**18**	134
Impairment loss on trade and other receivables recognised/(reversed)	**30**	**–**	**30**	(11)
Write-off of trade and other receivables	**129**	**–**	**129**	54

(1) Total non-audit fees amounted to $333,000 (2018: $60,000). Transaction costs relating to the Combination included an amount of $290,000 paid to auditors of the Stapled Group for audit-related services.

30 PROFIT FROM DIVESTMENTS

On 31 October 2019, the Ascott Reit Group completed the divestment of a wholly-owned subsidiary, The Ascott (Vietnam) Investments Pte Ltd, for total consideration of $13.9 million. The disposed subsidiary contributed profit after tax of $346,000 from 1 January 2019 to the date of disposal.

On 5 January 2018, the Ascott Reit Group completed the divestment of its wholly-owned subsidiaries, Citadines (Xi'an) Property Co., Ltd. and Gain Mark Properties (Shanghai) Ltd. for total consideration of $204.0 million. The disposed subsidiaries contributed a net operating gain of $54,000 from 1 January 2018 to the date of disposal.

	Ascott Reit Group and Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Gain on divestment of subsidiaries	**508**	3,211
Gain on divestment of assets held for sale	**511**	–
Profit from divestments	**1,019**	3,211

31 INCOME TAX EXPENSE

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Current tax expense				
Current year	**36,513**[(1)]	–	**36,513**[(1)]	24,822[(1)]
Over provided in prior years	**(2,169)**	–	**(2,169)**	(708)
Withholding tax	**5,281**	–	**5,281**	3,142
	39,625	–	**39,625**	27,256
Deferred tax expense				
Origination and reversal of temporary differences	**5,110**[(1)]	–	**5,110**[(1)]	16,228[(1)]
(Over)/Under provided in prior years	**(43)**	–	**(43)**	57
	5,067	–	**5,067**	16,285
Income tax expense	**44,692**	–	**44,692**	43,541

(1) Includes reversal of pre-acquisition deferred tax liabilities of $3,694,000 (2018: $2,090,000) to current tax expense, which was added back for computation of distribution to Unitholders.

Reconciliation of effective tax rate

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Total return/(loss) before income tax	**352,915**	**(91,901)**	**261,014**	195,382
Income tax using the Singapore tax rate of 17% (2018: 17%)	**59,995**	**(15,623)**	**44,372**	33,215
Effect of different tax rates in foreign jurisdictions	**21,957**	–	**21,957**	18,289
Tax rebate/relief/exemption	**(118)**	–	**(118)**	(44)
Income not subject to tax	**(77,846)**	–	**(77,846)**	(45,803)
Tax benefits not recognised	**3,781**	–	**3,781**	3,906
Expenses not deductible for tax purposes	**38,478**	**15,623**	**54,101**	35,748
Utilisation of previously unrecognised tax losses	**(1,273)**	–	**(1,273)**	(909)
Tax transparency	**(3,351)**	–	**(3,351)**	(3,352)
Over provision in prior years	**(2,212)**	–	**(2,212)**	(651)
Withholding tax	**5,281**	–	**5,281**	3,142
	44,692	–	**44,692**	43,541

No income tax effects have been recognised for those items recognised directly in Stapled Securityholders' funds.

32 EARNINGS PER STAPLED SECURITY/UNIT

Basic earnings per Stapled Security/Unit

The calculation of basic earnings per Stapled Security/Unit for the Stapled Group was based on the total return for the year attributable to Stapled Securityholders and a weighted average number of Stapled Securities outstanding.

There are no earnings derived from A-HTRUST for the year as the Combination was completed on 31 December 2019. As such, the consideration units issued pursuant to the Combination was not included in the weighted average number of Stapled Securities used for the computation of earnings per Stapled Security.

	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Total return attributable to Stapled Securityholders and perpetual securities holders	**216,262**	147,593
Less: Total return attributable to perpetual securities holders	**(19,741)**	(19,200)
Total return attributable to Stapled Securityholders	**196,521**	128,393

	Stapled Group 2019 Number of Units '000	Ascott Reit Group 2018 Number of Units '000
Issued Stapled Securities/Units at the beginning of the year	**–**	2,149,688
Effect of issue of new Stapled Securities/Units:		
– Distribution *in specie*	**2,174,217**	–
– As Ascott Reit Manager's management fees paid in Stapled Securities/Units	**–**	9,767
Weighted average number of Stapled Securities/Units outstanding during the year	**2,174,217**	2,159,455

Diluted earnings per Stapled Security/Unit

The calculation of diluted earnings per Stapled Security/Unit for the Stapled Group was based on the total return for the year attributable to Stapled Securityholders and a weighted average number of Stapled Securities outstanding after adjustment for the effects of all dilutive potential Stapled Securities.

32 EARNINGS PER STAPLED SECURITY/UNIT (continued)

Diluted earnings per Stapled Security/Unit (continued)

	Stapled Group 2019 '000	Ascott Reit Group 2018 '000
Weighted average number of Stapled Securities/Units used in calculation of basic earnings per Stapled Security/Unit	**2,174,217**	2,159,455
Weighted average number of unissued Stapled Securities/Units for base and performance fees	**11,501**	13,831
Weighted average number of Stapled Securities/Units outstanding (diluted) during the year	**2,185,718**	2,173,286

33 ISSUE EXPENSES – PERPETUAL SECURITIES

	Ascott Reit Group and Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Underwriting fees and selling commission	**892**	–
Professional fees	**402**	–
Other expenses	**75**	–
	1,369	–

These expenses were deducted directly against perpetual securities. Included in issue expenses are audit fees paid to auditors of the Stapled Group of $82,000 for services performed in connection with the issuance of perpetual securities.

34 DISPOSAL OF SUBSIDIARIES

The list of subsidiaries disposed during the year ended 31 December 2019 and 31 December 2018 is as follows:

Name of subsidiaries	Date of disposal	Equity interest disposed %
The Ascott (Vietnam) Investments Pte Ltd	31 October 2019	100.0
West Lake Development Company Limited	31 October 2019	70.0
Citadines (Xi'an) Property Co., Ltd.	5 January 2018	100.0
Gain Mark Properties (Shanghai) Ltd.	5 January 2018	100.0

34 DISPOSAL OF SUBSIDIARIES (continued)

Effect of disposal

The cash flows relating to assets and liabilities of the subsidiaries disposed during the year ended 31 December 2019 and assets and liabilities classified as held for sale disposed during the year ended 31 December 2018 are provided below:

Recognised values on disposal	Disposal of subsidiaries 2019 $'000	Disposal of assets and liabilities held for sale 2018 $'000
Investment properties	**13,618**	192,330
Property, plant and equipment	**171**	–
Trade and other receivables	**240**	59
Cash and cash equivalents	**275**	3,767
Trade and other payables	**(7,720)**	(112)
Lease liabilities	**(470)**	–
Current tax liabilities	**(22)**	–
Other liabilities	**–**	(4,306)
Non-controlling interests	**(3,253)**	–
Net assets disposed	**2,839**	191,738
Assignment of shareholder's loan	**7,066**	–
Transfer from foreign currency translation reserve to Statement of Total Return	**3,009**	135
Gain on disposal	**508**	3,211
Accrual of transaction costs	**502**	–
Deposit received recognised in prior year	**–**	(104,909)
Cash flow on disposal of subsidiaries/assets and liabilities held for sale	**13,924**	90,175
Less: Cash disposed	**(275)**	–
Less: Transaction costs	**–**	(4,670)
Net cash flow on disposal of subsidiaries/assets and liabilities held for sale	**13,649**	85,505

35 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Stapled Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

35 FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

This note presents information about the Stapled Group's exposure to each of the above risks, the Stapled Group's objectives, policies and processes for measuring and managing risk, and the Stapled Group's management of capital. Further quantitative disclosures are included throughout these financial statements. There were no changes in the Stapled Group's approach to financial risk management during the year.

Risk management framework

Risk management is integral to the whole business of the Stapled Group. The Stapled 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 Managers continually monitor the Stapled 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 Stapled Group's activities.

The Audit Committee oversees how management monitors compliance with the Stapled Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Stapled 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 Stapled Group as and when they fall due.

Exposure to credit risk

Trade receivables

The Managers have established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the serviced residence management companies before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

As at 31 December 2019 and 31 December 2018, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statements of Financial Position.

Concentration of credit risk relating to trade receivables is limited due to the Ascott Reit Group's, the Ascott BT Group's and the Stapled 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.

35 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Singapore	**696**	**59**	**755**	1,000
Australia	**1,814**	**4,292**	**6,106**	1,384
China	**1,793**	**–**	**1,793**	1,678
Europe (excluding United Kingdom)	**2,003**	**–**	**2,003**	1,725
Indonesia	**553**	**–**	**553**	566
Japan	**4,304**	**367**	**4,671**	3,034
Malaysia	**248**	**–**	**248**	323
Philippines	**3,055**	**–**	**3,055**	2,277
South Korea	**–**	**1,431**	**1,431**	–
United Kingdom	**3,041**	**–**	**3,041**	2,769
United States of America	**2,919**	**–**	**2,919**	1,918
Vietnam	**378**	**–**	**378**	707
	20,804	**6,149**	**26,953**	17,381

The movement in impairment losses in respect of trade and other receivables during the year is as follows:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
At 1 January/9 September 2019 (date of constitution)	**286**	**–**	**286**	399
Impairment losses recognised/(reversed)	**30**	**–**	**30**	(11)
Acquisition through business combination	**–**	**3**	**3**	–
Utilised during the year	**(224)**	**–**	**(224)**	(90)
Translation difference	**2**	**–**	**2**	(12)
At 31 December	**94**	**3**	**97**	286

Based on historical default rates, the Stapled Group believes that, except for those recognised, no additional impairment is necessary in respect of trade and other receivables not past due. These receivables relate to customers that have a good credit record with the Stapled Group and/or rental deposits held.

35 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Expected credit loss assessment for customers of the Stapled Group as at 31 December 2019

The credit quality of trade receivables of the Ascott Reit Group, the Ascott BT Group and the Stapled Group is assessed based on credit policies established by the Ascott Reit Group and the Ascott BT Group. Trade and other receivables with high credit risk will be identified and monitored by the respective property. The Ascott Reit Group's, the Ascott BT Group's and the Stapled Group's credit risk exposure in relation to trade receivables as at 31 December 2019 are set out in the provision matrix as follows:

		Past due			
	Current $'000	Within 30 days $'000	30 to 60 days $'000	More than 60 days $'000	Total $'000
Ascott Reit Group					
Expected loss rate	0.02%	0.61%	1.65%	1.57%	
Trade receivables	12,870	4,240	2,059	1,724	20,893
Loss allowance	2	26	34	27	89
Ascott BT Group					
Expected loss rate	–	–	–	0.53%	
Trade receivables	2,434	2,213	943	562	6,152
Loss allowance	–	–	–	3	3
Stapled Group					
Expected loss rate	0.01%	0.40%	1.13%	1.31%	
Trade receivables	15,304	6,453	3,002	2,286	27,045
Loss allowance	2	26	34	30	92

No ageing analysis of other receivables is presented as the majority of the outstanding balances as at 31 December 2019 is current.

