CELEBRATING A DEFINING DECADE OF GLOBAL GROWTH

ASCOTT
RESIDENCE TRUST
A Member of CapitaLand

Ascott Residence Trust

Annual Report 2016

Corporate Profile

Ascott Residence Trust (Ascott Reit) was established with the objective of investing primarily in real estate and real estate-related assets which are income-producing and which are used or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world.

Ascott Reit's asset size has more than quadrupled to S$4.8 billion since it was listed on the Singapore Exchange Securities Trading Limited in March 2006. Ascott Reit's international portfolio comprises 90 properties with 11,627 units in 38 cities across 14 countries in Asia Pacific, Europe and the United States of America. Ascott Reit was awarded "Best REIT (Asia)" by World's Finance Magazine at its Real Estate Awards in 2015.

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

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

Vision

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

Mission

To deliver stable and sustainable returns to Unitholders.

CELEBRATING A DEFINING DECADE OF GLOBAL GROWTH

As the world's first Pan-Asian serviced residence Real Estate Investment Trust (REIT) to list on the Singapore Exchange Securities Trading Limited (SGX-ST) in 2006, Ascott Residence Trust (Ascott Reit or the Group) celebrated a defining decade of global growth in 2016, having extended its presence from Asia Pacific to Europe and the United States of America. With a total asset value of S$4.8 billion and a global presence across 38 cities in 14 countries as at end 2016, Ascott Reit is the most geographically diversified REIT and largest hospitality REIT listed on the SGX-ST by asset size and market capitalisation. The Group remains committed to explore investment opportunities to grow globally to enhance the quality of its portfolio while maintaining its geographical diversification across growth markets in Asia Pacific, as well as stable economies in Europe and the United States of America, so as to continue to deliver stable and growing returns to its Unitholders.

Contents

2016 Highlights

Revenue

S$475.6 million

▲ 13% year-on-year

Gross Profit

S$222.2 million

▲ 9% year-on-year

Unitholders' Distribution

S$135.0 million

▲ 9% year-on-year

Distribution Per Unit

8.27 cents

▲ 4% year-on-year

Revenue Per Available Unit

S$140

▲ 5% year-on-year

Total Assets as at 31 December 2016

S$4.8 billion

Largest hospitality REIT listed on SGX-ST

Global Presence

11,627 Apartment Units

38 Cities

14 Countries

Most geographically diversified REIT listed on SGX-ST

Financial Highlights

For the Financial Year	2012	2013	2014	2015	2016
Gross Revenue (S$ million)	303.8	316.6	357.2	421.1	**475.6**
Gross Profit (S$ million)	159.1	161.2	180.2	204.6	**222.2**
Unitholders' Distribution (S$ million)	99.7	114.8	125.6	123.3	**135.0**
Distribution Per Unit (DPU) (cents)	8.76	8.40	8.20	7.99	**8.27**
Distribution Yield[1] (%)	6.40	6.94	6.46	6.71	**7.32**
DPU (adjusted for Rights Issue)[2] (cents)	8.55	8.30	8.20	7.99	**8.27**
DPU (adjusted for one-off items and equity fund raising) (cents)	8.55	7.19	7.61	8.06	**7.78**

Balance Sheet As at 31 December	2012	2013	2014	2015	2016
Total Assets (S$ million)	3,002.5	3,582.0	4,121.9	4,724.6	**4,791.3**
Unitholders' Funds (S$ million)	1,547.4	2,093.1	2,106.1	2,189.7	**2,200.6**
Total Borrowings (S$ million)	1,170.8	1,197.1	1,550.9	1,815.2	**1,862.6**

Financial Ratios As at 31 December	2012	2013	2014	2015	2016
Net Asset Value (NAV) Per Unit (S$)	1.35	1.37	1.37	1.41	**1.33**
Aggregate Leverage (%)	40.1	34.0	38.5	39.3	**39.8**
Interest Cover Ratio[3] (times)	3.9	4.0	4.3	4.1	**4.3**
Management Expense Ratio[4] (%)	1.2	1.0	1.1	1.2	**1.3**
Financial Derivatives as a Percentage of NAV[5] (%)	1.3	0.5	0.7	0.5	**0.5**

Others As at 31 December	2012	2013	2014	2015	2016
Market Capitalisation[1] (S$ million)	1,554.2	1,842.2	1,949.5	1,843.0	**1,868.4**
Number of Units in Issue (million)	1,142.8	1,522.5	1,535.0	1,548.7	**1,653.5**

1 Based on the closing unit price of S$1.36 on 31 December 2012, S$1.21 on 31 December 2013, S$1.27 on 31 December 2014, S$1.19 on 31 December 2015 and S$1.13 on 31 December 2016.
2 The figures have been restated for the underwritten and renounceable 1-for-5 Rights Issue, through which 253,749,218 units were issued on 12 December 2013.
3 Refers to EBITDA (earnings before net interest expense, tax, depreciation and amortisation) before change in fair value of financial derivatives, change in fair value of serviced residence properties and assets held for sale, and foreign exchange differences over net interest expense.
4 Refers to the expenses of Ascott Residence Trust (excluding direct expenses, foreign exchange differences, net interest expense, change in fair value of financial derivatives, change in fair value of serviced residence properties and assets held for sale, assets written off and income tax expense).
5 Financial derivatives refer to the cross currency interest rate swaps, forward exchange contracts, interest rate swaps and interest rate caps which the Group has entered into.

Message to Unitholders

(Left) Tan Beng Hai, Bob, Chairman, (Right) Tay Boon Hwee, Ronald, Chief Executive Officer

Over the past decade, Ascott Residence Trust (Ascott Reit or the Group) has transformed from a Pan-Asian REIT into a leading global serviced residence REIT with a total asset value that has more than quadrupled to S$4.8 billion and a global portfolio that has expanded eight times to 90 properties with 11,627 units, spanning across 38 cities in 14 countries in Asia Pacific, Europe and the United States.

Summary of Message
Delivered a sustainable and stable income to Unitholders, achieving a 19% compounded annual growth rate in Unitholder's distribution in the last decade.
In 2016, Unitholders' distribution hit a record high of S$135.0 million while Distribution Per Unit was up 4% YoY to 8.27 cents.
Acquired its second property in New York in 2016, less than a year from the acquisition of its maiden asset in the United States of America, in the trendy district of Soho and Tribeca, with close proximity to the financial district.

Dear Unitholders,

Defining Decade of Excellence

2016 marks a significant milestone for Ascott Reit as we celebrated its 10th anniversary and its remarkable growth over the past decade. Listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 31 March 2006, Ascott Reit was the first Pan-Asian serviced residence real estate investment trust (REIT) with a total asset value of about S$1.0 billion. It started with an initial portfolio of 12 strategically located properties with 2,068 units in five countries.

In 2010, Ascott Reit made the unprecedented move to enter into the European market where it doubled its asset size through the acquisition of a S$1.4 billion portfolio from its sponsor. In 2015, Ascott Reit entered the global hospitality arena through the acquisition of its maiden property in the United States of America (United States), an extended-stay property in the heart of Manhattan, New York. In 2016, less than a year from its first foray into the United States, Ascott Reit acquired its second property in New York. Located in the trendy district of Soho and Tribeca, Sheraton Tribeca New York Hotel is in close proximity to the financial district comprising Wall Street and World Trade Centre.

Today, Ascott Reit has transformed into a leading global serviced residence REIT with a total asset value that has more than quadrupled to S$4.8 billion. Its global portfolio has expanded eight times to 90 properties with 11,627 units, spanning across 38 cities in 14 countries in Asia Pacific, Europe and the United States. The Group has delivered sustainable and stable income to our unitholders in the last 10 years, achieving a 19% compounded annual growth rate in Unitholder's distribution. The Group has also consistently demonstrated its ability to identify, execute and complete acquisition opportunities across the world. Over the decade, Ascott Reit has expanded its foot print beyond the Pan-Asian Region to Europe and recently, across the Atlantic to the United States, making it the most geographically diversified and largest hospitality REIT listed on the SGX-ST by asset size and market capitalisation.

Delivering Stable and Sustainable Returns

With its extended-stay business model and geographically diversified portfolio, Ascott Reit continues to deliver another healthy set of financial results for the financial year ended 31 December 2016 (FY 2016), amidst a slow-paced global economic recovery as well as security concerns in Europe.

The Group's revenue in FY 2016 increased 13% year-on-year to reach S$475.6 million and gross profit was up 9% year-on-year to S$222.2 million. The solid financial performance was attributed to the accretive acquisitions completed in FY 2015 and FY 2016. Unitholders' distribution hit a record high of S$135.0 million while Distribution Per Unit was 8.27 cents, translating to a distribution yield of 7.3% based on Ascott Reit's closing unit price of S$1.13 on 31 December 2016. The high distribution resulted from the net realised exchange gain of S$8.8 million arising from the repayment of foreign currency bank loans with the sales proceeds from Fortune Garden Apartments and repayment of shareholder's loans from the Group's subsidiaries.

As at 31 December 2016, Ascott Reit's investment properties were valued by independent valuers at S$4,511.0 million resulting in a surplus of S$30.0 million which was recognised in FY 2016. The surplus was mainly due to higher valuation of the Group's serviced residences in Japan and Spain (due to better operating performance), partially offset by lower valuation from the properties in the United Kingdom and the United States (due to higher property tax).

Value Creation through Active Asset Management

The Group continues to review the quality of its portfolio and identify assets for enhancement to improve the guest experiences of the increasingly sophisticated modern travellers and optimise returns for Unitholders. As at 31 December 2016, approximately 90% of Ascott Reit's serviced residence properties have undergone, or are undergoing Asset Enhancement Initiatives (AEI) within the last six years.

In 2016, Ascott Reit continues to refurbish several properties in its portfolio to drive better operational performance. The completion of the final phase of AEI for Somerset Xu Hui Shanghai and second phase of AEI for Somerset Ho Chi Minh City has brought about improvement in Average Daily Rates (ADR) by approximately 16% and 26% respectively. The first phase of AEI for Ascott Makati was also completed during the year. The ongoing refurbishment at Citadines Barbican London and Somerset Millennium Makati and the remaining phase of AEI at Somerset Ho Chi Minh City are on track for completion in 2017.

Prudent Capital Management

The Group continues to adopt a prudent and disciplined approach towards capital and risk management to strengthen its balance sheet and capital position. As at 31 December 2016, Ascott Reit's gearing of 39.8% was below the 45% limit prescribed by the Monetary Authority of Singapore (MAS) in the Property Funds Appendix of the Code on Collective Investment Schemes.

As part of the Group's prudent and disciplined approach, Ascott Reit continues to actively diversify funding sources and capitalise on the low interest rate environment to secure long-term financing at optimal cost. During the year, Ascott Reit successfully raised S$120 million eight-year fixed rate notes which were swapped into Euro at a fixed rate of 2.15% per annum. It also entered into a cross currency interest rate swap to swap a USD50.9 million bank loan into Japanese Yen at an effective interest rate of 0.082% per annum. As at 31 December 2016, Ascott Reit's effective borrowing cost improved to 2.4% from 2.8% for the same period in the previous year.