35 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Expected credit loss assessment for customers of the Ascott Reit Group as at 31 December 2018

The credit quality of trade receivables of the Ascott Reit Group is assessed based on credit policies established by the Ascott Reit Group. Trade and other receivables with high credit risk will be identified and monitored by the respective property. The Ascott Reit Group's credit risk exposure in relation to trade receivables as at 31 December 2018 are set out in the provision matrix as follows:

		Past due			
	Current $'000	**Within 30 days $'000**	**30 to 60 days $'000**	**More than 60 days $'000**	**Total $'000**
Ascott Reit Group					
Expected loss rate	–	–	4.55%	19.60%	
Trade receivables	11,053	4,226	1,231	1,153	17,663
Loss allowance	–	–	56	226	282

No ageing analysis of other receivables is presented as the majority of the outstanding balances as at 31 December 2018 is current.

Non-trade amounts due from related parties

Expected credit losses associated with the non-trade amounts due from related parties are assessed from estimated cash flows recoverable from the related parties based on the review of their financial strength (i.e. fair value of underlying net assets) and cash flow projections of their operations as at the reporting date.

The Stapled Group did not recognise any impairment arising from the amounts due from related parties as the ECL is not material.

Financial derivatives

The financial derivatives are entered into with banks and financial institution counterparties, which are regulated.

Cash and cash equivalents

The Stapled Group held cash and cash equivalents of $275,503,000 at 31 December 2019 (Ascott Reit Group 2018: $227,847,000). The cash and cash equivalents are held with banks and financial institution counterparties which are rated AA- to BBB-, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 1-day expected loss basis and reflects the short maturities of the exposures. The Stapled Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

35 FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Stapled 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 Stapled 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 Stapled Group's reputation.

The Managers monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Stapled Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Stapled 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 2019, the Stapled Group has unutilised credit facilities of approximately $685.0 million expiring between February 2020 and November 2023, that can be drawn down to meet short-term financing needs.

Notes issued by the Stapled Group as at 31 December 2019 are as follows: (a) $661.4 million under the $1.0 billion MTN Programme; (b) $120.3 million under the US$2.0 billion EMTN Programme; and (c) $145.0 million under the $1.0 billion Stapled MTN Programme.

35 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

			Cash flows		
Ascott Reit Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
2019					
Non-derivative financial liabilities					
Floating rate loans	911,382	(958,955)	(194,304)	(745,760)	(18,891)
Fixed rate loans	252,787	(260,624)	(1,639)	(218,032)	(40,953)
Fixed rate notes	830,540	(913,944)	(160,244)	(690,698)	(63,002)
Lease liabilities	292,026	(422,184)	(18,580)	(77,651)	(325,953)
Trade and other payables [(1)]	135,049	(135,049)	(135,049)	–	–
	2,421,784	(2,690,756)	(509,816)	(1,732,141)	(448,799)
Derivative financial instruments					
Interest rate swaps					
– assets	(753)	913	718	195	–
– liabilities	3,467	(3,667)	(1,459)	(2,208)	–
Cross currency interest rate swaps					
– assets	(11,510)	41,091	10,303	30,788	–
– liabilities	2,469	2,318	224	2,094	–
Currency forwards					
– assets	(125)	(113)	(113)	–	–
– liabilities	10	9	9	–	–
	(6,442)	40,551	9,682	30,869	–
	2,415,342	(2,650,205)	(500,134)	(1,701,272)	(448,799)
2018					
Non-derivative financial liabilities					
Floating rate loans	1,091,124	(1,179,431)	(98,808)	(1,071,017)	(9,606)
Fixed rate loans	36,963	(38,319)	(166)	(664)	(37,489)
Fixed rate notes	776,839	(883,774)	(23,235)	(549,762)	(310,777)
Finance lease liabilities	527	(527)	(527)	–	–
Trade and other payables [(1)]	139,782	(139,782)	(139,782)	–	–
	2,045,235	(2,241,833)	(262,518)	(1,621,443)	(357,872)
Derivative financial instruments					
Interest rate swaps					
– assets	(6,486)	7,128	3,315	3,813	–
– liabilities	1,916	(2,357)	(1,157)	(1,200)	–
Cross currency interest rate swaps					
– assets	(1,808)	21,927	4,466	17,461	–
– liabilities	5,214	21,465	6,743	16,336	(1,614)
	(1,164)	48,163	13,367	36,410	(1,614)
	2,044,071	(2,193,670)	(249,151)	(1,585,033)	(359,486)

(1) Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

35 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
Ascott BT Group					
2019					
Non-derivative financial liabilities					
Floating rate loans	221,975	(243,162)	(5,928)	(237,234)	-
Fixed rate loans	37,175	(43,026)	(1,348)	(41,678)	-
Fixed rate notes	95,154	(101,869)	(28,086)	(73,783)	-
Lease liabilities	115,714	(193,937)	(14,637)	(58,547)	(120,753)
Trade and other payables [(1)]	64,932	(64,932)	(64,932)	–	–
	534,950	(646,926)	(114,931)	(411,242)	(120,753)
Derivative financial instruments					
Interest rate swaps					
– liabilities	288	(332)	(332)	–	–
Cross currency interest rate swaps					
– assets	(7,902)	11,138	3,063	8,075	–
– liabilities	1,954	(237)	812	(1,049)	–
Currency forwards					
– assets	(181)	(255)	(255)	–	–
– liabilities	7	6	6	–	–
	(5,834)	10,320	3,294	7,026	–
	529,116	(636,606)	(111,637)	(404,216)	(120,753)
Stapled Group					
2019					
Non-derivative financial liabilities					
Floating rate loans	1,133,357	(1,202,117)	(200,232)	(982,994)	(18,891)
Fixed rate loans	289,962	(303,650)	(2,987)	(259,710)	(40,953)
Fixed rate notes	925,694	(1,015,813)	(188,330)	(764,481)	(63,002)
Lease liabilities	292,026	(422,184)	(18,580)	(77,651)	(325,953)
Trade and other payables [(1)]	159,705	(159,705)	(159,705)	–	–
	2,800,744	(3,103,469)	(569,834)	(2,084,836)	(448,799)
Derivative financial instruments					
Interest rate swaps					
– assets	(753)	913	718	195	–
– liabilities	3,755	(3,999)	(1,791)	(2,208)	–
Cross currency interest rate swaps					
– assets	(19,412)	52,229	13,366	38,863	–
– liabilities	4,423	2,081	1,036	1,045	–
Currency forwards					
– assets	(306)	(368)	(368)	–	–
– liabilities	17	15	15	–	–
	(12,276)	50,871	12,976	37,895	–
	2,788,468	(3,052,598)	(556,858)	(2,046,941)	(448,799)

(1) Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

35 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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 income of the Ascott Reit Group, the Ascott BT Group and the Stapled Group and their 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 Ascott Reit Group, the Ascott BT Group and the Stapled Group have 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, Korean Won, Japanese Yen, Malaysian Ringgit, Philippine Peso, US Dollar and Vietnam Dong.

In order to manage the foreign currency risk, the Managers adopt foreign currency risk management strategies that include:

- entering into foreign currency forward contracts to hedge the foreign currency income from the overseas assets;

- entering into currency forwards to hedge a portion of the cash flows to enhance the stability of distribution to Stapled Securityholders. The hedging of AUD, JPY and KRW cash flows receivables from the subsidiaries are effected through forward sale of the AUD, JPY and KRW and purchases of SGD;

- 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.

35 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

The exposures to foreign currencies risk (excluding cross currency interest rate swaps that are designated as a hedge of net investments in foreign operations) as reported to the management of the Ascott Reit Group, the Ascott BT Group and the Stapled Group were as follows:

Ascott Reit 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	Vietnam Dong $'000	Total foreign currencies $'000
31 December 2019													
Loan receivables – associate	–	–	–	–	–	–	–	–	–	–	3,557	–	3,557
Trade and other receivables [1]	4,582	2,119	2,166	8,788	6,249	–	1,690	6,185	342	5,814	3,908	1,179	43,022
Intra-group receivables	47	25,699	1,941	167,935	63,945	–	–	134,655	9,910	404	92,383	–	496,919
Cash and cash equivalents	9,884	21,338	19,411	28,264	22,559	8	5,083	69,556	951	12,393	41,540	14,897	245,884
Trade and other payables [2]	(29,087)	(6,466)	(20,369)	(22,582)	(10,160)	(13,484)	(5,959)	(14,229)	(726)	(5,028)	5,241	(6,180)	(129,029)
Intra-group payables	(10,723)	–	(29,367)	–	–	–	–	(7)	–	–	–	–	(40,097)
Financial liabilities	(470,431)	–	(17,909)	(221,339)	(37,908)	–	–	(784,263)	–	–	(462,858)	–	(1,994,708)
Lease liabilities	–	–	(12,531)	–	–	–	–	–	–	(18,047)	(261,448)	–	(292,026)
Gross currency exposure	(495,728)	42,690	(56,658)	(38,934)	44,685	(13,476)	814	(588,103)	10,477	(4,464)	(577,677)	9,896	(1,666,478)
Add/(less): Net exposure denominated in the respective entities' functional currencies	483,426	(9,459)	18,293	(11,679)	(17,337)	–	–	370,359	(591)	4,807	560,644	(9,896)	1,388,567
Add: Loan designated for net investment hedge [3]	–	–	–	221,674	37,908	–	–	356,512	–	–	–	–	616,094
Add: Cross currency interest rate swap	–	–	–	–	–	–	–	–	–	–	69,223	–	69,223
Net exposure	(12,302)	33,231	(38,365)	171,061	65,256	(13,476)	814	138,768	9,886	343	52,190	–	407,406

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.
(3) Stated at face value (excluding unamortised transaction costs).

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Ascott Reit 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	Vietnam Dong $'000	Total foreign currencies $'000
31 December 2018													
Loan receivables – associate	–	–	–	–	–	–	–	–	–	–	3,584	–	3,584
Trade and other receivables [1]	4,220	1,505	3,146	18,227	3,487	–	1,454	4,088	419	5,508	3,012	1,316	46,382
Intra-group receivables	32	16,815	–	178,806	60,094	–	–	72,686	9,943	591	95,186	–	434,153
Cash and cash equivalents	31,034	12,105	23,099	22,314	21,126	1	4,718	46,240	982	8,431	44,290	13,507	227,847
Trade and other payables [2]	(18,705)	(4,562)	(19,988)	(24,272)	(6,466)	(13,594)	(3,767)	(10,818)	(798)	(6,088)	(7,765)	(6,501)	(123,324)
Intra-group payables	(10,444)	–	(29,863)	–	–	–	–	–	–	–	–	–	(40,307)
Financial liabilities	(476,879)	–	(36,869)	(212,672)	(173,960)	–	–	(521,518)	–	–	(483,555)	–	(1,905,453)
Gross currency exposure	(470,742)	25,863	(60,475)	(17,597)	(95,719)	(13,593)	2,405	(409,322)	10,546	8,442	(345,248)	8,322	(1,357,118)
Add/(less): Net exposure denominated in the respective entities' functional currencies	460,302	(9,010)	22,633	(13,293)	(64,265)	10	–	141,386	(631)	(7,876)	312,368	(8,322)	833,302
Add: Loan designated for net investment hedge [3]	–	–	–	212,548	173,960	–	–	268,562	–	–	–	–	655,070
Add: Cross currency interest rate swap	–	–	–	–	–	–	–	–	–	–	69,724	–	69,724
Net exposure	(10,440)	16,853	(37,842)	181,658	13,976	(13,583)	2,405	626	9,915	566	36,844	–	200,978

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.
(3) Stated at face value (excluding unamortised transaction costs).

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Ascott BT Group	Singapore Dollar $'000	Australian Dollar $'000	Japanese Yen $'000	Korean Won $'000	US Dollar $'000	Total foreign currencies $'000
31 December 2019						
Trade and other receivables [1]	885	4,516	750	1,323	199	7,673
Intra-group receivables	–	140,924	45,368	645	–	186,937
Cash and cash equivalents	7,298	7,744	6,733	6,953	891	29,619
Trade and other payables [2]	(12,986)	(15,334)	(7,824)	(2,898)	(199)	(39,241)
Financial liabilities	(95,032)	(171,866)	(1,251)	(37,175)	(48,980)	(354,304)
Gross currency exposure	(99,835)	(34,016)	43,776	(31,152)	(48,089)	(169,316)
Add/(less): Net exposure denominated in the respective entities' functional currencies	99,835	174,822	1,437	31,542	–	307,636
Add: Loan designated for net investment hedge [3]	–	–	–	–	48,980	48,980
Net exposure	–	140,806	45,213	390	891	187,300

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.
(3) Stated at face value (excluding unamortised transaction costs).

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Stapled 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	Korean Won $'000	US Dollar $'000	Vietnam Dong $'000	Total foreign currencies $'000
31 December 2019														
Loan receivables – associate	–	–	–	–	–	–	–	–	–	–	–	3,557	–	3,557
Trade and other receivables [1]	5,467	6,635	2,166	8,788	6,249	–	1,690	6,935	342	5,814	1,323	4,107	1,179	50,695
Intra-group receivables	47	166,623	1,941	167,935	63,945	–	–	180,023	9,910	404	645	92,383	–	683,856
Cash and cash equivalents	17,182	29,082	19,411	28,264	22,559	8	5,083	76,289	951	12,393	6,953	42,431	14,897	275,503
Trade and other payables [2]	(42,073)	(21,800)	(20,369)	(22,582)	(10,160)	(13,484)	(5,959)	(22,053)	(726)	(5,028)	(2,898)	5,042	(6,180)	(168,270)
Intra-group payables	(10,723)	–	(29,367)	–	–	–	–	(7)	–	–	–	–	–	(40,097)
Financial liabilities	(565,463)	(171,866)	(17,909)	(221,339)	(37,908)	–	–	(785,514)	–	–	(37,175)	(511,838)	–	(2,349,012)
Lease liabilities	–	–	(12,531)	–	–	–	–	–	–	(18,047)	–	(261,448)	–	(292,026)
Gross currency exposure	(595,563)	8,674	(56,658)	(38,934)	44,685	(13,476)	814	(544,327)	10,477	(4,464)	(31,152)	(625,766)	9,896	(1,835,794)
Add/(less): Net exposure denominated in the respective entities' functional currencies	583,261	165,363	18,293	(11,679)	(17,337)	–	–	371,796	(591)	4,807	31,542	560,644	(9,896)	1,696,203
Add: Loan designated for net investment hedge [3]	–	–	–	221,674	37,908	–	–	356,512	–	–	–	48,980	–	665,074
Add: Cross currency interest rate swap	–	–	–	–	–	–	–	–	–	–	–	69,223	–	69,223
Net exposure	(12,302)	174,037	(38,365)	171,061	65,256	(13,476)	814	183,981	9,886	343	390	53,081	–	594,706

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.
(3) Stated at face value (excluding unamortised transaction costs).

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Stapled 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.

35 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Statement of Total Return of the Ascott Reit Group, the Ascott BT Group and the Stapled Group in response to a 10% increase in foreign exchange rates to which the Ascott Reit Group, the Ascott BT Group and the Stapled 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.

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Singapore Dollar (1)	**(1,230)**	**–**	**(1,230)**	(1,044)
Australian Dollar (2)	**3,323**	**14,081**	**17,404**	1,685
Chinese Renminbi (2)	**(3,837)**	**–**	**(3,837)**	(3,784)
Euro (2)	**17,106**	**–**	**17,106**	18,166
Sterling Pound (2)	**6,526**	**–**	**6,526**	1,398
Hong Kong Dollar (2)	**(1,348)**	**–**	**(1,348)**	(1,358)
Indonesian Rupiah (3)	**81**	**–**	**81**	241
Japanese Yen (4)	**13,877**	**4,521**	**18,398**	63
Malaysian Ringgit (2)	**989**	**–**	**989**	992
Philippine Peso (2)	**34**	**–**	**34**	57
Korean Won (6)	**–**	**39**	**39**	–
US Dollar (5)	**5,219**	**89**	**5,308**	3,684

(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 Vietnam Dong.
(6) As compared to functional currency of Singapore Dollar.

A decrease in foreign exchange rates to which the Ascott Reit Group, the Ascott BT Group and the Stapled Group have 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.

35 FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Stapled Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. The Ascott Reit Group and the Ascott BT Group adopt a policy of ensuring that up to 80% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. The Ascott Reit Group and the Ascott BT Group apply a hedge ratio of 1:1.

The Ascott Reit Group, Ascott BT Group and the Stapled Group classify these interest rate swaps as cash flow hedges which were effective during the year.

The Ascott Reit Group and the Ascott BT Group determine the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Ascott Reit Group and the Ascott BT Group assess whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Ascott Reit Group, the Ascott BT Group and the Stapled Group own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Carrying amount			
	Ascott Reit Group 2019 $'000	**Ascott BT Group 2019 $'000**	**Stapled Group 2019 $'000**	**Ascott Reit Group 2018 $'000**
Fixed rate instruments				
Financial liabilities	**(1,083,327)**	**(132,329)**	**(1,215,656)**	(813,802)
Variable rate instruments				
Financial liabilities	**(911,382)**	**(221,975)**	**(1,133,357)**	(1,091,651)

35 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

To manage its exposure to interest rate movements on its variable rate financial liabilities, the Ascott Reit Group, the Ascott BT Group and the Stapled Group enter into interest rate swaps and cross currency interest rate swaps. The following cross currency interest rate swaps are used to exchange:

a) floating rate interest on US Dollar ("USD") loan of USD 50.879 million for fixed rate JPY interest;

b) floating rate interest on USD loan of USD 6.0 million for fixed rate Korean Won ("KRW") interest; and

c) floating rate interest on USD loan of USD 30.0 million for fixed rate JPY interest.

The hedge relationships for which hedge accounting have been adopted are effective in the financial year ended 31 December 2019 and 31 December 2018.

Interest rate benchmark reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally to replace or reform existing benchmark interbank offered rates ("IBORs") with alternative rates. The Stapled Group hedged items and hedging instruments continue to be indexed to Certificate of Deposit Rate ("CD"), Bank Bill Swap Rate ("BBSW"), Euro Interbank Offered Rate ("EURIBOR"), London Interbank Offered Rate ("LIBOR") and Tokyo Interbank Offered Rate ("TIBOR"). There is uncertainty as to the timing and the methods of transition across the jurisdictions that the Stapled Group operates in.

As a result of these uncertainties, significant judgement is involved in determining certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBORs continue to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Stapled Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

At 31 December 2019, the Stapled Group has interest rate swaps classified as cash flow hedges with notional contractual amount of $694.5 million (2018: $640.7 million) which pay fixed interest rates averaging 1.09% (2018: 1.13%) per annum and receive variable rates equal to the EURIBOR, GBP LIBOR and TIBOR on the notional amount and a cross currency interest rate swap classified as cash flow hedge with notional contractual amount of $69.2 million (2018: $69.7 million) which pay fixed interest rates and receive variable rates equal to the USD LIBOR on the notional amount.

Fair value sensitivity analysis for fixed rate instruments

The Ascott Reit Group, the Ascott BT Group and the Stapled Group do not account for any fixed rate financial liabilities at fair value through total return, and the Ascott Reit Group, the Ascott BT Group and the Stapled Group do 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.

35 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rate at the reporting date would increase/(decrease) Stapled Securityholders' 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 2018.

	Statement of Total Return		Stapled Securityholders' funds	
Ascott Reit Group	**100 bp increase $'000**	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
31 December 2019				
Variable rate financial liabilities	(9,174)	9,174	–	–
Interest rate swaps/Cross currency interest rate swaps	6,988	(6,988)	1,647	(1,647)
Cash flow sensitivity (net)	(2,186)	2,186	1,647	(1,647)
31 December 2018				
Variable rate financial liabilities	(10,995)	10,995	–	–
Interest rate swaps/Cross currency interest rate swaps	7,105	(7,105)	1,730	(1,730)
Cash flow sensitivity (net)	(3,890)	3,890	1,730	(1,730)
Ascott BT Group				
31 December 2019				
Variable rate financial liabilities	(2,228)	2,228	–	–
Interest rate swaps/Cross currency interest rate swaps	1,139	(1,139)	182	(182)
Cash flow sensitivity (net)	(1,089)	1,089	182	(182)
Stapled Group				
31 December 2019				
Variable rate financial liabilities	(11,402)	11,402	–	–
Interest rate swaps/Cross currency interest rate swaps	8,127	(8,127)	1,829	(1,829)
Cash flow sensitivity (net)	(3,275)	3,275	1,829	(1,829)

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting

At 31 December 2019, the Ascott Reit Group, the Ascott BT Group and the Stapled Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
Ascott Reit Group	Contractual notional amount $'000	Assets/ (Liabilities) $'000	Financial Statement line item	Hedging instrument $'000	Hedged item $'000	Hedge ineffectiveness recognised in Statement of Total Return $'000	Weighted average hedge rate	Maturity date
Cash flow hedges								
Interest rate risk								
– Interest rate swaps to hedge floating rate borrowings	565,762	(2,478)	Derivative financial instruments	(4,536)	4,536	–	1.03%	2020 – 2024
– Interest rate swaps to hedge floating rate borrowings	63,801	(236)	Derivative financial instruments	–[1]	–[1]	–	0.75%	2023
– USD/JPY cross currency interest rate swap to swap USD floating rate interest for JPY fixed rate interest	69,223	(864)	Derivative financial instruments	(1,618)	1,618	–	3.49%	2023
Foreign exchange risk								
– USD floating rate loan designated under the USD/JPY cross currency interest rate swap	–	(68,759)	Borrowings	501	(501)	–	–	2023

(1) Nil as these instruments were acquired through the business combination on 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

Ascott Reit Group	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
	Contractual notional amount $'000	Assets/ (Liabilities) $'000	Financial Statement line item	Hedging instrument $'000	Hedged item $'000	Hedge ineffectiveness recognised in Statement of Total Return $'000	Weighted average hedge rate	Maturity date
Net investment hedges								
Foreign exchange risk								
– Borrowings to hedge net investments in foreign operations	–	(550,009)	Borrowings	(6,831)	6,831	–	–	2020 – 2025
– Borrowings to hedge net investments in foreign operations	–	(63,516)	Borrowings	–[(1)]	–[(1)]	–	–	2023
– Cross currency interest rate swaps to hedge net investments in foreign operations	420,000	10,257	Derivative financial instruments	13,928	(13,928)	–	EUR1:$1.53	2022 – 2024
– USD/JPY cross currency interest rate swap to hedge JPY net investments	–[(2)]	81	Derivative financial instruments	570	(570)	–	JPY83.20:$1	2023
– Cross currency interest rate swaps to hedge net investments in foreign operations	49,500	(433)	Derivative financial instruments	–[(1)]	–[(1)]	–	JPY81.47:$1	2020

(1) Nil as these instruments were acquired through the business combination on 31 December 2019.
(2) Contractual notional amount of the USD/JPY cross currency interest rate swap is disclosed under "Cash flow hedges".