To support Ascott Reit's strategic expansion and at the same time maintain the distribution policy of distributing 100% of our earnings to Unitholders, the Group will need to raise capital by exploring various funding options so as to maintain a healthy gearing ratio. In March 2016, Ascott Reit raised S$100.0 million

Message to Unitholders

through an equity private placement of units which was swiftly deployed to partially fund the acquisition of Sheraton Tribeca New York Hotel, the second property in New York, United States.

During the year, the Group entered into forward foreign currency hedges on a substantial portion of its Unitholder's distribution derived in Japanese Yen and Euro. We will continue to adopt a proactive approach to mitigate the impact from the foreign exchange volatility on Unitholder's distribution.

The US Federal Reserve (Fed) raised its target for short-term interest rates by 25 basis points in December 2016, the second time in more than 10 years, and anticipated further interest rate hikes in 2017. With more than 80% of its total borrowings secured at fixed interest rates, any adverse impact on the Group's capital position arising from the rising interest rate environment would have been substantially mitigated. Ascott Reit will continue to actively monitor its interest rate and exchange rate exposure, and remain vigilant to changes in the macro and credit environment that may impact its financing plans.

Embarking on the Next Decade of Growth

The Group has achieved commendable growth and delivered sustainable stable returns to its Unitholders over the past decade. With the strong foundation that has been built, Ascott Reit is well-positioned to embark on the next phase of growth to enhance returns to Unitholders. We will continue to actively pursue acquisition opportunities and drive further organic growth through various asset enhancement activities. We will also continue to reconstitute our portfolio by identifying assets which have limited growth prospects for divestment to unlock value. We remain committed to maintaining a strong balance sheet and financial flexibility through prudent capital management.

Awards and Accolodes

In 2016, Ascott REIT was conferred "Best Annual Report" bronze award at the Singapore Corporate Awards. This award is a recognition of the Group's efforts towards excellent financial reporting presentation and disclosures with consideration to the needs of investors and institutions.

Board Acknowledgements

As part of the board renewal process, Mr Lim Jit Poh and Mr Ku Moon Lun have stepped down from the Board of Ascott Residence Trust Management Limited (ARTML) with effect from 1 September 2016. Mr Lim had served as a Non-Executive Independent Director, Chairman of the Board and Chairman of the Corporate Disclosure Committee since the inception of Ascott Reit while Mr Ku had served as Non-Executive Independent Director and Chairman of the Audit Committee. We would like to express our sincere thanks and appreciation to Mr Lim and Mr Ku for their significant contributions to the success of Ascott Reit and invaluable guidance to management. We would also like to extend our heartfelt thanks to our fellow board members for their continued guidance and support.

Tan Beng Hai, Bob
Chairman

Tay Boon Hwee, Ronald
Chief Executive Officer

24 February 2017

On 1 September 2016, Mr Tan Beng Hai, Bob, existing Non-Executive Independent Director, relinquished his role as member of the Audit Committee and was appointed as Chairman of the Board and Chairman of the Corporate Disclosure Committee. On the same day, Mr Sim Juat Quee Michael Gabriel was appointed as Non-Executive Independent Director and Chairman of the Audit Committee, and Ms Elaine Carole Young was appointed as Non-Executive Independent Director and member of the Audit Committee. The Management would like to congratulate Mr Tan on his new appointment and also welcome the new directors. We look forward to the next phase of growth of Ascott Reit under the stewardship of Mr Tan and the Board of Directors.

Tay Boon Hwee, Ronald
On behalf of Management of ARTML (in its capacity as Manager of Ascott Reit)

致信托单位持有人之信函

过去十年中，雅诗阁公寓信托（简称：集团）从一个泛亚房地产信托基金转型为领先全球的服务公寓房地产信托基金，总资产增长超出4倍，达48亿新元。全球投资组合规模扩大了八倍，旗下拥有90个物业11,627个公寓单位，遍布亚太、欧洲和美洲14个国家38个城市。

尊敬的信托单位持有人，

十年卓越表现

2016年是雅诗阁公寓信托成立十周年的重要里程碑，更见证了公司业绩在过去十年的蓬勃发展。雅诗阁公寓信托于2006年3月31日在新加坡交易所（简称：新交所）上市，是首个泛亚服务公寓房地产投资信托基金，资产总值约为10亿新元。其初始投资组合中包括12处战略位置的物业，遍布5大国家，共2,068个公寓单位。

2010年，雅诗阁公寓信托首度进军欧洲市场，收购其保荐公司14亿新元的房地产组合，资产规模得以翻番。2015年，雅诗阁公寓信托通过收购位于纽约曼哈顿中心的长住营业模式酒店，首次进军美国市场，插足全球酒店业。2016年，雅诗阁公寓信托在完成首宗美国地产收购交易不到一年时间内，又在纽约毗邻华尔街与世界金融贸易中心的苏豪（Soho）和翠贝卡（Tribeca）时尚区收购了第二栋物业。

时至今日，雅诗阁公寓信托已转型为引领全球的服务公寓信托基金，其总资产价值翻了四倍，高达48亿新元。遍布全球的投资组合规模扩大了八倍，旗下90处物业，11,627个公寓单位，横跨亚太、欧洲和美洲，涵盖14个国家38个城市。集团一如既往向单位持有人派发持续稳定的红利，并在过去十年中，向单位持有人派发的红利年均复合增长率达19%。多年来，集团通过房地产收购，业务足迹跨越泛亚地区，拓展至欧洲，近期更跨越大西洋，成功登陆美国，充分展示了集团在辨识、执行和实现全球收购商机方面的杰出能力。如按资产规模及市值而论，雅诗阁公寓信托是在新交所上市地域分布最广和规模最大的酒店房地产信托基金。

提供稳定可持续的回报

尽管面对全球经济放缓以及欧洲各国的安全问题，凭借其长住公寓营业模式及地域多元化的投资组合，雅诗阁公寓信托在截至2016年12月31日的2016财政年度里继续保持稳健的财务业绩。

集团在2016财年的收入达4.756亿新元，同比增长13%，毛利达2.222亿新元，同比增长9%。稳健的财务业绩归功于2015与2016年完成的增值收购。向单位持有人派发的红利创下了1.35亿新元的新高，每单位派息为8.27新分，以雅诗阁公寓信托截至2016年12月31日1.13新元的闭市价计算，派息率为7.3%。高派息收益来自善用脱售福景苑公寓的收益来偿还外汇贷款及偿还其子公司的股东贷款。

经独立估值师评估，雅诗阁公寓信托的投资物业在截至2016年12月31日价值45.11亿新元，其中3,000万新元增值已反映在2016年报中。主要增长因素是集团在日本及西班牙的服务公寓因经营业绩好转，获得较高的估值，部分增长则被英美房地产因物业税上升导致估值下跌而抵销。

通过积极的资产管理，创造价值

本集团不断地审视各物业的质量，发掘需要提升质量的物业，致力于提升现代旅客的住宿体验，满足客户日新月异的需求，从而优化单位持有人的回报。截至2016年12月31日，在过去6年中，雅诗阁公寓信托旗下约90%的服务公寓已完成或正在实施资产提升计划。

2016年，雅诗阁公寓信托继续翻新了其投资组合中的多项物业，进一步提高运营绩效。上海徐汇盛捷服务公寓（Somerset Xu Hui Shanghai）已翻新完毕，胡志明市盛捷服务公寓（Somerset Ho Chi Minh City）的资产提升工程已进展至第二阶段，日均租金分别因此提高了16%和26%。本年度，马卡蒂雅诗阁服务公寓（Ascott Makati）的第一期资产提升工程已完工。目前正在翻新的伦敦馨乐庭Barbican服务公寓（Citadines Barbican London）和马卡蒂盛捷Millennium服务公寓（Somerset Millennium Makati），以及进入最后施工阶段的胡志明市盛捷服务公寓（Somerset Ho Chi Minh City）的资产提升工程均进展顺利，并将于2017年竣工。

审慎的资本管理

集团继续采取审慎严谨的资本及风险管理方式，加强资产负债表及资金状况。截至2016年12月31日，雅诗阁公寓信托的负债比率为39.8%，低于新加坡金融管理局在集体投资计划的基金附录中规定的45%上限。

遵循集团审慎严谨的投资策略，雅诗阁公寓信托积极开拓多样化的资金来源，并善用低利率环境，以最佳成本获得长期融资。这一年内，雅诗阁公寓信托成功通过发行八年期固定利率票据筹集了1.2亿新元，并按年固定利率2.15%互换成欧元。同时进行货币利率交叉互换货币互换交易，把5,090万美元的银行贷款互换成日元，并取得以0.082%的实际年利率。截至2016年12月31日，雅诗阁公寓信托的有效借贷成本从上年同期的2.8%减少至2.4%。

致信托单位持有人之信函

为支持雅诗阁公寓信托的战略拓展，继续贯彻将100%红利派发给单位持有人的政策，本集团必须探讨多元化的融资方案，筹集资金，从而维持健康的资产负债率。2016年3月，雅诗阁公寓信托通过私募信托股权单位，融资1亿新元，迅速投入并资助美国纽约第二家物业的部分收购资金。

年内，集团对单位持有人的日元和欧元收益的大部分进行远期外汇套期保值。我们将继续采取积极主动的策略，减少外汇波动对单位持有人派息收益的影响。

美国联邦储备理事会（US Federal Reserve）于2016年12月在近10年内第二次将短期利率目标提高了25个基点，预计2017年会逐步加息。集团超过80%的总贷款为固定利率，有助于抵消因利率上升而对集团资本状况造成的不利影响。雅诗阁公寓信托将继续积极监控利率和汇率风险，并对可能影响其融资计划的宏观和信贷环境的变化，保持警觉。

迈向下一个增长的十年

集团在过去十年中取得了可观的增长，并为其单位持有人带来了可持续的稳定回报。凭借稳健的基础，雅诗阁公寓信托有能力在未来延续增长势头，提高单位持有人的回报。我们将继续积极寻找优质稳固的收购商机，通过资产管理和增值项目，推动内生性有机增长，通过识别并脱售增长潜力已触顶或增长前景有限的资产，释放价值潜能，重组投资组合。我们将延续审慎的资本管理方式，维持强劲的资产负债表及财务弹性，以支持本集团追求收益及资产增值的提升计划。

奖项与荣誉

2016年，雅诗阁公寓信托在新加坡企业奖评选中获颁“最佳年度报告”铜奖。该奖项用于表彰本集团充分考虑投资者和机构的需求，致力于高水准的财务报告及全面清晰的资讯披露。

董事会声明

为了不断更新董事会，林日波（Lim Jit Poh）先生与古满麟（Ku Moon Lun）先生自2016年9月1日离开雅诗阁公寓信托管理有限公司（ARTML）董事会。自雅诗阁公寓信托成立以来，林先生曾担任非执行独立董事、ARTML主席、ARTML公司信息披露委员会主席，古先生曾担任ARTML非执行独立董事及审计委员会主席。我们谨向林先生和吴先生表示诚挚的感谢和赞誉，感谢他们从雅诗阁公寓信托成立之初至今对董事会的重大贡献，对管理层提供的宝贵指导。同时，我们也衷心感谢各董事会成员长久以来给予的指导和支持。

陈明海
主席

郑文辉
首席执行官

2017年2月24日

2016年9月1日，现任非执行董事陈明海（Tan Beng Hai, Bob）先生辞去ARTML审计委员会职务，并被委任为ARTML董事会主席及ARTML公司信息披露委员会主席。同日，沈悦桂(Sim Juat Quee Michael Gabriel)先生被委任为ARTML非执行独立董事兼审计委员会主席，Elaine Carole Young女士被委任为ARTML非执行独立董事及审计委员会成员。ARTML管理层谨此对新任职的陈先生表示祝贺，并欢迎新任董事的加入。我们期待着雅诗阁公寓信托在新任主席及各董事会成员的领导下，迈向未来成长新阶段。

郑文辉
代表ARTML管理层（作为雅诗阁信托的基金经理）

Year in Brief 2016

January

- Ascott Residence Trust (Ascott Reit) announced Unitholders' distribution of S$123.3 million and Distribution Per Unit of 7.99 cents for FY 2015.