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

Ascott BT Group	Carrying amount: Contractual notional amount $'000	Carrying amount: Assets/ (Liabilities) $'000	Carrying amount: Financial Statement line item	Changes in fair value used for calculating hedge ineffectiveness: Hedging instrument $'000	Changes in fair value used for calculating hedge ineffectiveness: Hedged item $'000	Changes in fair value used for calculating hedge ineffectiveness: Hedge ineffectiveness recognised in Statement of Total Return $'000	Weighted average hedge rate	Maturity date
Cash flow hedges								
Interest rate risk								
– Interest rate swaps to hedge floating rate borrowings	64,954	(288)	Derivative financial instruments	–[(1)]	–[(1)]	–	2.01%	2020
Net investment hedges								
Foreign exchange risk								
– Borrowings to hedge net investments in foreign operations	–	(48,858)	Borrowings	–[(1)]	–[(1)]	–	–	2022
– Cross currency interest rate swaps to hedge net investments in foreign operations	143,480	5,948	Derivative financial instruments	–[(1)]	–[(1)]	–	JPY75.36:$1 KRW805:$1 JPY114:USD1 KRW1,083:USD1	2020 – 2022

(1) Nil as these instruments were acquired through the business combination on 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

Stapled Group	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
	Contractual notional amount $'000	Assets/ (Liabilities) $'000	Financial Statement line item	Hedging instrument $'000	Hedged item $'000	Hedge ineffectiveness recognised in Statement of Total Return $'000	Weighted average hedge rate	Maturity date
Cash flow hedges								
Interest rate risk								
– Interest rate swaps to hedge floating rate borrowings	565,762	(2,478)	Derivative financial instruments	(4,536)	4,536	–	1.03%	2020 – 2024
– Interest rate swaps to hedge floating rate borrowings	128,755	(524)	Derivative financial instruments	–[(1)]	–[(1)]	–	0.75% – 2.01%	2020 – 2023
– USD/JPY cross currency interest rate swap to swap USD floating rate interest for JPY fixed rate interest	69,223	(864)	Derivative financial instruments	(1,618)	1,618	–	3.49%	2023
Foreign exchange risk								
– USD floating rate loan designated under the USD/JPY cross currency interest rate swap	–	(68,759)	Borrowings	501	(501)	–	–	2023

(1) Nil as these instruments were acquired through the business combination on 31 December 2019.

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

Stapled Group	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
	Contractual notional amount $'000	Assets/ (Liabilities) $'000	Financial Statement line item	Hedging instrument $'000	Hedged item $'000	Hedge ineffectiveness recognised in Statement of Total Return $'000	Weighted average hedge rate	Maturity date
Net investment hedges *Foreign exchange risk*								
– Borrowings to hedge net investments in foreign operations	–	(550,009)	Borrowings	(6,831)	6,831	–	–	2020 – 2025
– Borrowings to hedge net investments in foreign operations	–	(112,374)	Borrowings	–[1]	–[1]	–	–	2022 – 2023
– Cross currency interest rate swaps to hedge net investments in foreign operations	420,000	10,257	Derivative financial instruments	13,928	(13,928)	–	EUR 1:$1.53	2022 – 2024
– USD/JPY cross currency interest rate swap to hedge JPY net investments	–[2]	81	Derivative financial instruments	570	(570)	–	JPY83.20:$1	2023
– Cross currency interest rate swaps to hedge net investments in foreign operations	192,980	5,515	Derivative financial instruments	–[1]	–[1]	–	JPY75.36:$1 JPY81.47:$1 KRW805:$1 JPY114:USD1 KRW1,083:USD1	2020 – 2022

(1) Nil as these instruments were acquired through the business combination on 31 December 2019.
(2) Contractual notional amount of the USD/JPY cross currency interest rate swap is disclosed under "Cash flow hedges".

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

At 31 December 2018, the Ascott Reit Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
Ascott Reit Group	**Contractual notional amount $'000**	**Assets/ (Liabilities) $'000**	**Financial Statement line item**	**Hedging instrument $'000**	**Hedged item $'000**	**Hedge ineffectiveness recognised in Statement of Total Return $'000**	**Weighted average hedge rate**	**Maturity date**
Cash flow hedges								
Interest rate risk								
– Interest rate swaps to hedge floating rate borrowings	640,741	4,570	Derivative financial instruments	2,912	(2,912)	–	1.13%	2019 – 2022
– USD/JPY cross currency interest rate swap to swap USD floating rate interest for JPY fixed rate interest	69,724	754	Derivative financial instruments	1,779	(1,779)	–	3.31%	2023
Foreign exchange risk								
– USD floating rate loan designated under the USD/JPY cross currency interest rate swap	–	(69,141)	Borrowings	(1,248)	1,248	–	–	2023
Net investment hedges								
Foreign exchange risk								
– Borrowings to hedge net investments in foreign operations	–	(653,215)	Borrowings	9,551	(9,551)	–	–	2020 – 2025
– Cross currency interest rate swaps to hedge net investments in foreign operations	420,000	(3,671)	Derivative financial instruments	8,204	(8,204)	–	EUR 1:$1.53	2022 – 2024
– USD/JPY cross currency interest rate swap to hedge JPY net investments	–[1]	(489)	Derivative financial instruments	(3,604)	3,604	–	JPY83.20:$1	2023

(1) Contractual notional amount of the USD/JPY cross currency interest rate swap is disclosed under "Cash flow hedges".

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

The following table provides a reconciliation by risk category of components of Stapled Securityholders' funds resulting from cash flow hedge accounting.

Ascott Reit Group and Stapled Group	Hedging reserve 2019 $'000	Hedging reserve 2018 $'000
Balance as at 1 January	**3,003**	(1,240)
Cash flow hedges		
Change in fair value		
– Interest rate risk	**(6,154)**	4,691
– Foreign exchange risk	**501**	(1,248)
Amounts reclassified to Statement of Total Return		
– Interest rate risk	**(1,096)**	800
Balance as at 31 December	**(3,746)**	3,003

Net investment hedge

A foreign currency exposure arises from the Stapled Group's net investment in its subsidiaries in Europe, Japan and South Korea that has a EUR, GBP, JPY and KRW functional currency respectively. The risk arises from the fluctuation in spot exchange rates between the EUR, GBP, JPY, KRW and SGD, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedges are the risk of a weakening EUR, GBP, JPY and KRW against the SGD that will result in a reduction in the carrying amount of the Stapled Group's net investment in its subsidiaries in Europe, Japan and South Korea.

Part of the Stapled Group's net investments in certain subsidiaries in Europe and Japan are hedged through the use of EUR, GBP and JPY denominated borrowings.

The Stapled Group also entered into cross currency interest rate swaps to swap fixed rate SGD medium term notes for fixed rate EUR, JPY and KRW obligations. The SGD medium term notes, which together with the cross currency interest rate swap arrangement, have been used to hedge the Stapled Group's foreign currency risk on the net investment in the subsidiaries in Europe, Japan and South Korea.

The Stapled Group has also designated USD denominated borrowings, together with certain cross currency interest rate swaps, to hedge its net investment in the subsidiaries in Japan and South Korea.

The Stapled Group also entered into a cross currency interest rate swap to swap floating rate USD loan for fixed rate JPY obligations. The JPY portion of this cross currency interest rate swap have been designated as a hedge of the Stapled Group's foreign currency risk on the net investment in the subsidiaries in Japan. The USD floating rate loan, together with the swap of the floating USD interest for fixed JPY interest under the cross currency interest rate swap, is designated as a cash flow hedge.

35 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

Net investment hedge (continued)

As at the reporting date, the carrying amount of these borrowings was $662,383,000 (2018: $653,215,000) and the fair value of the borrowings was $685,714,000 (2018: $656,631,000). The net investment hedges were effective during the year. The Stapled Group's investments in other subsidiaries are not hedged.

The Stapled Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency and amount. The Stapled Group assess the effectiveness of each hedging relationship by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Stapled 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 Stapled 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 Stapled Group or the counterparties. In addition, the Stapled Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

35 FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

Ascott Reit Group	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
31 December 2019					
Financial assets					
Interest rate swaps	753	–	753	–	753
Cross currency interest rate swaps	11,510	–	11,510	–	11,510
Currency forwards	125	–	125	–	125
Trade and other receivables	11,451	(11,451)	–	–	–
Financial liabilities					
Interest rate swaps	(3,467)	–	(3,467)	–	(3,467)
Cross currency interest rate swaps	(2,469)	–	(2,469)	–	(2,469)
Currency forwards	(10)	–	(10)	–	(10)
Trade and other payables	(13,311)	11,451	(1,860)	–	(1,860)

35 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
Ascott Reit Group					
31 December 2018					
Financial assets					
Interest rate swaps	6,486	–	6,486	–	6,486
Cross currency interest rate swaps	1,808	–	1,808	–	1,808
Trade and other receivables	11,534	(11,534)	–	–	–
Financial liabilities					
Interest rate swaps	(1,916)	–	(1,916)	–	(1,916)
Cross currency interest rate swaps	(5,214)	–	(5,214)	–	(5,214)
Trade and other payables	(13,417)	11,534	(1,883)	–	(1,883)
Ascott BT Group					
31 December 2019					
Financial assets					
Cross currency interest rate swaps	7,902	–	7,902	–	7,902
Currency forwards	181	–	181	–	181
Financial liabilities					
Interest rate swaps	(288)	–	(288)	–	(288)
Cross currency interest rate swaps	(1,954)	–	(1,954)	–	(1,954)
Currency forwards	(7)	–	(7)	–	(7)

35 FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement (continued)

Stapled Group	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
31 December 2019					
Financial assets					
Interest rate swaps	753	–	753	–	753
Cross currency interest rate swaps	19,412	–	19,412	–	19,412
Currency forwards	306	–	306	–	306
Trade and other receivables	11,451	(11,451)	–	–	–
Financial liabilities					
Interest rate swaps	(3,755)	–	(3,755)	–	(3,755)
Cross currency interest rate swaps	(4,423)	–	(4,423)	–	(4,423)
Currency forwards	(17)	–	(17)	–	(17)
Trade and other payables	(13,311)	11,451	(1,860)	–	(1,860)

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, currency forwards and interest rate swaps – fair value; and
- trade and other receivables and trade and other payables – amortised cost.

36 RELATED PARTIES

In the normal course of the operations of the Ascott Reit Group, the Ascott Reit Manager's management fees and the Ascott Reit Trustee's fees have been paid or are payable to the Ascott Reit Manager and the Ascott Reit Trustee, respectively.

In the normal course of the operations of the Ascott BT Group, the Ascott BT Trustee-Manager's management fees and the Ascott BT Trustee-Manager's trustee fees have been paid or are payable to the Ascott BT Trustee-Manager.

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:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Acquisition fees paid/payable to the Ascott Reit Manager	**5,017**	**4,879**	**9,896**	–
Compensation fee paid to a related corporation	**206**	**–**	**206**	–
Divestment fees paid/payable to the Ascott Reit Manager	**1,836**	**–**	**1,836**	1,021
Interest paid/payable to a related corporation	**139**	**–**	**139**	139
Rental income received/receivable from related corporations	**(2,591)**	**–**	**(2,591)**	(2,046)
Rental income received/receivable from master lease arrangements with related corporations	**(57,706)**	**–**	**(57,706)**	(63,783)
Serviced residence management fees paid/payable to related corporations	**23,275**	**–**	**23,275**	21,843
Service fee paid/payable to related corporations	**20,154**	**–**	**20,154**	17,391

37 FINANCIAL RATIOS

	Ascott Reit Group 2019 %	Ascott Reit Group 2018 %	Stapled Group 2019 %
Ratio of expenses to average net asset value (1)			
– including performance component of the Ascott Reit Manager's management fees	**0.92**	1.01	**0.71**
– excluding performance component of the Ascott Reit Manager's management fees	**0.65**	0.71	**0.50**
Portfolio turnover rate (2)	**1.94**	–	**1.49**

(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 Ascott Reit Group and the Stapled 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 investment properties of the Ascott Reit Group and the Stapled Group expressed as a percentage of weighted average net asset value.

38 OPERATING SEGMENTS

Segment information is presented in respect of the geographical segments of the Ascott Reit Group, the Ascott BT Group and the Stapled Group. The operations of each of the Ascott Reit Group's, the Ascott BT Group's and the Stapled 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 Managers review 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 Managers believe 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 reportable segments of the Ascott Reit Group, the Ascott BT Group and the Stapled Group is presented in the following tables.

NOTES TO THE FINANCIAL STATEMENTS

38 OPERATING SEGMENTS (continued)

Information about reportable segments

Geographical segments

The principal business of the Ascott Reit Group, the Ascott BT Group and the Stapled Group are investing in investment properties.

Ascott Reit Group	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2019								
Gross rental income	45,142	34,468	14,674	49,394	30,744	14,547	15,400	204,369
Other income	93	2,278	1,448	1,538	2,568	895	340	9,160
Gross revenue	45,235	36,746	16,122	50,932	33,312	15,442	15,740	213,529
Direct expenses	(17,937)	(18,882)	(10,551)	(30,563)	(3,058)	(1,221)	(10,261)	(92,473)
Segment gross profit	27,298	17,864	5,571	20,369	30,254	14,221	5,479	121,056
Net change in fair value of investment properties, investment property under development and assets held for sale	227,234	10,254	5,641	2,280	9,561	8,515	(3,891)	259,594

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Ascott Reit Group	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 2019									
Gross rental income	52,267	4,435	24,322	8,463	55,419	105,817	40,096	290,819	495,188
Other income	4,745	27	1,313	367	762	1,557	1,837	10,608	19,768
Gross revenue	57,012	4,462	25,635	8,830	56,181	107,374	41,933	301,427	514,956
Direct expenses	(27,136)	(3,581)	(16,688)	(4,605)	(32,060)	(66,481)	(19,321)	(169,872)	(262,345)
Segment gross profit	29,876	881	8,947	4,225	24,121	40,893	22,612	131,555	252,611
Net change in fair value of investment properties, investment property under development and assets held for sale	11,943	(3,582)	(6,808)	2,498	6,439	(2,005)	(17,858)	(9,373)	250,221
Finance income									2,080
Finance costs									(51,817)
Profit from divestments									1,019
Transaction costs relating to the Combination									(7,081)
Impairment of goodwill									(60,866)
Unallocated net expense									(33,252)
Reportable segment profit before income tax									352,915
Income tax expense									(44,692)
Total return for the year									308,223

NOTES TO THE FINANCIAL STATEMENTS

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Ascott Reit Group	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2018								
Gross rental income	46,523	33,755	13,459	52,602	33,346	14,953	14,957	209,595
Other income	109	1,677	1,376	1,563	2,421	656	573	8,375
Gross revenue	46,632	35,432	14,835	54,165	35,767	15,609	15,530	217,970
Direct expenses	(17,604)	(16,576)	(10,422)	(33,386)	(2,722)	(1,284)	(9,792)	(91,786)
Segment gross profit	29,028	18,856	4,413	20,779	33,045	14,325	5,738	126,184
Net change in fair value of investment properties, investment property under development and assets held for sale	2,146	(283)	3,495	1,551	7,304	2,586	(2,625)	14,174

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Ascott Reit Group	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2018									
Gross rental income	50,174	4,961	21,250	8,282	52,620	108,705	38,708	284,700	494,295
Other income	5,428	35	1,159	374	1,023	1,733	1,851	11,603	19,978
Gross revenue	55,602	4,996	22,409	8,656	53,643	110,438	40,559	296,303	514,273
Direct expenses	(24,985)	(3,563)	(16,120)	(4,550)	(30,596)	(84,320)	(18,993)	(183,127)	(274,913)
Segment gross profit	30,617	1,433	6,289	4,106	23,047	26,118	21,566	113,176	239,360
Net change in fair value of investment properties, investment property under development and assets held for sale	682	(1,394)	(3,592)	1,614	22,358	(882)	2,539	21,325	35,499
Finance income									1,194
Finance costs									(47,116)
Profit from divestments									3,211
Unallocated net expense									(36,766)
Reportable segment profit before income tax									195,382
Income tax expense									(43,541)
Total return for the year									151,841

NOTES TO THE FINANCIAL STATEMENTS

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Ascott BT Group	Singapore $'000	Australia $'000	Japan $'000	South Korea $'000	Total $'000
Year ended 31 December 2019					
Transaction costs relating to the Combination					(12,620)
Impairment of goodwill					(79,233)
Unallocated net expense					(48)
Reportable segment loss before income tax					(91,901)
Income tax expense					–
Total loss for the period					(91,901)
2019					
Assets and liabilities					
Reportable segment assets	17,805	602,738	372,598	198,545	1,191,686
Reportable segment liabilities	51,175	218,406	267,625	72,324	609,530

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Stapled Group	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2019								
Gross rental income	45,142	34,468	14,674	49,394	30,744	14,547	15,400	204,369
Other income	93	2,278	1,448	1,538	2,568	895	340	9,160
Gross revenue	45,235	36,746	16,122	50,932	33,312	15,442	15,740	213,529
Direct expenses	(17,937)	(18,882)	(10,551)	(30,563)	(3,058)	(1,221)	(10,261)	(92,473)
Segment gross profit	27,298	17,864	5,571	20,369	30,254	14,221	5,479	121,056
Net change in fair value of investment properties, investment property under development and assets held for sale	227,234	10,254	5,641	2,280	9,561	8,515	(3,891)	259,594

NOTES TO THE FINANCIAL STATEMENTS

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Stapled Group	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 2019									
Gross rental income	52,267	4,435	24,322	8,463	55,419	105,817	40,096	290,819	495,188
Other income	4,745	27	1,313	367	762	1,557	1,837	10,608	19,768
Gross revenue	57,012	4,462	25,635	8,830	56,181	107,374	41,933	301,427	514,956
Direct expenses	(27,136)	(3,581)	(16,688)	(4,605)	(32,060)	(66,481)	(19,321)	(169,872)	(262,345)
Segment gross profit	29,876	881	8,947	4,225	24,121	40,893	22,612	131,555	252,611
Net change in fair value of investment properties, investment property under development and assets held for sale	11,943	(3,582)	(6,808)	2,498	6,439	(2,005)	(17,858)	(9,373)	250,221
Finance income									2,080
Finance costs									(51,817)
Profit from divestments									1,019
Transaction costs relating to the Combination									(19,701)
Impairment of goodwill									(140,099)
Unallocated net expense									(33,300)
Reportable segment profit before income tax									261,014
Income tax expense									(44,692)
Total return for the year									216,322

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Ascott Reit Group	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
2019								
Assets and liabilities								
Reportable segment assets	1,316,575	351,693	69,888	536,856	526,374	255,988	110,017	3,167,391
Reportable segment liabilities	44,931	11,211	59,603	133,541	402,461	200,303	11,993	864,043
Other Segmental Information								
Capital expenditure:								
– investment properties	–	4,306	199	378	795	131	4,217	10,026
– property, plant and equipment	341	987	88	835	–	–	487	2,738
– investment property under development	9,293	–	–	–	–	–	–	9,293
Depreciation	2,302	406	138	1,442	–	–	836	5,124
2018								
Assets and liabilities								
Reportable segment assets	1,077,344	282,970	66,501	530,471	544,536	257,474	110,778	2,870,074
Reportable segment liabilities	93,527	7,840	52,277	130,161	414,871	190,988	10,051	899,715
Other Segmental Information								
Capital expenditure:								
– investment properties	222	68	248	57	–	67	2,764	3,426
– property, plant and equipment	1,243	630	104	1,584	–	–	458	4,019
Depreciation	2,597	388	463	1,883	–	–	713	6,044

NOTES TO THE FINANCIAL STATEMENTS

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Ascott Reit Group	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
2019									
Assets and liabilities									
Reportable segment assets	1,209,863	49,616	177,230	69,985	520,451	921,190	273,898	3,222,233	6,389,624
Reportable segment liabilities	963,643	673	36,306	52,337	61,315	610,886	37,734	1,762,894	2,626,937
Other Segmental Information									
Capital expenditure:									
– investment properties	371	–	1,205	122	909	807	86	3,500	13,526
– property, plant and equipment	349	86	541	18	–	4,226	1,552	6,772	9,510
– investment property under development	–	–	–	–	–	–	–	–	9,293
Depreciation	416	145	1,979	188	1,823	1,308	1,515	7,374	12,498
2018									
Assets and liabilities									
Reportable segment assets	682,016	53,305	160,915	75,330	502,627	661,108	303,756	2,439,057	5,309,131
Reportable segment liabilities	606,824	692	20,148	54,565	191,650	359,662	44,966	1,278,507	2,178,222
Other Segmental Information									
Capital expenditure:									
– investment properties	862	–	4,189	7	1,423	3,345	82	9,908	13,334
– property, plant and equipment	49	203	3,650	22	–	2,195	4,138	10,257	14,276
Depreciation	381	130	1,764	150	1,801	892	1,582	6,700	12,744

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Stapled Group	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
2019								
Assets and liabilities								
Reportable segment assets	1,296,068	954,431	69,888	536,856	526,374	255,988	110,017	3,749,622
Reportable segment liabilities	60,328	229,617	59,603	133,541	402,461	200,303	11,993	1,097,846
Other Segmental Information								
Capital expenditure:								
– investment properties	–	4,306	199	378	795	131	4,217	10,026
– property, plant and equipment	341	987	88	835	–	–	487	2,738
– investment property under development	9,293	–	–	–	–	–	–	9,293
Depreciation	2,302	406	138	1,442	–	–	836	5,124

NOTES TO THE FINANCIAL STATEMENTS

38 OPERATING SEGMENTS (continued)

Information about reportable segments (continued)

Geographical segments (continued)

Stapled Group	Japan $'000	Malaysia $'000	Philippines $'000	South Korea $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
2019										
Assets and liabilities										
Reportable segment assets	1,462,249	49,616	177,230	198,545	69,985	520,451	921,190	273,898	3,673,164	7,422,786
Reportable segment liabilities	1,111,056	673	36,306	72,324	52,337	61,315	610,886	37,734	1,982,631	3,080,477
Other Segmental Information										
Capital expenditure:										
– investment properties	371	–	1,205	–	122	909	807	86	3,500	13,526
– property, plant and equipment	349	86	541	–	18	–	4,226	1,552	6,772	9,510
– investment property under development	–	–	–	–	–	–	–	–	–	9,293
Depreciation	416	145	1,979	–	188	1,823	1,308	1,515	7,374	12,498

38 OPERATING SEGMENTS (continued)

Major customers

Revenue from related corporations accounted for approximately $57,706,000 (2018: $63,783,000) of the gross revenue of the Ascott Reit Group. Such revenue is attributable to the France segment, Germany segment and Singapore segment.