March

- Ascott Reit announced the acquisition of the 369-unit Sheraton Tribeca New York Hotel for US$158.0 million (S$218.0 million). The acquisition was completed on 29 April 2016.
- Ascott Reit raised gross proceeds of S$100.0 million through a private equity placement to partially fund the acquisition of Sheraton Tribeca New York Hotel.
- Ascott Reit issued an eight-year S$120.0 million fixed rate notes at 4.00% per annum. The Singapore dollar proceeds of the notes were subsequently swapped into Euros at a fixed interest rate of 2.15% per annum.
- Ascott Reit celebrated its 10th year anniversary since its listing on the Singapore Stock Exchange Securities Trading Limited on 31 March 2006.

April

- Ascott Reit announced Unitholders' distribution of S$27.3 million for 1Q 2016, up 1% year-on-year (YoY).

June

- Ascott Reit completed the final phase of Asset Enhancement Initiative (AEI) at Somerset Xu Hui Shanghai, resulting in a 16% increase in Average Daily Rates (ADR) of the refurbished apartment units.

July

- Ascott Reit won "Best Annual Report Award (Bronze)" in the "REITs and Business Trusts" category at the Singapore Corporate Awards 2016.
- Ascott Reit announced Unitholders' distribution of S$35.0 million for 2Q 2016, up 8% YoY.

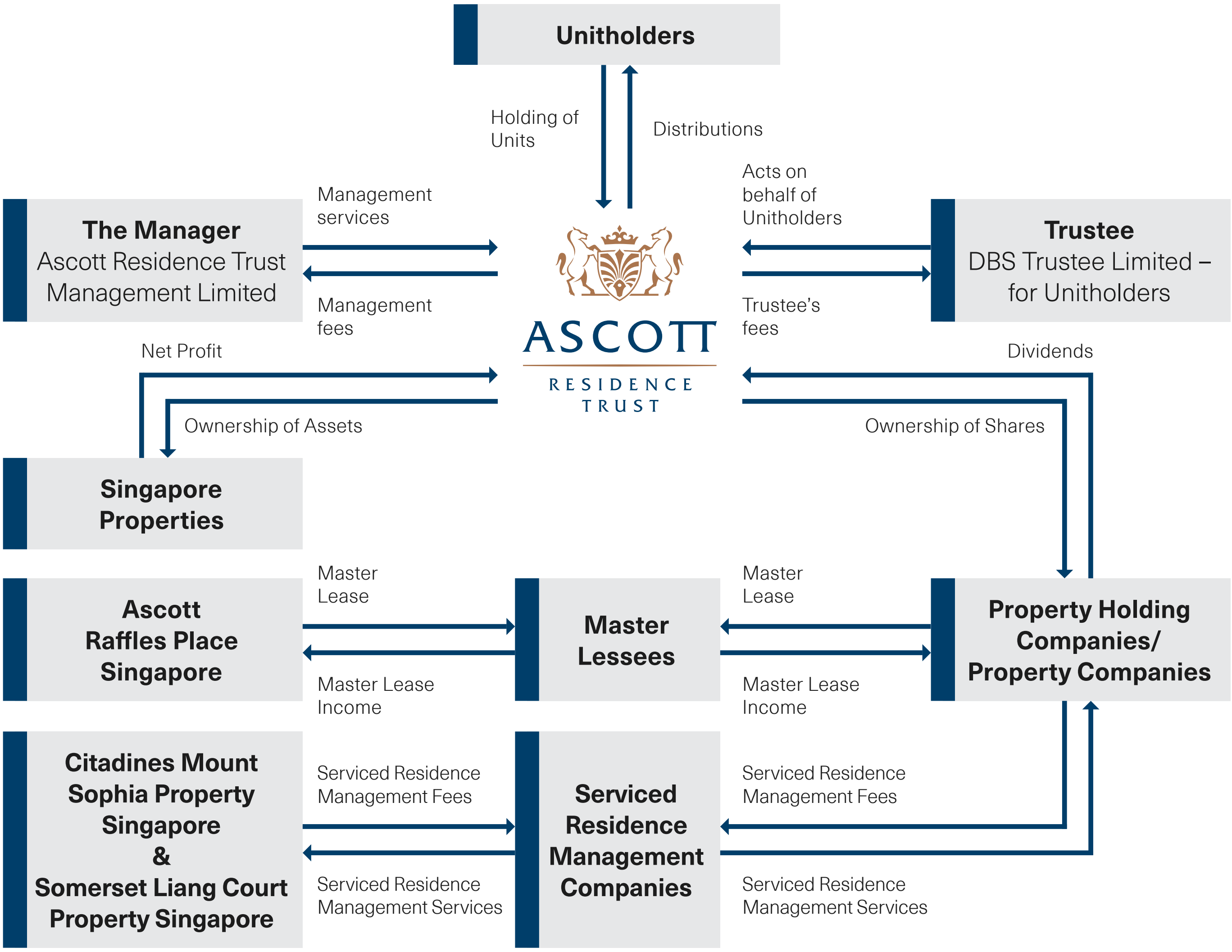
August

- Ascott Reit announced changes to Board and Board Committees compositions:
  - Mr Lim Jit Poh stepped down as a Non-Executive Independent Director (ID) and ceased to be Chairman of the Board and Chairman of the Corporate Disclosure Committee (CDC).
  - Mr Ku Moon Lun stepped down as an ID and ceased to be Chairman of the Audit Committee (AC).
  - Mr Tan Beng Hai, Bob, an existing ID, was appointed as Chairman of the Board. He assumed the role of Chairman of the CDC and relinquished his role as a member of the AC.
  - Mr Sim Juat Quee Michael Gabriel was appointed as an ID and Chairman of the AC.
  - Ms Elaine Carole Young was appointed as an ID and a member of the AC.

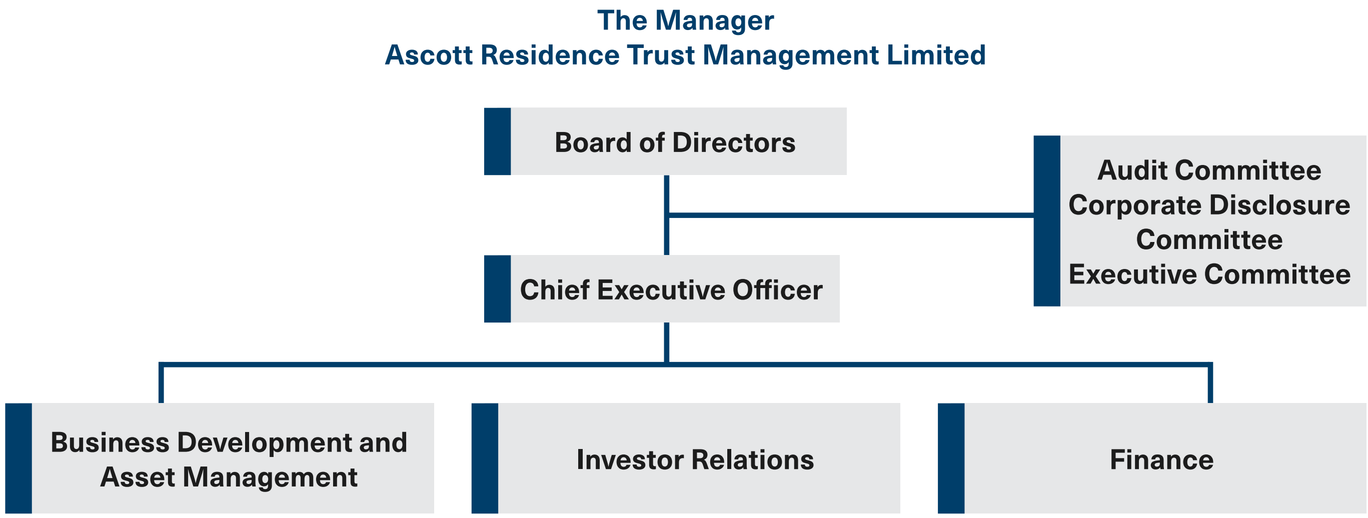
October

- Ascott Reit announced Unitholders' distribution of S$38.7 million for 3Q 2016, up 21% YoY.
- Ascott Reit completed the first phase of AEI at Ascott Makati.
- Ascott Reit completed the second phase of AEI at Somerset Ho Chi Minh City, resulting in a 26% increase in ADR of the refurbished apartment units.
- Ascott Reit announced the appointment of Ms Karen Chan and Ms Karen Chang as Company Secretaries in place of Ms Kang Siew Fong and Ms Regina Tan.

Trust Structure



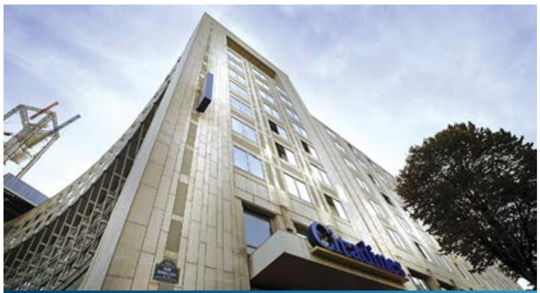
Organisation Structure



Global Presence

Ascott Raffles Place Singapore

Sheraton Tribeca New York Hotel



Citadines Place d'Italie Paris

Citadines on Bourke Melbourne

Citadines Central Shinjuku Tokyo

Somerset West Lake Hanoi

Citadines Trafalgar Square London

Citadines Kurfürstendamm Berlin

Citadines Ramblas Barcelona

Somerset Xu Hui Shanghai

Ascott Makati

Global Presence

A Leading Global Serviced Residence REIT

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

Asia Pacific

Australia
Greater Sydney
Melbourne
Perth

China
Beijing
Dalian
Guangzhou
Shanghai
Shenyang
Suzhou
Tianjin
Wuhan
Xi'an

Indonesia
Jakarta

Japan
Fukuoka
Hiroshima
Kyoto
Osaka
Sapporo
Tokyo

Malaysia
Kuala Lumpur

Singapore

The Philippines
Manila

Vietnam
Hanoi
Ho Chi Minh City

Europe

Belgium
Brussels

France
Cannes
Grenoble
Lille
Lyon
Marseille
Montpellier
Paris

Germany
Berlin
Hamburg
Munich

Spain
Barcelona

The United Kingdom
London

The Americas

The United States of America
New York

Total Assets

S$4.8 billion
(as at 31 December 2016)

Apartment Units

11,627

Properties

90

Cities

38

Countries

14

Value Creation

Growth by Acquisition

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

Acquisition of assets owned wholly or in part by Ascott

Ascott Reit has been granted a right of first refusal in respect of, inter alia, the future sale by any Ascott entity of properties that are used or predominantly used as serviced residences or rental housing properties in the Asian Pacific region and Europe. The Ascott Limited (Ascott or the Sponsor) supports Ascott Reit's acquisition strategy by acquiring, retaining and enhancing assets with good income and growth potential, with the view of subsequently divesting the assets to Ascott Reit at an appropriate time.

Acquisition of Ascott's properties under development

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

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

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

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

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

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

Acquisition criteria

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

Yield thresholds

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

Location

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

Local market characteristics

Ascott Reit acquires properties in markets with positive macro-economic indicators such as strong economic growth and expanding cross border business investments and trade. Key considerations include the levels of Foreign Direct Investment (FDI), business travel (including intra-country business travel), expatriate population and the resulting demand for serviced residences or rental housing properties.

Value creation opportunities

Ascott Reit acquires properties with potential for increase in occupancy rates and/or Average Daily Rates (ADR). The potential for value creation through Asset Enhancement Initiatives (AEI) such as upgrading, refurbishment and reconfiguration is also assessed.

Building and facilities specifications

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

Operator of the serviced residences or rental housing properties

Before a serviced residence or rental housing property is considered for acquisition, the operator will be assessed for its track record in delivering stable cash flow and operations, and/or its ability and potential to achieve stable cash flows.

Active Asset Management

Ascott Reit creates value for its stakeholders by maximising the operating yield of its property portfolio and by focusing on the operational performance of each property.

We benchmark the operating results of each property against market performance and against its previous year's results and planned budgets. We also conduct detailed reviews of properties that are not achieving their targets, and work closely with the Serviced Residence Management Companies (SRMCs) to develop action plans to improve the operating performance of each of these properties. We have put in place robust asset management programmes that enable us to actively manage each of our properties to generate organic growth and strengthen existing relationships with key customers. As at end of FY 2016, approximately 90% of Ascott Reit's serviced residence properties have undergone, or are undergoing AEI.

We closely monitor the growth potential of each property, and divest properties that have reached their maximum potential or whose growth prospects are limited by changes in the operating environment. As at 31 December 2016, all units in Fortune Garden Apartments have been sold. Part of the proceeds from the divestment that has been remitted back to Singapore was deployed to repay foreign currency bank loans, resulting in a net realised exchange gain of S$8.8 million in FY 2016.

Value Creation

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

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

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

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

Communication efforts with key accounts and preferred partners were strengthened to boost revenue and profitability. In 2016, the Sponsor introduced three refreshed brand websites with enhanced user features including apartment comparisons, personalised content, inspired lifestyle travel articles, search for promotions based on interests and social media integration. It continued with its global campaign, Ascott Lifestyle, enabling its guests around the world to take part in specially handpicked experiences from cultural to gastronomical, community living and wellness activities to explore the city they are in. This campaign along with a series of marketing initiatives across multiple platforms further strengthened the Sponsor's brand equity.

The Sponsor continues to enhance its Ascott Online Advantage programme with attractive benefits and promotions for its members when bookings are made directly through its brand websites. To extend its social media reach, the Sponsor leverages on Facebook, Instagram, LinkedIn, Twitter, WeChat, Weibo and YouTube. The Facebook pages for Ascott The Residence, Citadines Apart'hotel and Somerset Serviced Residence have garnered over 100,000 fans to-date.

The Sponsor's Global Distribution System (GDS) chain code "AZ" continues to enable travel management companies and travel agents access rates and room availability more efficiently. Furthermore, the Sponsor has global promotional partnerships with Citibank and other credit card partners in the form of discounts for cardholders. Guests who are Asia Miles members or Singapore Airlines' KrisFlyer members can earn mileage for their stays at participating residences. The Sponsor also partners with CapitaLand Malls Asia Limited to provide CapitaStar members discounts and privileges when they book and stay at Ascott serviced residences.

Improve operating efficiencies and economies of scale

To minimise direct expenses and increase gross profit margins without compromising our quality of services, Ascott Reit, together with the SRMCs, have identified several areas for cost management. These include:

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

Create real estate value and maintain quality of portfolio

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

Unlocking values

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

Capital and Risk Management

Ascott Reit optimises its capital structure and cost of capital within the borrowing limits set out in the Property Funds Appendix of the Code of Collective Investment Schemes. Either debt or equity or a combination of both is used to fund acquisitions and AEIs funded mainly by operating cash flow. Our objectives for capital and risk management are as follows:

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

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

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

To finance acquisitions and refurbishment of properties, we tap into diversified funding sources. These sources include bank borrowings, accessing the debt capital markets through the issuance of bonds and notes and the issuance of perpetual securities, an alternative form of equity. In 2016, Ascott Reit successfully issued an eight-year S$120 million fixed rate notes at 4.00% per annum under its S$1.0 billion Multicurrency MTN Programme, which was established in 2009. The Singapore dollar proceeds of the notes have subsequently been swapped into Euros at a fixed interest rate of 2.15% per annum. Furthermore, Ascott Reit successfully raised gross proceeds of S$100 million in March 2016 through a private equity placement to partially fund the acquisition of Sheraton Tribeca New York Hotel. We may seize market opportunities to raise additional equity capital through the issuance of units, whenever there is an appropriate use for such proceeds.

Adopt proactive interest rate management strategy

We adopt a proactive interest rate management policy by maintaining a target percentage of fixed versus floating interest rates. We also manage risks associated with changes in interest rates on loan facilities while keeping Ascott Reit's ongoing cost of debt competitive. Our interest rate exposure is managed through the use of interest rate caps, interest rate swaps and fixed rate borrowings. As at 31 December 2016, approximately 82% of Ascott Reit's total borrowings are on fixed interest rates.

Manage exposure to foreign exchange fluctuations

Due to the geographical diversity of our portfolio, cash flows generated by our assets as well as their capital values are subject to foreign exchange movements. In managing the currency risks associated with cash flow generated by our assets, we actively monitor foreign exchange rates and enter into hedges, where appropriate. In view of the volatility of certain currencies, we have also taken a proactive approach to enter into forward foreign currency contracts to hedge part of Unitholders' distribution derived in Euro and Japanese Yen. On a portfolio basis, approximately 30% of the foreign currency distribution income for the year ended 31 December 2016 had been hedged. In managing the currency risks associated with the capital values of the overseas assets, our borrowings are made in the same currency as the underlying asset as a natural hedging strategy, to the extent possible. In 2016, Ascott Reit also used cross currency interest rate swaps to hedge its investments.

Perform rigorous credit risk management

We establish credit limits for customers and monitor their balances on an ongoing basis. For bookings by individuals, payments are usually made upfront and arrears are checked against lease deposits to minimise losses. Corporate bookings are generally given more credit days and we adopt a strict policy of withdrawing credit terms when payments are outstanding to minimise bad debts.

Ensure sufficient cash flow to minimise liquidity risk

Our approach to managing liquidity is to ensure that we have sufficient liquidity to meet our liabilities when they mature, under both normal and stressed conditions. In addition to credit facilities, we have a S$1.0 billion Multicurrency MTN Programme, established in 2009 and we had also established a US$2.0 billion Euro-MTN Programme in 2011.

Prepare for market uncertainties

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

Board of Directors

Tan Beng Hai, Bob
Chairman &
Non-Executive Independent Director

Lim Ming Yan
Deputy Chairman & Non-Executive
Non-Independent Director

Tay Boon Hwee, Ronald
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

Tan Beng Hai, Bob, 65

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 2016):
1 year 8 months

Board committee served on
- Corporate Disclosure Committee (Chairman)

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

Present principal commitments (other than directorships in other listed companies)
- Inland Revenue Authority of Singapore (Director)
- Institute of Technical Education (Chairman)
- Jurong Engineering Limited (Chairman)
- NTUC Club Management Council (Member)
- Ong Teng Cheong Labour Leadership Institute (Director)
- Singapore LNG Corporation Pte. Ltd. (Chairman)
- Singapore Manufacturing Federation (Member of the Board of Governors)
- SINGEX Holdings Pte. Ltd. (Chairman)
- SMRT Corporation Ltd (Director)
- SMRT Trains Ltd. (Director)

Past directorship in other listed company held over the preceding three years
- CapitaMalls Asia Limited

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 Meritorious Service Award in 2013
- Public Service Star Award in 2010
- Friend of Labour Award in 2000

Lim Ming Yan, 54

Deputy Chairman
Non-Executive Non-Independent Director
Bachelor of Engineering (Mechanical) and Economics (First Class Honours), University of Birmingham, UK

Date of first appointment as a director:
23 July 2009
Date of appointment as deputy chairman:
1 January 2013
Length of service as a director (as at 31 December 2016):
7 years 5 months

Board committee served on
- Executive Committee (Chairman)

Present directorships in other listed companies
- CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust) (Deputy Chairman)
- CapitaLand Limited
- CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust) (Deputy Chairman)
- CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust) (Deputy Chairman)

Present principal commitments (other than directorships in other listed companies)
- Business China (Director)
- CapitaLand China Holdings Pte Ltd (Chairman)
- CapitaLand Hope Foundation (Director)
- CapitaLand Limited (President & Group CEO)
- CapitaLand Mall Asia Limited[1] (Chairman)
- CapitaLand Regional Investments Limited (Chairman)
- CapitaLand Singapore Limited (Chairman)
- CTM Property Trust, Steering Committee (Chairman)
- LFIE Holding Limited (Co-Chairman)
- Shanghai YiDian Holding (Group) Company (Director)
- Singapore Tourism Board (Member of the Board)
- The Ascott Limited (Chairman)
- Workforce Singapore Agency (Chairman)

Past directorship in other listed company held over the preceding three years
- Central China Real Estate Limited

1 Delisted on 22 July 2014.

Board of Directors

Lim Ming Yan, 54
Deputy Chairman
Non-Executive Non-Independent Director
(continued)

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

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

Tay Boon Hwee, Ronald, 48
Chief Executive Officer
Executive Non-Independent Director
Bachelor of Business (Honours), Nanyang Technological University

Date of first appointment as a director:
1 January 2013
Length of service as a director (as at 31 December 2016):
4 years

Board committees served on
- Corporate Disclosure Committee (Member)
- Executive Committee (Member)

Background and working experience
- Chief Investment Officer and Managing Director of India and GCC sector of The Ascott Limited (From January 2007 to February 2012)
- Head of Business Development and Asset Management of Ascott Residence Trust Management Limited (manager of Ascott Residence Trust) (From January 2007 to February 2012)
- Head and Senior Vice President, Investment of CapitaLand Residential Limited (From January 2005 to December 2006)

Zulkifli Bin Baharudin, 57

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 2016):
4 years

Board committee served on

- Audit Committee (Member)

Present directorships in other listed companies

- Singapore Post Limited
- GDS Holdings Limited

Present principal commitments (other than directorship in other listed company)

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

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, 61

Non-Executive Independent Director

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

Date of first appointment as a director:
1 September 2016
Length of service as a director (as at 31 December 2016):
4 months

Board committee served on

- Audit Committee (Chairman)

Present principal commitments

- Catholic Welfare Services (Vice Chairman, Board of Governors)
- Lien Aid Limited (Chairman)
- Platanetree Capital Pte. Ltd. (Executive Director)

Background and working experience

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

Board of Directors

Elaine Carole Young, 52

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 2016):
4 months

Board committee served on

- Audit Committee (Member)

Present directorship in other listed company

- Link Asset Management Limited (manager of Link REIT)

Present principal commitments (other than directorship in other listed company)

- Asia Hope Ltd (Director)
- ECY Consulting Ltd (Director and CEO)
- Jungamals International Ltd (Director)
- Newick International Ltd (Director)
- The Mekong Club (Director)

Background and working experience

- Executive Director of ONYX Hospitality Ltd (from June 2011 – 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, 42

Non-Executive Non-Independent Director

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

Date of first appointment as a director:
1 June 2013

Length of service as a director (as at 31 December 2016):
3 years 7 months

Board committees served on

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

Present principal commitments

- Ascott International Management (2001) Pte Ltd (Director)
- Ascott Serviced Residence (China) Fund (Chairman)
- Ascott Serviced Residence (Global) Fund Pte. Ltd. (Director)
- Somerset Capital Pte Ltd (Director)
- The Ascott Capital Pte Ltd (Director)
- The Ascott Holdings Limited (Director)
- The Ascott Limited (CEO & Director)
- Tujia.com International (Director)

Background and working experience

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

Award

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

The Manager

Tay Boon Hwee, Ronald
Chief Executive Officer
Executive Non-Independent Director

Mr Tay Boon Hwee, Ronald is a member of the Corporate Disclosure Committee and the Executive Committee.