39 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Determining fair value

A number of the Stapled 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) Financial derivatives

The fair values of cross currency interest rate swaps, currency forwards 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.

(ii) 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.

(iii) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

39 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value			
Ascott Reit Group	**Note**	**Designated at fair value $'000**	**Fair value – hedging instruments $'000**	**Amortised cost $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
31 December 2019										
Financial assets measured at fair value										
Investment securities	9	2,534	–	–	–	2,534	–	–	2,534	2,534
Interest rate swaps used for hedging	13	–	753	–	–	753	–	753	–	753
Cross currency interest rate swaps used for hedging	13	–	11,510	–	–	11,510	–	11,510	–	11,510
Currency forwards	13	125	–	–	–	125	–	125	–	125
		2,659	12,263	–	–	14,922				
Financial assets not measured at fair value										
Loan to associate	12	–	–	3,557	–	3,557				
Trade and other receivables [1]	15	–	–	79,748	–	79,748				
Cash and cash equivalents	17	–	–	245,884	–	245,884				
		–	–	329,189	–	329,189				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	(3,467)	–	–	(3,467)	–	(3,467)	–	(3,467)
Cross currency interest rate swaps used for hedging	13	–	(2,469)	–	–	(2,469)	–	(2,469)	–	(2,469)
Currency forwards	13	(10)	–	–	–	(10)	–	(10)	–	(10)
		(10)	(5,936)	–	–	(5,946)				
Financial liabilities not measured at fair value										
Bank loans	18	–	–	–	(1,164,169)	(1,164,169)	–	(1,167,610)	–	(1,167,610)
Medium term notes	18	–	–	–	(830,540)	(830,540)	–	(872,023)	–	(872,023)
Trade and other payables [2]	19	–	–	–	(115,435)	(115,435)				
Rental deposits (non-current)	19	–	–	–	(8,163)	(8,163)	–	(8,311)	–	(8,311)
		–	–	–	(2,118,307)	(2,118,307)				

(1) Excluding prepayments.
(2) Excluding advance rental, liability for employee benefits and rental deposits (non-current).

NOTES TO THE FINANCIAL STATEMENTS

39 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
Ascott Reit Group	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018										
Financial assets measured at fair value										
Interest rate swaps used for hedging	13	–	6,486	–	–	6,486	–	6,486	–	6,486
Cross currency interest rate swaps used for hedging	13	–	1,808	–	–	1,808	–	1,808	–	1,808
		–	8,294	–	–	8,294				
Financial assets not measured at fair value										
Loan to associate	12	–	–	3,584	–	3,584				
Trade and other receivables [(1)]	15	–	–	46,382	–	46,382				
Cash and cash equivalents	17	–	–	227,847	–	227,847				
		–	–	277,813	–	277,813				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	(1,916)	–	–	(1,916)	–	(1,916)	–	(1,916)
Cross currency interest rate swaps used for hedging	13	–	(5,214)	–	–	(5,214)	–	(5,214)	–	(5,214)
		–	(7,130)	–	–	(7,130)				
Financial liabilities not measured at fair value										
Bank loans	18	–	–	–	(1,128,087)	(1,128,087)	–	(1,128,087)	–	(1,128,087)
Medium term notes	18	–	–	–	(776,839)	(776,839)	–	(789,465)	–	(789,465)
Finance lease liabilities	18	–	–	–	(527)	(527)	–	(527)	–	(527)
Trade and other payables [(2)]	19	–	–	–	(123,324)	(123,324)				
		–	–	–	(2,028,777)	(2,028,777)				

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

39 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
Ascott BT Group	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2019										
Financial assets measured at fair value										
Cross currency interest rate swaps used for hedging	13	–	7,902	–	–	7,902	–	7,902	–	7,902
Currency forwards	13	181	–	–	–	181	–	181	–	181
		181	7,902	–	–	8,083				
Financial assets not measured at fair value										
Trade and other receivables [(1)]	15	–	–	11,223	–	11,223				
Cash and cash equivalents	17	–	–	29,619	–	29,619				
		–	–	40,842	–	40,842				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	(288)	–	–	(288)	–	(288)	–	(288)
Cross currency interest rate swaps used for hedging	13	–	(1,954)	–	–	(1,954)	–	(1,954)	–	(1,954)
Currency forwards	13	(7)	–	–	–	(7)	–	(7)	–	(7)
		(7)	(2,242)	–	–	(2,249)				
Financial liabilities not measured at fair value										
Bank loans	18	–	–	–	(259,150)	(259,150)	–	(260,702)	–	(260,702)
Medium term notes	18	–	–	–	(95,154)	(95,154)	–	(96,702)	–	(96,702)
Trade and other payables [(2)]	19	–	–	–	(55,594)	(55,594)				
Rental deposits (non-current)	19	–	–	–	(9,338)	(9,338)	–	(9,538)	–	(9,538)
		–	–	–	(419,236)	(419,236)				

(1) Excluding prepayments.
(2) Excluding advance rental, liability for employee benefits and rental deposits (non-current).

39 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
Stapled Group	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2019										
Financial assets measured at fair value										
Interest rate swaps used for hedging	13	–	753	–	–	753	–	753	–	753
Cross currency interest rate swaps used for hedging	13	–	19,412	–	–	19,412	–	19,412	–	19,412
Currency forwards	13	306	–	–	–	306	–	306	–	306
		306	20,165	–	–	20,471				
Financial assets not measured at fair value										
Loan to associate	12	–	–	3,557	–	3,557				
Trade and other receivables (1)	15	–	–	50,695	–	50,695				
Cash and cash equivalents	17	–	–	275,503	–	275,503				
		–	–	329,755	–	329,755				
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	13	–	(3,755)	–	–	(3,755)	–	(3,755)	–	(3,755)
Cross currency interest rate swaps used for hedging	13	–	(4,423)	–	–	(4,423)	–	(4,423)	–	(4,423)
Currency forwards	13	(17)	–	–	–	(17)	–	(17)	–	(17)
		(17)	(8,178)	–	–	(8,195)				
Financial liabilities not measured at fair value										
Bank loans	18	–	–	–	(1,423,319)	(1,423,319)	–	(1,428,312)	–	(1,428,312)
Medium term notes	18	–	–	–	(925,694)	(925,694)	–	(968,725)	–	(968,725)
Trade and other payables (2)	19	–	–	–	(130,753)	(130,753)				
Rental deposits (non-current)	19	–	–	–	(17,501)	(17,501)	–	(17,849)	–	(17,849)
		–	–	–	(2,497,267)	(2,497,267)				

(1) Excluding prepayments.
(2) Excluding advance rental, liability for employee benefits and rental deposits (non-current).

39 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and 2 of the fair value hierarchy.

40 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(i) Ascott Reit Group

On 31 December 2019, Ascott Reit acquired all the A-HREIT units. If the acquisition had occurred on 1 January 2019, management estimates that the additional contribution in terms of revenue and profit after tax would have been $36,276,000 and $62,826,000 respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

(a) Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	2019 $'000
Cash	26,870
Issue of Stapled Securities for the Combination	510,899
Total consideration transferred	537,769

(b) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	2019 $'000
Consideration transferred	537,769
Fair value of identifiable net assets	(476,903)
Goodwill	60,866

40 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (continued)

(i) Ascott Reit Group (continued)

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	2019 $'000
Investment properties	4	**794,125**
Investment securities	9	**2,534**
Trade and other receivables		**3,964**
Cash and cash equivalents		**20,202**
Financial liabilities		**(287,691)**
Financial derivative liabilities, net		**(554)**
Deferred tax liabilities, net	14	**(33,391)**
Deferred income	20	**(764)**
Trade and other payables		**(20,173)**
Current tax liabilities		**(1,349)**
Total identifiable net assets acquired		**476,903**
Purchase consideration satisfied in cash		**(26,870)**
Cash and cash equivalents acquired		**20,202**
Net cash outflow on acquisition		**(6,668)**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired and liabilities assumed were as follows:

Investment property

Discounted cash flow: 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.

Capitalisation method: The valuation method considers the net present value of the expected future operating income of the property and dividing them by the capitalisation rate.

Long-term loans and borrowings – fixed interest rate

Discounted cash flow: The fair values of long-term loans and borrowings with fixed interest rate were estimated by discounting future principal and interest payment using appropriate discount rates.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

40 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (continued)

(ii) Ascott BT Group

On 31 December 2019, Ascott BT acquired all the A-HBT units. If the acquisition had occurred on 1 January 2019, management estimates that the additional contribution in terms of revenue and profit after tax would have been $172,082,000 and $17,720,000 respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

(a) Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	2019 $'000
Cash	**34,957**
Issue of Stapled Securities for the Combination	**664,662**
Total consideration transferred	**699,619**

(b) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	2019 $'000
Consideration transferred	**699,619**
NCI based on their proportionate interest in the recognised amounts of the assets and liabilities of A-HBT Group	**4,512**
Fair value of identifiable net assets	**(624,898)**
Goodwill	**79,233**

40 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (continued)

(ii) Ascott BT Group (continued)

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	2019 $'000
Investment properties	4	**552,265**
Property, plant and equipment	6	**584,583**
Financial derivative assets, net	13	**5,834**
Inventories		**297**
Trade and other receivables		**12,504**
Cash and cash equivalents	17	**26,118**
Restricted cash deposits	17	**3,501**
Deferred tax liabilities, net	14	**(42,663)**
Financial liabilities	18	**(354,304)**
Trade and other payables		**(40,952)**
Deferred income	20	**(5,478)**
Current tax liabilities		**(1,093)**
Lease liabilities	21	**(115,714)**
Net assets		**624,898**
Less: Non-controlling interests		**(4,512)**
Total identifiable net assets acquired		**620,386**
Purchase consideration satisfied in cash		**(34,957)**
Cash and cash equivalents acquired		**26,118**
Net cash outflow on acquisition		**(8,839)**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired and liabilities assumed were as follows:

Investment property and freehold land and buildings included in property, plant and equipment

Discounted cash flow: 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.

Capitalisation method: The valuation method considers the net present value of the expected future operating income of the property and dividing them by the capitalisation rate.

40 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (continued)

(ii) Ascott BT Group (continued)

(c) Identifiable assets acquired and liabilities assumed (continued)

Long-term loans and borrowings – fixed interest rate

Discounted cash flow: The fair values of long-term loans and borrowings with fixed interest rate were estimated by discounting future principal and interest payment using appropriate discount rates.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

41 COMMITMENTS

Leases as lessor

The Stapled Group leases out some of its investment properties on long term arrangements. All leases are classified as operating leases from a lessor perspective. The leases have initial tenure ranging from two to 25 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.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

2019 – Operating leases under FRS 116/SFRS(I) 16

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000
Less than one year	**94,289**	**33,955**	**113,607**
One to two years	**76,527**	**33,569**	**95,459**
Two to three years	**65,437**	**33,632**	**84,432**
Three to four years	**45,299**	**33,491**	**64,154**
Four to five years	**35,193**	**33,001**	**53,557**
More than five years	**275,350**	**186,297**	**340,894**
Total	**592,095**	**353,945**	**752,103**

41 COMMITMENTS (continued)

Leases as lessor (continued)

2018 – Operating leases under FRS 17/SFRS(I) 1-17

	Ascott Reit Group 2018 $'000
Less than one year	70,306
Between one year to five years	142,133
More than five years	78,791
Total	291,230

Capital commitments

As at the reporting date, the Stapled Group had the following capital commitments:

	Ascott Reit Group 2019 $'000	Ascott BT Group 2019 $'000	Stapled Group 2019 $'000	Ascott Reit Group 2018 $'000
Capital expenditure commitments:				
– contracted but not provided for	**40,049**	**2,299**	**42,348**	7,379

42 SUBSEQUENT EVENTS

On 14 January 2020, the Ascott Reit Group entered into a sale and purchase agreement to acquire a freehold serviced residence property in Australia, Quest Macquarie Park Sydney, for AUD 46.0 million (equivalent to $43.0 million).