Mr Tay is responsible for spearheading the overall strategic planning and leading the implementation of the business, investment and operational strategies for Ascott Residence Trust (Ascott Reit).

Prior to taking up the role as Chief Executive Officer, Mr Tay was concurrently Chief Investment Officer of The Ascott Limited (Ascott) and Head of Business Development and Asset Management of Ascott Residence Trust Management Limited (ARTML) until February 2012.

Mr Tay has been with the CapitaLand Group (CapitaLand) for more than 10 years. Prior to joining Ascott, Mr Tay was with CapitaLand Residential Limited as Senior Vice President (Finance and Investment).

Mr Tay began his career in the banking industry, where he spent nine years in various senior positions in corporate and investment banking.

Mr Tay holds a Bachelor of Business (Honours) from the Nanyang Technological University.

Beh Siew Kim
Deputy Chief Executive Officer
(with effect from 1 March 2017)

Ms Beh Siew Kim assists the Chief Executive Officer in all aspects of ARTML's business. Ms Beh has over 23 years of experience in financial and corporate planning, development and compliance in real estate, as well as auditing in Singapore and Malaysia.

Prior to joining ARTML, Ms Beh was the Financial Controller and Head of Corporate Planning & Compliance at CapitaLand China. She was responsible for the corporate planning, financial reporting, forecasting, capital management and compliance functions of CapitaLand China. As a member of the senior management team, Ms Beh has been actively involved in deal analysis, investor relations, as well as private and institutional financing. In her 10 years with CapitaLand China, she has participated in the set up of private equity funds, acquisitions and divestment deals, including CapitaLand's high profile acquisition of Orient Overseas Developments Limited in 2010.

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

She holds a Bachelor of Business from University of Tasmania, Australia and is also a Chartered Accountant of the Institute of Singapore Chartered Accountants.

The Manager

Kang Siew Fong
Vice President, Finance

Ms Kang Siew Fong heads the finance team and is responsible for the performance management and reporting functions at Ascott Reit. Ms Kang has more than 20 years' experience in the finance profession.

Prior to joining ARTML, Ms Kang was with Ascott for more than 14 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 Singapore Exchange Securities Trading Limited, co-ordinating with external auditors, and ensuring compliance with statutory reporting requirements and financial reporting standards. Ms Kang was involved in mergers and acquisitions activities at Ascott, and the formulation and implementation of its financial policies and practices, budgeting and internal controls. She was also a member of the team responsible for the listing of Ascott Reit.

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

Chua Chi Boon
Head, Business Development and Asset Management

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

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

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

Janine Gui Siew Kheng
Vice President, Corporate Asset Management and Investor Relations

Ms Janine Gui Siew Kheng heads the investor relations function at ARTML, and is responsible for conducting effective communication, as well as building and maintaining relations with Unitholders, potential investors and analysts. She is also responsible for the corporate asset management function of the Ascott Reit portfolio and plays a key role in executing and managing various corporate transactions.

Prior to this role with Ascott Reit, Ms Gui was the Head of Corporate Asset Management in Ascott where she was responsible for fund origination and fund management, communication with fund investors, corporate finance and merger and acquisition for Ascott's portfolios. Prior to joining Ascott, Ms Gui has assumed various positions and functions within the CapitaLand and was previously from another real estate company.

Ms Gui holds a Bachelor of Accountancy with Honours degree from the Nanyang Technological University, Singapore.

Corporate Governance

OUR ROLE

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

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

Our other functions and responsibilities as the Manager include:

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

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibilities. Ascott Reit's environmental sustainability and community outreach programmes are set out on pages 54 to 57 of this Annual Report.

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

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

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

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

Corporate Governance

OUR CORPORATE GOVERNANCE CULTURE

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

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found on page 95 of this Annual Report.

This report sets out the corporate governance practices for financial year (FY) 2016 with reference to the principles of the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Annual Report.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1:

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

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

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

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

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

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

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

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

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

The Board meets at least once every quarter, and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year. Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the Manager permits the Director to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. Except where a Director has recused himself or herself due to a potential conflict of interest situation and thus is excused from participation, in each meeting which considers matters requiring the Board's approval, all Board members participate in the discussions and deliberations. This principle of collective decisions adopted by the Board ensures that no individual unduly influences or dominates the decision making process.

A total of five Board meetings were held in FY 2016. A table showing the attendance record of the Directors at meetings of the Board and Board Committees in FY 2016 is set out on page 47 of this Annual Report. The Manager believes in the manifest contribution of its Directors beyond attendance at formal Board and Board Committee meetings. To judge a Director's contributions based on his or her attendance at formal meetings alone would not do justice to his or her overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Board Committee meetings.

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

Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members. Directors also receive on-the-job training through being engaged in actual Board work. In FY 2016, the training and professional development programmes for Directors included forums and dialogues with experts and senior business leaders on issues facing boards and board practice.

Corporate Governance

Board Composition and Guidance
Principle 2:
There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

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

The Board assesses the independence of each Director in accordance with the guidance in the Code. An ID is one who has no relationship with the Manager, its related corporations and its shareholders who hold 10% or more of the voting shares of the Manager, or Unitholders who hold 10% or more of the Units in issue or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement. The relevant non-executive Directors, namely Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin, Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young, have provided declarations of their independence, which have been deliberated upon by the Board. The Board has also examined the different relationships identified by the Code that might impair the Directors' independence and objectivity.

The Board has considered whether each of Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin, Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young had demonstrated independence of character and judgement in the discharge of his or her responsibilities as a Director in FY 2016, and is satisfied that each of Mr Tan, Mr Zulkifli, Mr Sim and Ms Young had acted with independent judgement. It is noted that all of the Directors have served on the Board for less than nine years.

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

At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of Ascott Reit. The Manager has established a policy that its Directors recuse themselves from participating in any discussions concerning a transaction in which they may be in a conflict of interest situation. Each of the Directors has complied with this policy and recused himself or herself from participating in any Board deliberations on any transaction which could potentially have given rise to a conflict of interest.

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

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

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

The Chairman is responsible for leadership of the Board and for facilitating the conditions for the overall effectiveness of the Board, Board Committees and individual Directors. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and the CEO on strategic issues.

The Chairman plays a significant leadership role by providing clear oversight, advice and guidance to the CEO and Management on strategies and business directions.

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the business activities of Ascott Reit and the exchange of ideas and views to help shape Ascott Reit's strategic process.

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

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

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

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

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

(a) the Manager is a dedicated manager to Ascott Reit and in general, REITs (including Ascott Reit) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Board as the Board would be able to give adequate attention to such issues;
(b) the focused scope of the business of Ascott Reit also means a manageable competency requirement for the Board such that the Board is able to manage the duties of a nominating committee; and

Corporate Governance

(c) IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role, and 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 Board has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

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

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

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

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

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

Guideline 4.4 of the Code recommends that the Board determine the maximum number of listed company board appointments which any director may hold and disclose this in the annual report. In view of the responsibilities of a director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that, the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A director with multiple directorships is expected to ensure that sufficient attention can be and is given to the affairs of the Manager in managing the assets and liabilities of Ascott Reit for the benefit of Unitholders. The Board believes that each Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a director of the Manager, bearing in mind his or her other commitments. In considering the nomination of an individual for appointment, and in its annual review of each Director's ability to commit time to the affairs of the Manager, the Board takes into account, among other things, the attendance records of the Directors at meetings of the Board and Board Committees, the competing time commitments faced by any such individual with multiple Board memberships as well as his or her other principal commitments. All Directors had confirmed that notwithstanding the number of their individual listed company board appointments and other principal commitments, which each of them held, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of Ascott Reit for the benefit of Unitholders. The CEO, who is also a Director, is fully committed to the day-to-day operations of the Manager. The Board also notes that, as at the date of this Annual Report, none of the IDs serves on more than three listed company boards. Taking into account also the attendance record of the Directors at meetings of the Board and Board Committees in FY 2016 (set out on page 47 of this Annual Report) and contributions to the Board's deliberations as well as availability outside formal Board and Board Committee meetings, the Board is of the view that the current commitments of each of its Directors are reasonable and each of the Directors is able to and has been adequately carrying out his or her duties.

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

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

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

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

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

Corporate Governance

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

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

Access to Information

Principle 6:

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

The Manager recognises the importance of providing the Board with relevant information on a timely basis prior to Board meetings and on an ongoing basis to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on Ascott Reit's performance are also provided to the Board on a regular basis.

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

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

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

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

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

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7:

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

Level and Mix of Remuneration

Principle 8:

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

Disclosure on Remuneration

Principle 9:

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

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

(a) the Manager is a dedicated manager to Ascott Reit and in general, REITs (including Ascott Reit) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and

(b) the IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role and 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 Board oversees the design and implementation of the remuneration policy and the specific remuneration packages for each Director and senior executives including the CEO. No member of the Board, however, will be involved in any decision of the Board relating to his own remuneration.

In terms of the process adopted by the Manager for developing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager, through an independent remuneration consultant, takes into account benchmarking within the industry, as appropriate. It also considers the compensation framework of CL as a point of reference. The Manager is a subsidiary of CL which also holds a significant stake in Ascott Reit. The association with the CL group puts the Manager in a better position to

Corporate Governance

attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and a career horizon. In FY 2016, an independent remuneration consultant, Mercer (Singapore) Pte Ltd (Mercer), was appointed to provide professional advice on Board and executive remuneration. Mercer is a global consulting leader in talent, health, retirement and investments with operations in more than 140 countries and employs more than 20,000 people globally. The consultant is not related to the Manager, its related corporations or any of its Directors.

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

Business Alignment

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

Motivate Right Behaviour

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

Fair & Appropriate

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

Effective Implementation

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

The fixed component comprises the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund. The variable cash component comprises an annual bonus plan which is linked to the achievement of annual performance targets for each key executive. Annual performance targets are in the form of both quantitative and qualitative measures that are aligned to the business strategy for Ascott Reit Group and linked both to individual performance and the performance of Ascott Reit. The market-related benefits provided are comparable with local market practices.

For FY 2016, remuneration for key management personnel comprises a fixed component, a performance-based variable cash component, a performance-based variable equity-based component and market-related benefits. For the equity-based component, Units were awarded with effect from FY 2016, so as to better align the interest of key management personnel with the long term interest of Unitholders. In determining the actual quantum for the variable components, the Manager will take into account the achievement of performance targets such as the distribution per Unit and Gross Profit achieved by Ascott Reit Group.

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

At present, there are only three key management personnel of the Manager (including the CEO). The Manager outsources various other services to Ascott International Management (2001) Pte Ltd (AIM2001), a wholly owned subsidiary of The Ascott Limited, which provides the services through its employees (Outsourced Personnel), in order to provide flexibility and maximise efficiency in resource management to match the needs of Ascott Reit from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of such Outsourced Personnel, being employees of AIM2001, is not included as part of the disclosure of remuneration of key management personnel of the Manager in this Annual Report.

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

There were no employees of the Manager who were immediate family members of a Director or the CEO in FY 2016. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

The Directors' fees for FY 2016 are shown on page 36 of this Annual Report. The CEO as an executive director does not receive any fees for serving as a Director. Instead, he is remunerated as part of the key management personnel of the Manager. Directors' fees are a fixed sum and generally comprise a basic retainer fee as a Director, an additional fee for serving on any of the Board Committees and an attendance fee for participation in meetings of the Board and any of the Board Committees, project meetings and verification meetings. The framework for Directors' fees remains unchanged from that for the previous financial year.

Non-executive Directors (save for Directors who are employees of CL) receive Directors' fees which are payable by way of cash and Units. The Manager believes that the payment of a portion of the Directors' fees in Units will serve to align the interests of such Directors with that of Unitholders and Ascott Reit's long-term growth and value.

Corporate Governance

Directors' Fees[1,2]

Board Members	FY 2016	FY 2015
Tan Beng Hai, Bob	S$89,667[3]	S$50,925
Lim Ming Yan	N.A.[4]	N.A.[4]
Tay Boon Hwee, Ronald	N.A.	N.A.
Zulkifli Bin Baharudin	S$78,000	S$71,333
Sim Juat Quee Michael Gabriel	S$30,000[5]	N.A.[5]
Elaine Carole Young	S$35,000[5]	N.A.[5]
Lee Chee Koon	N.A.[4]	N.A.[4]
Lim Jit Poh	S$73,334[6]	S$110,000
Ku Moon Lun	S$78,000[6]	S$103,750

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$1,000 per meeting attendance via audio or video conference, (c) S$1,000 (local meeting) and S$1,500 (overseas meeting) 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% of his or her Director's fees in the form of Units (subject to truncation adjustments). The remainder of the Directors' fees shall be paid in cash. No new Units will be issued for this purpose as these Units will be paid by the Manager from the Units it holds.

3 Mr Tan Beng Hai, Bob was appointed as Chairman of the Board and the CDC, and ceased to be a member of the AC with effect from 1 September 2016.

4 Non-executive Directors who are employees of CL do not receive Directors' fees.

5 Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young were appointed as non-executive independent Directors with effect from 1 September 2016. Mr Sim and Ms Young were also appointed as Chairman and a member of the AC respectively with effect from 1 September 2016.

6 Mr Lim Jit Poh and Mr Ku Moon Lun stepped down as non-executive independent Directors with effect from 1 September 2016. Mr Lim and Mr Ku also ceased to be Chairman of the Board and CDC; and Chairman of the AC respectively with effect from 1 September 2016. Mr Lim and Mr Ku will receive all of their Director's fees for FY 2016 in cash.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10:

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

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

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

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

Risk Management and Internal Controls

Principle 11:

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

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

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

The AC is guided by its terms of reference, in particular, the AC:

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

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

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

Corporate Governance

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

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

Internal and external auditors conduct audits that involve testing the adequacy and effectiveness of the material internal controls for Ascott Reit Group addressing financial, operational, compliance and information technology risks. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC reviews the adequacy and effectiveness of the measures taken by the Manager on the recommendations made by the internal and external auditors in this respect.

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

(a) the financial records of Ascott Reit Group have been properly maintained and the financial statements for the year ended 31 December 2016 give a true and fair view of Ascott Reit Group's operations and finances; and
(b) the system of risk management and internal controls in place for Ascott Reit Group is adequate and effective in addressing the material risks faced by Ascott Reit Group in its current business environment including material financial, operational, compliance and information technology risks. The CEO and the VP Finance of the Manager have obtained similar assurance from the respective risk and control owners.

In addition, in FY 2016, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders, as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and VP Finance of the Manager, the Board concurs with the recommendation of the AC and is of the opinion, that the system of risk management and internal controls addressing material financial, operational, compliance and information technology risks established by the Manager is adequate and effective to meet the needs of Ascott Reit Group in its current business environment as at 31 December 2016.

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

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

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

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

The AC is guided by its terms of reference, in particular, the AC:

(a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of Ascott Reit Group, and any announcements relating to Ascott Reit Group's financial performance;
(b) reviews and reports to the Board at least annually the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
(c) reviews the adequacy and effectiveness of the Manager's internal audit and compliance functions;
(d) reviews the scope and results of the external audit and independence and objectivity of the external auditors;
(e) makes recommendations to the Board on the proposals to Unitholders on the appointment, reappointment and removal of the external auditors, and approving the remuneration of the external auditors;
(f) reviews and approves processes to regulate transactions involving an Interested Person (as defined in Chapter 9 of the Listing Manual) and/or Interested Party (as defined in the Property Funds Appendix) (each, an Interested Person) and Ascott Reit and/or its subsidiaries (Interested Person Transactions), to ensure compliance with the applicable regulations. The regulations include the requirement that Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of Ascott Reit and its minority Unitholders; and
(g) reviews the policy and arrangements by which employees of the Manager and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

In the review of the financial statements of Ascott Reit Group for FY 2016, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, among other matters, the following significant matters identified by external auditors for the financial year ended 31 December 2016.

Corporate Governance

Key Audit Matter	How these issues were addressed by AC
Valuation of serviced residence properties	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 serviced residence properties. The AC was satisfied with the valuation process, the methodologies used and the valuation for serviced residence properties as adopted and disclosed in the financial statements.
Accounting for significant acquisition	The AC reviewed Ascott Reit Group's processes on the identification, classification and accounting for the significant acquisition. Management presented to the AC the basis applied in determining that the acquisition is appropriately accounted as an acquisition of asset. The AC considered the findings of the external auditor, including Ascott Reit Group's processes for the classification and determination of the accounting for the significant acquisition. The AC was satisfied with the accounting and disclosures in the financial statements for Ascott Reit Group's significant acquisition.

The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2016 and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The aggregate amount of fees paid and payable to the external auditors for FY 2016 was approximately S$2,545,000, of which audit fees amounted to approximately S$2,486,000 and non-audit fees amounted to approximately S$59,000.

In FY 2016, the AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

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 at its meetings.

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

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

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

CL IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the United States of America. CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA and has incorporated these Standards into its audit practices. With respect to FY 2016, the AC has reviewed and is satisfied as to the adequacy and effectiveness of the IA function.

To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience.

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14:

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

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

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

Communication with Shareholders

Principle 15:

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

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

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

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

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

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

Ascott Reit's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties or shares by Ascott Reit which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion.

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

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

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

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

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

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

(E) ADDITIONAL INFORMATION
Executive Committee
Apart from the AC and CDC, the Board has also established an EC.

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

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

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

Dealings with Interested Persons

Review Procedures for Interested Person Transactions

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

In particular, the procedures in place include the following:

Interested Person Transactions[1]	Approving Authority, Procedures and Disclosure
S$100,000 and above per transaction (which singly, or when aggregated with other transactions[2] with the same Interested Person in the same financial year is less than 3.0% of Ascott Reit's latest audited net tangible assets/net asset value)	• Audit Committee
Transaction[2] which: (a) is equal to or exceeds 3.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other 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 tangible assets/ net asset value	• Audit Committee • Immediate announcement
Transaction[2] which: (a) is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2,3] with the same Interested Person in the same financial year is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value	• Audit Committee • Immediate announcement • Unitholders[3]

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

Corporate Governance

Role of the Audit Committee for Interested Person Transactions

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

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

Details of all Interested Person Transactions (equal to or exceeding S$100,000 each in value) entered into by Ascott Reit in FY 2016 are disclosed on page 224 of this Annual Report.

Dealing with Conflicts of Interest

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

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

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

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

Dealings in Securities

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

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

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

(F) CODE OF BUSINESS CONDUCT

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

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

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

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

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

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

Corporate Governance

Bribery and Corruption Prevention Policy

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

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

Whistle-Blowing Policy

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

Anti-Money Laundering and Countering the Financing of Terrorism Measures

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

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

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

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

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

Composition and Attendance Record of Meetings of the Board and Board Committees

	Composition			Attendance Record of Meetings in FY 2016		
				Board	Audit Committee	Executive Committee
Board Members	Audit Committee	Corporate Disclosure Committee	Executive Committee	Number of Meetings Held: 5	Number of Meetings Held: 4	Number of Meetings Held: 1
Tan Beng Hai, Bob[1] Chairman	–	Chairman	–	5 out of 5	3 out of 3	N.A.
Lim Ming Yan Deputy Chairman	–	–	Chairman	5 out of 5	N.A.	1 out of 1
Tay Boon Hwee, Ronald CEO	–	Member	Member	5 out of 5	N.A.	1 out of 1
Zulkifli Bin Baharudin	Member	–	–	5 out of 5	4 out of 4	N.A.
Sim Juat Quee Michael Gabriel[2]	Chairman	–	–	2 out of 2	1 out of 1	N.A.
Elaine Carole Young[2]	Member	–	–	2 out of 2	1 out of 1	N.A.
Lee Chee Koon	–	Member	Member	5 out of 5	N.A.	1 out of 1
Lim Jit Poh[3]	–	Chairman	–	3 out of 3	N.A.	N.A.
Ku Moon Lun[3]	Chairman	–	–	3 out of 3	3 out of 3	N.A.

N.A.: Not Applicable.

1 Mr Tan Beng Hai, Bob was appointed as Chairman of the Board and the CDC, and ceased to be a member of the AC with effect from 1 September 2016.

2 Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young were appointed as non-executive independent Directors with effect from 1 September 2016. Mr Sim and Ms Young were also appointed as Chairman and a member of the AC respectively with effect from 1 September 2016.

3 Mr Lim Jit Poh and Mr Ku Moon Lun stepped down as non-executive independent Directors with effect from 1 September 2016. Mr Lim and Mr Ku also ceased to be Chairman of the Board and CDC; and Chairman of the AC respectively with effect from 1 September 2016.

Key Management Personnel's Remuneration Table for the Financial Year Ended 31 December 2016[4]

Total Remuneration Bands	Salary inclusive of AWS and employer's CPF	Bonus and Other Benefits inclusive of employer's CPF[1]	Award of Units[2]	Total
Above S$1,000,000 to S$1,250,000				
Tay Boon Hwee, Ronald	43%	37%	20%	100%
Key Officers				
Kang Siew Fong Chong Yi Juan Alicia[3]	58%	29%	13%	100%
Total for CEO and Key Officers		**S$1,593,708**		

1 The amounts disclosed include bonuses earned and the other incentive plans which have been accrued for in FY 2016.

2 The unit awards are based on the fair value of the units comprised in the contingent awards under the Ascott Residence Trust Management Limited Restricted Unit Plan 2016 (RUP) and the Ascott Residence Trust Management Limited Performance Unit Plan 2016 (PUP) at the time of grant. The final number of units released under the contingent awards of units for RUP and PUP will depend on the achievement of pre-determined targets and subject to the respective vesting period under RUP and PUP.