On 30 January 2020, the Ascott Reit Manager declared a distribution of 4.180 cents per Unit amounting to $90,934,000 in respect of the period from 1 July 2019 to 31 December 2019.

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD. FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the member of the Company, together with the audited financial statements for the financial period from 2 August 2019 (date of incorporation) to 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 331 to 342 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance and changes in equity of the Company for the period from 2 August 2019 (date of incorporation) to 31 December 2019 in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this statement are as follows:

Tan Beng Hai, Bob	(appointed 30 December 2019)
Beh Siew Kim	(appointed 2 August 2019)
Zulkifli Bin Baharudin	(appointed 30 December 2019)
Sim Juat Quee Michael Gabriel	(appointed 30 December 2019)
Elaine Carole Young	(appointed 30 December 2019)
Lee Chee Koon	(appointed 30 December 2019)
Lim Choo Pin Andrew Geoffrey	(appointed 30 December 2019)

Directors' Interests in Shares or Debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial period (including those held by spouses and infant children) in shares, debentures, options and awards in the Company and its related corporations are as follows:

Directors' Interests in Shares or Debentures (cont'd)

		Holdings in the name of the director, spouse and/or infant children	
		At beginning of the period/ date of appointment	At end of the period
Intermediate Holding Company			
CapitaLand Limited			
Ordinary shares			
Beh Siew Kim		248,929	248,929
Lee Chee Koon		714,371	714,371
Lim Cho Pin Andrew Geoffrey		133,145	133,145
Contingent award of Performance shares[1] to be delivered after 2019			
Lee Chee Koon	(197,653 shares)	0 to 395,306[3]	0 to 395,306[3]
Lim Cho Pin Andrew Geoffrey	(171,211 shares)	0 to 342,422[3]	0 to 342,422[3]
Contingent award of Performance shares[1] to be delivered after 2020			
Lee Chee Koon	(142,437 shares)	0 to 284,874[3]	0 to 284,874[3]
Lim Cho Pin Andrew Geoffrey	(99,706 shares)	0 to 199,412[3]	0 to 199,412[3]
Contingent award of Performance shares[1] to be delivered after 2021			
Lee Chee Koon	(320,143 shares)	0 to 640,286[3]	0 to 640,286[3]
Lim Cho Pin Andrew Geoffrey	(128,057 shares)	0 to 256,114[3]	0 to 256,114[3]

Directors' Interests in Shares or Debentures (cont'd)

		Holdings in the name of the director, spouse and/or infant children	
		At beginning of the period/ date of appointment	At end of the period
CapitaLand Limited (cont'd)			
Unvested of Restricted shares[2] to be delivered after 2017			
Lee Chee Koon		47,926[6,5]	47,926[6,5]
Lim Cho Pin Andrew Geoffrey		41,646[6,5]	41,646[6,5]
Unvested of Restricted shares[2] to be delivered after 2018			
Lee Chee Koon		142,437[7,5]	142,437[7,5]
Lim Cho Pin Andrew Geoffrey		99,706[7,5]	99,706[7,5]
Contingent award of Restricted shares[2] to be delivered after 2019			
Lee Chee Koon	(512,229 shares)	0 to 768,343[4,5]	0 to 768,343[4,5]
Lim Cho Pin Andrew Geoffrey	(208,093 shares)	0 to 312,139[4,5]	0 to 312,139[4,5]

1 Performance shares are shares under awards pursuant to the CapitaLand Performance Share Plan 2010.

2 Restricted shares are shares under awards pursuant to the CapitaLand Restricted Share Plan 2010.

3 The final number of shares to be released will depend on the achievement of pre-determined targets over a three-year performance period. No share will be released if the threshold targets are not met at the end of the performance period. On the other hand, if superior targets are met, more shares than the baseline award could be delivered up to maximum of 200% of the baseline award.

4 The final number of shares to be released will depend on the achievement of pre-determined targets at the end of a one-year performance period and the release will be over a vesting period of three years. No share will be released if the threshold targets are not met at the end of the performance period. On the other hand, if superior targets are met, more shares than the baseline award could be delivered up to a maximum of 150% of the baseline award.

5 An additional number of shares of a total value equal to the value of the accumulated dividends which are declared during each of the vesting periods and deemed forgone due to the vesting mechanism of the CapitaLand Restricted Share Plan 2010, will also be released on the final vesting.

6 Being the unvested one-third of the award.

7 Being the unvested two-thirds of the award.

Arrangements to Enable Directors to Acquire Shares and Debentures

Except as disclosed under the Directors' Interests in Shares or Debentures and Share Plans sections of this statement, neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share Options

During the financial period, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial period, there were no unissued shares of the Company under options.

AUDITORS

Pursuant to a Director's resolution dated 2 August 2019, KPMG LLP were appointed as auditors of the Company. The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Tan Beng Hai, Bob
Director

Beh Siew Kim
Director

3 March 2020

INDEPENDENT AUDITORS' REPORT

Member of the Company
Ascott Business Trust Management Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Ascott Business Trust Management Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income and statement of changes in equity for the period from 2 August 2019 (date of incorporation) to 31 December 2019, and Notes to the Financial Statements, including a summary of significant accounting policies, as set out on pages 331 to 342.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance and changes in equity of the Company for the period from 2 August 2019 (date of incorporation) to 31 December 2019.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company 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.

Other information

Management is responsible for the other information contained in the annual report of the Company. Other information is defined as all information in the annual report of the Company 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.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company'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 Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
3 March 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 $
Current assets		
Trade and other receivables	4	8,777
		8,777
Total assets		8,777
Equity		
Share capital	5	1
Accumulated profits		6,776
Total equity		6,777
Current liabilities		
Trade and other payables	6	2,000
		2,000
Total liabilities		2,000
Total equity and liabilities		8,777

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period from 2 August 2019 (date of incorporation) to 31 December 2019

	Note	Period from 2 August 2019 (date of incorporation) to 31 December 2019 $
Revenue		
Fee income	7	8,776
Expenses		
Administrative expenses		(2,000)
Profit from operating activities		6,776
Profit before tax		6,776
Tax expense	8	–
Profit for the period		6,776
Other comprehensive income for the period, net of tax		–
Total comprehensive income for the period		6,776

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

STATEMENT OF CHANGES IN EQUITY

Period from 2 August 2019 (date of incorporation) to 31 December 2019

	Note	Share capital $	Accumulated profits $	Total $
At 2 August 2019 (date of incorporation)		–	–	–
Total comprehensive income for the period				
Profit for the period		–	6,776	6,776
Other comprehensive income		–	–	–
		–	6,776	6,776
Transactions with owner, recognised directly in equity				
Issue of ordinary shares	5	1	–	1
At 31 December 2019		1	6,776	6,777

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 3 March 2020.

1 DOMICILE AND ACTIVITIES

Ascott Business Trust Management Pte. Ltd. (the "Company") is incorporated in Singapore and has its registered office at 168 Robinson Road #30-01 Capital Tower, Singapore 068912.

The principal activities of the Company are those relating to investment advisory and property fund management. The Company is a registered Business Trust under the Business Trusts Act (Cap. 31A of Singapore) ("BTA") and is the trustee-manager of Ascott Business Trust ("ABT"), part of the stapled trust, Ascott Residence Trust ("ART"), listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The Company's immediate, intermediate and ultimate holding companies are CapitaLand Financial Limited, CapitaLand Limited and Temasek Holdings (Private) Limited respectively. All companies are incorporated in the Republic of Singapore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore Dollars, which is the Company's functional currency.

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I) requires management 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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments

(i) *Non-derivative financial assets*

Classification and measurement

The Company classifies its financial assets measured at amortised costs.

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

At initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) *Non-derivative financial liabilities*

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprise trade and other payables.

(iii) *Derecognition*

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments (continued)

(v) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. For trade receivables, the Company applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company applies the general approach of 12-month ECL at initial recognition for all other financial assets.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.2 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and options are recognised as a deduction from equity, net of any tax effects.

3.3 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit ("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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts 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.

3.4 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, 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.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

3.5 Revenue

Management and trustee fees

Management and trustee fees are recognised in profit or loss as and when services are rendered.

3.6 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 2 August 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Company's financial statements.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

4 TRADE AND OTHER RECEIVABLES

	2019 $
Amounts due from a related company, non-trade	1
Accrued fee income	8,776
	8,777

The non-trade amount due from a related company is unsecured, interest-free, and repayable on demand.

There is not allowance for doubtful debts arising from these outstanding balances as the ECL is immaterial.

5 SHARE CAPITAL

	2019 No. of shares
In issue at 2 August 2019 (date of incorporation)	–
Issued during the period	1
In issue at 31 December 2019	1

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Issue of ordinary shares

During the financial period, 1 ordinary share was issued at SGD 1 per share to its immediate holding company.

Capital management

The Company's policy on capital management follows that of its intermediate holding company, CapitaLand Limited. CapitaLand Limited's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company defines 'capital' as including all components of equity. There were no changes in the Company's approach to capital management during the period.

The Company is not subject to externally imposed capital requirements.

6 TRADE AND OTHER PAYABLES

	2019 $
Accrued operating expenses	2,000
	2,000

7 REVENUE

	Period from 2 August 2019 (date of incorporation) to 31 December 2019 $
Management fee income	8,341
Trustee fee income	435
	8,776

Management and trustee fee income are derived from related entities.

8 TAX EXPENSE

	Period from 2 August 2019 (date of incorporation) to 31 December 2019 $
Current tax expense	
Current period	–
	–

Reconciliation of effective tax rate

	2019 $
Profit before tax	**6,776**
Tax calculated using Singapore tax rate of 17%	**1,152**
Tax exempt income	**(1,152)**
	–

9 FINANCIAL RISK MANAGEMENT

Overview

Exposure to credit and liquidity risks arises in the normal course of the Company's business. The Company's approach to financial risk management seek to minimise the potential material adverse effects from these exposures.

Risk management framework

The Company adopts the risk management policies and guidelines of its intermediate holding company, which 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. Risk management policies and guidelines are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company assesses on a forward-looking basis the expected credit losses associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

No ageing analysis are presented as the outstanding balances as at 31 December 2019 are current. The credit loss on these balances are subject to immaterial credit loss.

The Company has guidelines governing the process of granting credit as a service or product provider in its respective segments of business. Investments and financial transactions are restricted with counterparties that meet the appropriate credit criteria and of high credit standing.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's policy on liquidity risk management follows that of its intermediate holding company, CapitaLand Limited. CapitaLand Limited actively manages the debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

The Company's financial liabilities have a maturity profile of less than one year from the reporting date.

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

At the reporting date, the fair values of financial assets and liabilities approximate the carrying amounts shown in the statement of financial position due to the short-term maturity of these financial instruments.

11 RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

During the financial period, other than those disclosed elsewhere in the financial statements, there were no other significant transactions with related parties.