3 The remuneration of Ms Chong Yi Juan Alicia has been included as she is a full-time employee of the Manager with effect from 1 June 2016, and is part of the team managing the investor relations function.

4 The remuneration of Mr Yong Choon Miao Gerald (former Head, Business Development and Asset Management) who stepped down on 31 December 2016, as well as that of Ms Janine Gui Siew Kheng, was borne by AIM2001 to which the Manager outsources the Business Development, Asset Management and Investor Relations functions, amongst others.

Enterprise Risk Management

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

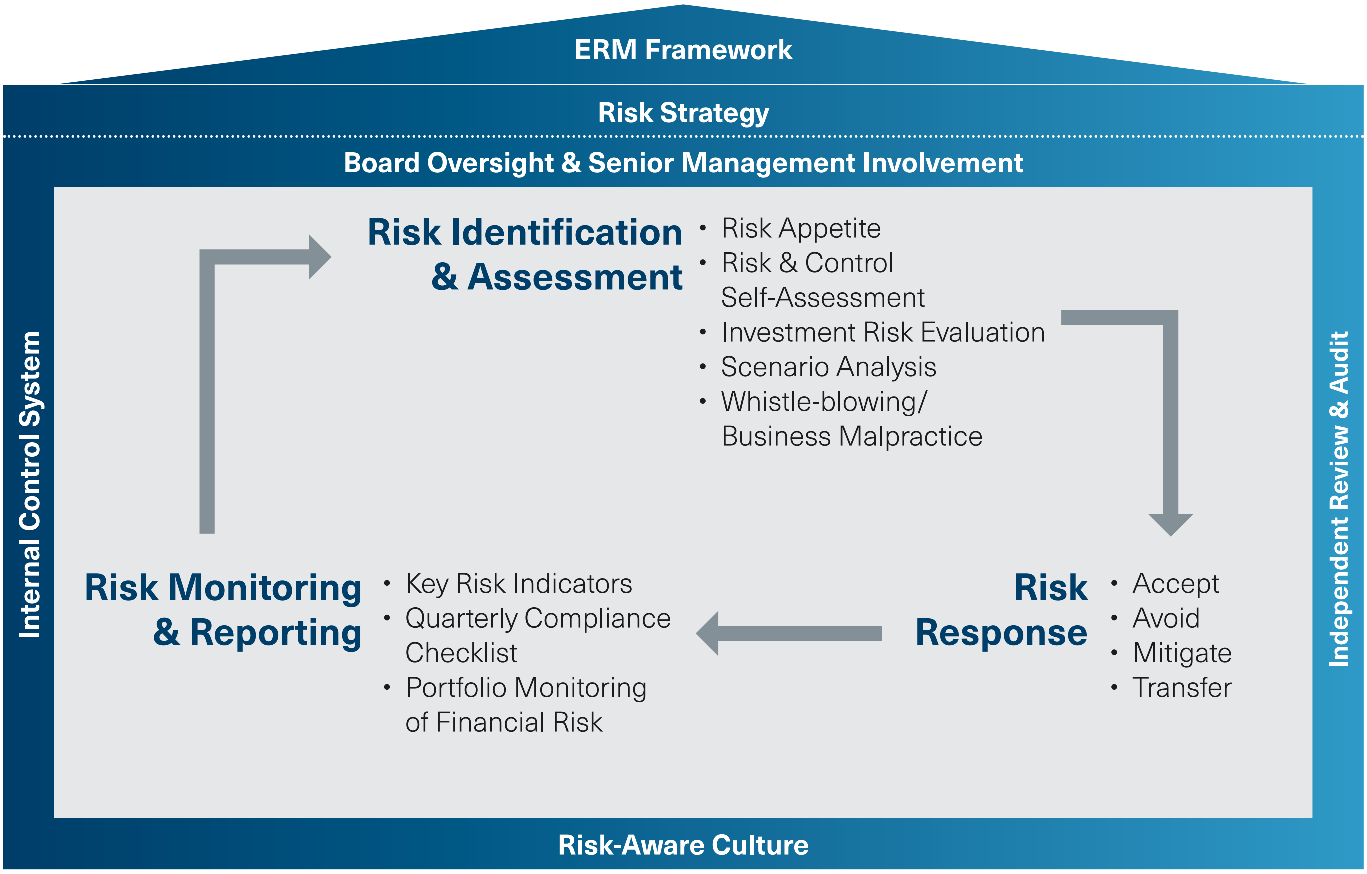
The Manager of Ascott Reit (Manager) recognises that risk management is just as much about opportunities as it is about threats. To capitalise on opportunities, the Manager has to take measured risks. Risk management is not about pursuing risk minimisation as a goal, but rather optimising the risk-reward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

The Board of Directors of the Manager (Board) is responsible for the governance of risk across Ascott Reit. The responsibilities include determining Ascott Reit's risk appetite, overseeing the Enterprise Risk Management (ERM) Framework, regularly reviewing Ascott Reit's risk profile, material risks and mitigation strategies, and ensuring the adequacy and effectiveness of the risk management framework and policies. For these purposes, it is assisted by the Audit Committee (AC) which provides oversight of risk management.

The AC currently comprises three independent board members and meets on a quarterly basis. The meetings are attended by the Chief Executive Officer (CEO) as well as other key management staff.

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

Enterprise Risk Management Framework



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

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

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

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

Managing Material Risks

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

Acts of God and Pandemic Events

Natural disasters, catastrophes and pandemic events are beyond the Manager's control. Such events may significantly damage Ascott Reit's properties, adversely affect the economy and livelihood of the people in those countries or regions and could severely disrupt Ascott Reit's business operations. The Manager manages such risks by having a geographically diversified portfolio. In addition, the Manager has in place a business continuity plan to respond to any disruption, and each property has standard operating procedures for crisis management and adequate insurance coverage.

Competition Risk

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

Economic Risk

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

Financial Risk

Ascott Reit is exposed to financial risks including liquidity, foreign currency and interest rate risks. The Manager measures and evaluates these financial risks and continues to focus on instilling financial discipline and maintaining a strong balance sheet. For more information on Ascott Reit's Financial Risk Management, please refer to the "Financial Risk Management" section on page 188 of this Annual Report.

Enterprise Risk Management

Fraud & Corruption Risk

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

Information Technology (IT) Risk

With increased reliance on Information Technology (IT) as a business enabler, the outsourced IT team from CapitaLand has in place policies and procedures which set out the governance and controls of IT risks, including cyber risks. This includes implementing access controls; building up data security; and promoting IT security awareness among all users to ensure the confidentiality, integrity, and availability of all information assets. The outsourced IT team also conducts IT disaster recovery testing annually to ensure business recovery objectives are met.

Investment & Divestment Risk

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

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

Physical Security and Business Interruption Risks

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

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

Political & Policy Risk

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

Regulatory & Compliance Risk

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

Investor Relations

The Manager of Ascott Reit (Manager) is committed to and adopts a proactive approach towards timely, consistent and transparent communication to Ascott Reit's various stakeholders on a regular basis.

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

In 2016, the Manager conducted two financial results briefing sessions for analysts and media – the first was in January 2016 in connection with the announcement of full-year financial results for the financial year 2015 (FY 2015), while the second was in July 2016 in connection with the half-year financial results for the financial year 2016 (1H 2016). In addition, the Manager hosted quarterly post-results investor meetings to provide updates on Ascott Reit's performance and strategies. The presentation slides for such meetings are also uploaded to the SGXNet. The annual general meeting is another platform where the Manager engages and interacts with the Unitholders, updating them on Ascott Reit's performance and business developments while also providing the Manager an opportunity to better understand any issues the Unitholders may have. Familiarisation visits to Ascott Reit's properties are also arranged upon request from analysts and investors throughout the year, as part of the investor relations' efforts to enhance the investment community's understanding of Ascott Reit.

The Manager also regularly communicates with the various stakeholders through one-on-one meetings and participation in investor conferences and roadshows to maintain engagement with the existing stakeholders, as well as foster new ties with prospective investors. These meetings and events provide opportunities for the Manager to share business updates, perspectives on the market outlook, as well as to understand issues that may be of concern to the investing community. In 2016, Ascott Reit participated in various conferences and roadshows held in Bangkok, Hong Kong, London, Seoul, and Singapore.

In addition, the Manager continues to engage its retail investors through large group seminars. In 2016, we participated in retail investor seminars hosted by Lim and Tan Securities as well as the inaugural REITs Symposium 2016 jointly organised by Real Estate Investment Trust Association of Singapore (REITAS) and Shareinvestor.

The general public have access to Ascott Reit's website which is available in English, including a dedicated 'Investor Relations' link providing Ascott Reit's latest announcements and stock details. The public is able to post questions to the Manager on Ascott Reit's website through the 'General Enquiries' link. Unitholders may also raise any enquiry to the Manager by post to 168 Robinson Road, #30-01 Capital Tower, Singapore 068912.

Accolades

In 2016, Ascott Reit won the 2016 "Best Annual Report Award (Bronze)" in the "REITs and Business Trusts" category at the 2016 Singapore Corporate Awards. This is a testament to Ascott Reit's efforts to ensure clarity in presentation of financial reporting and regulatory disclosures in tandem with the needs of its investors. The Manager will continue to actively engage investors through regular communication, programmes and good investor relations practices.