12 STATEMENT OF CASH FLOWS

The Company did not prepare a statement of cash flows as the Company does not have cash and bank balances and all receipts and payments are handled by the holding company.

13 COMPARATIVE INFORMATION

No comparative figures have been presented as this is the first set of financial statements prepared by the Company since the date of its incorporation.

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	Nature of relationship	Aggregrate 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	Aggregrate 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) Ltd & its subsidiaries	**Ultimate controlling shareholder of the Managers and ultimate controlling stapled securityholder**		
Digital cable services		166	–
Rental income		128	–
CapitaLand Limited & its subsidiaries	**Intermediate controlling shareholder of the Managers and intermediate controlling stapled securityholder**		
Acquisition of A-HTRUST Stapled Units		1,237,388[2]	–
Managers' management fees		23,418[3]	–
Serviced residence management fees		18,143	–
Acquisition fees		9,896[3]	–
Service fees		6,998	–
Divestment fees		1,767[3]	–
Project management fee/ Design fee		1,148	–
Compensation fee paid in connection with termination of master lease agreement		206	–
Rental income		107	–
DBS Trustee Limited	**Ascott Reit Trustee**		
Ascott Reit Trustee's fee		582[3]	–
Total		**1,299,947**	**–**

1 The aggregate value is for the contract period, except for Managers' management fees, Acquisition fees, Divestment fees and Trustee's fee.
2 This had been approved by Ascott Reit unitholders at Extraordinary General Meeting held on 21 October 2019.
3 These are in respect of fees incurred during the year.

ADDITIONAL INFORMATION

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 2019 was S$292.0 million. The amount included all fees and charges paid to the Ascott Reit Manager and interested parties. This translates to 7.6% of the property fund's net asset value as at 31 December 2019. Taxation incurred was S$44.7 million.

ASCOTT REIT MANAGER'S MANAGEMENT FEES PAID IN ASCOTT REIT UNITS

A summary of Ascott Reit Units issued for payment of the Ascott Reit Manager's management fees (part payment) in respect of the financial year are as follows:

For Period	Issue Date	Ascott Reit Units	Issue Price S$	Total Value S$'000
Base Management Fees				
1 January 2019 to 31 March 2019	06 May 2019	2,217,752	1.2005[1]	2,662
1 April 2019 to 30 June 2019	13 August 2019	2,041,229	1.2873[1]	2,628
1 July 2019 to 30 September 2019	06 November 2019	1,993,379	1.3095[2]	2,610
				7,900

[1] Based on the volume weighted average traded price per Ascott Reit 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 Ascott Reit Units.

[2] Based on the volume weighted average traded price per Ascott Reit Unit for all trades done on the SGX-ST in the ordinary course of trading for 10 business days, immediately preceding (and including) the last date of the period.

STATISTICS OF STAPLED SECURITYHOLDINGS

As at 2 March 2020

ISSUED AND FULLY PAID STAPLED SECURITIES

3,083,089,282 (Voting Rights: 1 vote per Stapled Security)
Market Capitalisation of S$3,607,214,460 based on market closing Stapled Security price of S$1.17 on 2 March 2020.

DISTRIBUTION OF STAPLED SECURITYHOLDINGS

Size of Stapled Securityholdings	No. of Stapled Securityholders	%	No. of Stapled Securities	%
1 – 99	190	0.72	8,139	0.00
100 – 1,000	2,633	10.04	2,058,849	0.07
1,001 – 10,000	13,944	53.17	72,899,434	2.36
10,001 – 1,000,000	9,395	35.83	450,141,553	14.60
1,000,001 and above	63	0.24	2,557,981,307	82.97
Total	**26,225**	**100.00**	**3,083,089,282**	**100.00**

Country	No. of Stapled Securityholders	%	No. of Stapled Securities	%
Singapore	25,511	97.28	3,063,392,982	99.36
Malaysia	465	1.77	12,104,252	0.39
Others	249	0.95	7,592,048	0.25
Total	**26,225**	**100.00**	**3,083,089,282**	**100.00**

TWENTY LARGEST STAPLED SECURITYHOLDERS

No.	Name	No. of Units	%
1	Somerset Capital Pte Ltd	568,792,760	18.44
2	The Ascott Limited	476,152,416	15.44
3	Citibank Nominees Singapore Pte Ltd	345,609,761	11.21
4	DBS Nominees (Private) Limited	324,779,580	10.53
5	Ascott Residence Trust Management Limited	191,179,539	6.20
6	Raffles Nominees (Pte.) Limited	145,374,735	4.72
7	HSBC (Singapore) Nominees Pte Ltd	82,278,939	2.67
8	DBSN Services Pte. Ltd.	80,472,120	2.61
9	AHDF Pte Ltd	36,660,272	1.19
10	NTUC Fairprice Co-Operative Ltd	29,234,509	0.95
11	United Overseas Bank Nominees (Private) Limited	25,509,278	0.83
12	DB Nominees (Singapore) Pte Ltd	24,709,867	0.80
13	UOB Kay Hian Private Limited	18,997,765	0.62
14	Phillip Securities Pte Ltd	18,568,284	0.60
15	Ko Woon Hong	15,669,500	0.51
16	OCBC Securities Private Limited	15,253,211	0.49
17	BNP Paribas Nominees Singapore Pte. Ltd.	12,816,762	0.42
18	BPSS Nominees Singapore (Pte.) Ltd.	11,913,010	0.39
19	Morgan Stanley Asia (Singapore) Securities Pte Ltd	10,545,418	0.34
20	OCBC Nominees Singapore Private Limited	9,198,011	0.30
	Total	**2,443,715,737**	**79.26**

STATISTICS OF STAPLED SECURITYHOLDINGS

As at 2 March 2020

DIRECTORS' INTERESTS IN STAPLED SECURITIES AND CONVERTIBLE SECURITIES AS AT 2 MARCH 2020

Name of Director	No. of Stapled Securities: Direct Interest	No. of Stapled Securities: Deemed Interest	Contingent Awards of Stapled Securities under the Managers': Performance Stapled Security Plan[1]	Contingent Awards of Stapled Securities under the Managers': Restricted Stapled Security Plan
Tan Beng Hai, Bob	70,938	–	–	–
Beh Siew Kim	567,942	–	0 to 465,010[2]	40,764[3,5] 175,752[4,5]
Zulkifli Bin Baharudin	84,174	–	–	–
Sim Juat Quee Michael Gabriel	38,250	–	–	–
Elaine Carole Young	103,312	–	–	–
Lee Chee Koon	46,440	–	–	–
Lim Cho Pin Andrew Geoffrey	25,800	–	–	–

1 This refers to the number of Stapled Securities which are the subject of contingent awards but not released under the Managers' Performance Stapled Security Plan ("**PSSP**"). The final number of Stapled Securities that will be released could range from 0% to a maximum of 200% of the baseline award under the PSSP.

2 The final number of Stapled Securities to be released will depend on the achievement of pre-determined targets at the end of the performance period for the PSSP.

3 Being the unvested remaining one-third of the Managers' Restricted Stapled Security Plan ("**RSSP**") 2018 Award.

4 Being the unvested two-thirds of the RSSP 2019 Award.

5 On the final vesting, an additional number of Stapled Securities 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 the RSSP, will also be released.

STATISTICS OF STAPLED SECURITYHOLDINGS

As at 2 March 2020

SUBSTANTIAL STAPLED SECURITYHOLDERS' STAPLED SECURITYHOLDINGS AS AT 2 MARCH 2020

Based on the information available to the Managers, as at 2 March 2020, the stapled securityholdings of Substantial Stapled Securityholders of ART are as follows:

Name of Substantial Stapled Securityholder	Direct Interest No. of Stapled Securities	Direct Interest %[1]	Deemed Interest No. of Stapled Securities	Deemed Interest %[1]
Temasek Holdings (Private) Limited[2] ("**Temasek**")	–	–	1,251,707,791	40.59
Tembusu Capital Pte. Ltd.[3] ("**Tembusu**")	–	–	1,236,124,715	40.09
Bartley Investments Pte. Ltd.[3] ("**Bartle**y")	–	–	1,236,124,715	40.09
Mawson Peak Holidings Pte. Ltd.[3] ("**Mawson**")	–	–	1,236,124,715	40.09
Glenville Investments Pte. Ltd.[3] ("**Glenville**")	–	–	1,236,124,715	40.09
TJ Holdings (III) Pte. Ltd.[3] ("**TJH**")	–	–	1,236,124,715	40.09
CLA Real Estate Holdings Pte. Ltd.[4] ("**CLA**")	–	–	1,236,124,715	40.09
CapitaLand Limited[5] ("**CL**")	–	–	1,236,124,715	40.09
The Ascott Limited[6] ("**Ascott**")	476,152,416	15.44	568,792,760	18.44
Somerset Capital Pte Ltd ("**SCPL**")	568,792,760	18.44	–	–
CapitaLand Financial Limited[7] ("**CFL**")	–	–	191,179,539	6.20
Ascott Residence Trust Management Limited ("**ARTML**")	191,179,539	6.20	–	–

1 The percentage is rounded down to the nearest 0.01%

2 Temasek is deemed to have an interest in the Stapled Securityholdings in which its subsidiaries and associated companies (including but not limited to CLA) have direct or deemed interests pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**").

3 Temasek holds 100% of the equity interest in Tembusu, which holds 100% of the equity interest in Bartley, which holds 100% of the equity interest in Mawson, which holds 100% of the equity interest in Glenville, which holds 100% of the equity interest in TJH, which holds 100% of the equity interest in CLA. CLA holds approximately 50.89% of the issued shares in CL.
Each of Tembusu, Bartley, Mawson, Glenville and TJH is deemed to have an interest in the Stapled Securityholdings in which CLA is deemed to have an interest pursuant to Section 4 of the SFA.

4 CLA is deemed to have an interest in the Stapled Securityholdings that CL is deemed to have an interest pursuant to Section 4 of the SFA.

5 CL is deemed to have an interest in the Stapled Securityholdings of its wholly owned subsidiaries namely, Ascott, SCPL, CFL and ARTML.

6 Ascott is deemed to have an interest in the Stapled Securityholdings of its wholly owned subsidiary, SCPL.

7 CFL is deemed to have an interest in the Stapled Securityholdings of its wholly owned subsidiary, ARTML.

PUBLIC FLOAT

Based on the information available to the Managers as at 2 March 2020, approximately 59% of the Stapled Securities were held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

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CORPORATE INFORMATION

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MANAGER OF ASCOTT REAL ESTATE INVESTMENT TRUST

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Fax: +65 6713 2121

TRUSTEE-MANAGER OF ASCOTT BUSINESS TRUST

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Partner-In-Charge:
Tan Kar Yee Linda
(Since financial year ended 31 December 2016)

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THE MANAGERS

BOARD OF DIRECTORS

Tan Beng Hai, Bob
Chairman & Non-Executive 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

Lee Chee Koon
Non-Executive Non-Independent Director

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

AUDIT COMMITTEE

Sim Juat Quee Michael Gabriel
Chairman

Zulkifli Bin Baharudin
Elaine Carole Young

EXECUTIVE COMMITTEE

Lee Chee Koon
Chairman

Beh Siew Kim
Lim Cho Pin Andrew Geoffrey

COMPANY SECRETARIES

Karen Chan
Karen Chang

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Email: ask-us@ascottresidencetrust.com

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As Manager of Ascott Real Estate Investment Trust
Company Registration Number: 200516209Z

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