Unitholders' Enquires

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

Ms Janine Gui Siew Kheng
Vice President

Ms Alicia Chong
Senior Manager

Corporate Asset Management & Investor Relations

Ms Joan Tan
Vice President

Group Communications

Tel: +65 6713 2888
Fax: +65 6713 2121
Email: ask-us@ascottreit.com
Corporate Website:
http://www.ascottreit.com

Investor Relations

2016 Investor Relations Calendar

	Event	Venue	2016
1st Quarter Events	DBS Pulse of Asia Conference 2016	Singapore	5 January
	FY 2015 financial results briefing to media & analysts	Singapore	26 January
	Post FY 2015 results investors meetings hosted by Macquarie	Singapore	26 January
		Tokyo	27-28 January
2nd Quarter Events	13th Annual Citi Asia Pacific Investor Conference 2016	Hong Kong	18 February
	DBS Vickers Thailand ETF & REITs Conference	Bangkok	25-26 February
	Lim and Tan Securities TR and Client's Evening	Singapore	18 March
	Daiwa REIT Day	Singapore	30 March
	Post 1Q 2016 results investor meetings hosted by J.P. Morgan	Singapore	19 April
	Post 1Q 2016 results investor meetings hosted by Morgan Stanley	London	2 May
	REITs Symposium 2016 jointly organised by REITAS & Shareinvestor	Singapore	4 June
3rd Quarter Events	1H 2016 financial results briefing to media & analysts	Singapore	20 July
	Post 1H 2016 results investor meetings hosted by DBS	Singapore	21 July
	Morgan Stanley Non-deal roadshow	Hong Kong	25 July
	DBS Non-deal roadshow	Seoul	27-28 July
	Macquarie ASEAN Conference 2016	Singapore	24 August
	Macquarie SREIT Media Roundtable	Singapore	31 August
	UOB Kay Hian Investor Centre CEO Seminar	Singapore	6 September
	Daiwa Pan Asia REIT Day	Tokyo	8 September
4th Quarter Events	Credit Suisse SGX-CS Real Estate Corporate Day	Singapore	3 October
	UOB Kay Hian Asian Gems Conference 2016	Singapore	12 October
	Post 3Q 2016 results investor meetings hosted by CLSA	Singapore	21 October
	Morgan Stanley Fifteenth Annual Asia Pacific Summit	Singapore	16 November

Financial Calendar

Financial Year Ended 31 December 2016

15 April 2016	Announcement of First Quarter Results
20 July 2016	Announcement of Second Quarter Results
24 August 2016	Payment Distribution to Unitholders
20 October 2016	Announcement of Third Quarter Results
24 January 2017	Announcement of Full Year Results
28 February 2017	Payment Distribution to Unitholders
19 April 2017	Annual General Meeting

Financial Year Ended 31 December 2017

April 2017	Proposed Announcement of First Quarter Results
July 2017	Proposed Announcement of Second Quarter Results
October 2017	Proposed Announcement of Third Quarter Results
January 2018	Proposed Announcement of Full Year Results

Unit Price Performance

	FY 2016	FY 2015
Opening price on the first trading day of the year (S$)	**1.19**	1.26
Closing price on the last trading day of the year (S$)	**1.13**	1.19
Highest closing price (S$)	**1.18**	1.32
Lowest closing price (S$)	**1.06**	1.15
Average closing price (S$)	**1.13**	1.25
Average daily trading volume (units)	**1,707,096**	1,472,375
Total trading volume (units)	**430,188,100**	365,149,000

Sustainability Management

Sustainability Commitment

Ascott Residence Management Limited (ARTML or the Manager) is part of CapitaLand Group (CapitaLand or the Group) and its sustainability strategy is aligned to the Group. Details can be found in the upcoming CapitaLand Limited Global Sustainability Report 2016.

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

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

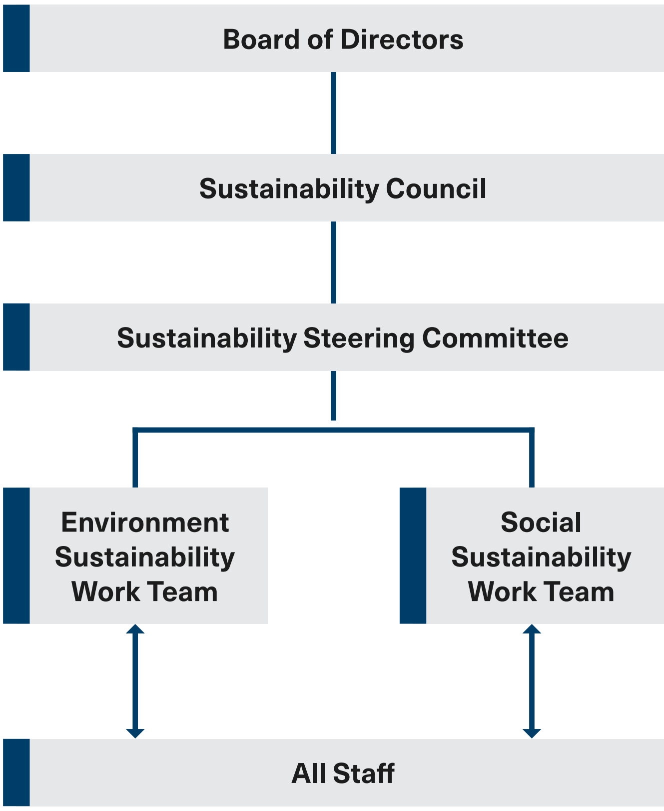
Its integrated human capital strategy aims to recruit, develop and motivate employees to drive growth for the Group. Community development is an important component of the Group's commitment to sustainability. It focuses on providing support to enhance the lives of underprivileged children through corporate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

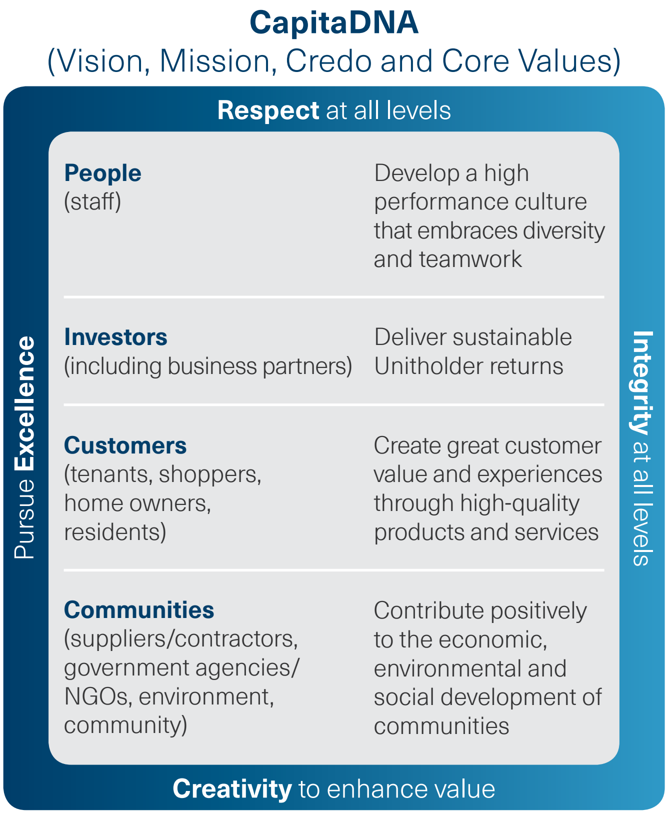
CapitaLand was one of the first companies in Singapore to voluntarily publish its annual Sustainability Report, before the Singapore Exchange published its Sustainability Reporting Guidelines. It adopted the Global Reporting Initiative (GRI) Reporting Guidelines as this framework is internationally recognised. For more details of CapitaLand's sustainability management and performance, please refer to the upcoming CapitaLand Limited Global Sustainability Report 2016. This report will continue to apply the Guiding Principles of the International Integrated Reporting Framework, ISO 26000:2010 Guidance on Social Responsibility. It will reference the United Nations (UN) Sustainable Development Goals, and be externally assessed to the AA1000 Assurance Standard. It will cover CapitaLand's global portfolio including Ascott Reit. CapitaLand is a signatory to the UN Global Compact and its Global Sustainability Report will serve as its Communication on Progress, which will be made available at www.unglobalcompact.org when published.

For its efforts, the Group is listed in the Global 100 Most Sustainable Corporations in the World, Sustainability Yearbook, Dow Jones Sustainability World Index and Asia Pacific Index, Global Real Estate Sustainability Benchmark (Regional Sector Leader for Asia, Diversified), FTSE4Good Index Series, FTSE4Good ASEAN 5, MSCI Global Sustainability Indexes, STOXX® Global ESG Leaders Indices, Channel NewsAsia Sustainability Ranking and SGX Sustainability Indices.

Top Management Commitment and Staff Involvement

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





The Group has a regular review, assessment and feedback process in relation to ESG topics. Key to this is an annual Group-wide Risk and Control Self-Assessment exercise which entails the identification, assessment and documentation of material risks and corresponding internal controls. Such material risks include fraud and corruption, environmental, health and safety, and human capital risks which are 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
Social	• Regular dialogue with government agencies and unions • Active participation in Singapore Workplace Safety and Health Council • Regular employee engagement survey
Governance	• Engagement with Securities Investors Association (Singapore) (SIAS) for its annual Corporate Governance Conference

Sustainability Management

Materiality

Through regular stakeholder engagement, the Manager identifies and reviews material issues that are most relevant and significant to the Group and its stakeholders. Priorities are ranked based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, priority is given to issues important to society and applicable to the Group. Therefore, it prioritises its sustainability efforts and reporting on issues that are most material to its business and stakeholders.

Employees

Ascott Reit does not have employees as it is externally managed by ARTML. The employees of ARTML thus form the headcount. Through regular communication sessions with senior management, ARTML engages its employees and keeps them abreast of the Group's financial results and strategic business thrusts.

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

Customers

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

Supply Chain Management

The Group proactively engages contractors and suppliers on areas relating to quality of work and commitment to EHS. For more information, please refer to the EHS sub-section. The Group also adopts a strong stance against bribery and corruption. Third-party service providers and contractors can provide feedback via a dedicated email address, in addition to the regular feedback channels.

For stakeholder engagement pertaining to investors and media, please refer to the section on Investor Relations on pages 51 to 52 of this Annual Report.

Human Capital

ARTML believes continual learning is a fundamental building block of growth. Together with the Group, there is a suite of training and development programmes to acquire relevant knowledge and skills to achieve business excellence for the employees. As a global enterprise, Ascott Reit embraces diversity in various aspects including nationality, culture and language.

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

Community Development

ARTML continues to proactively support community initiatives that contribute to the well-being of the communities served by the serviced residences in the portfolio.

In March 2016, over 50 CapitaLand staff volunteers including staff from Ascott Reit properties in Vietnam embarked on a five-day volunteer expedition to CapitaLand Nang Yen Primary Hope School located in Phu Tho Province, one of the most impoverished provinces in Vietnam. The school provides close to 200 pupils from surrounding villages with education from Grade 1 to 5, equivalent to that offered by primary schools in Singapore. CapitaLand staff volunteers helped build more toilets and sheltered walkways to cater to the growing pupil population, cemented damaged walls, and refurbished the library with more shelves, which were filled with books gathered from the local community through a book donation drive organised by CapitaLand staff in Vietnam. A series of educational activities, including sports sessions, art and craft workshops, and CapitaLand's signature Little Architect Programme, were also organised for the pupils.

Environment, Health and Safety (EHS)

Ascott Reit is committed to protecting the environment and upholding the occupational health and safety of its employees. The CapitaLand EHS Management System is externally audited to achieve ISO 14001 and OHSAS 18001 certification across 15 countries. The CapitaLand EHS Policy can be found on www.capitaland.com/sustainability.

The Group incorporated EHS key performance indicators linked to the remuneration of all staff, as well as top management. It targets to reduce energy and water usage (per m^2) by 20.0% by 2020 (using 2008 as base year).

For the first nine months of 2016, the reduction in energy usage in KWh/m^2 was 18.3% and the reduction in water usage in m^3/m^2 was 35.6% from the 2008 baseline for the serviced residences in Ascott Reit's portfolio.

In 2016, proximity sensor lights were installed in all corridors, luggage rooms, public toilets, staff toilets and dressing rooms at Citadines Ramblas Barcelona and Citadines St Catherine Brussels to improve energy efficiency. In addition, water taps with a timer were installed in all restrooms of Citadines Ramblas Barcelona and Citadines St Catherine Brussels to improve water efficiency.

Ascott Reit properties are active supporters of Earth Day activities every first Friday of the month. Besides switching off beacon signage lights and other non-essential lightings for ten hours from 8pm, Ascott Reit's serviced residences are encouraged to turn off selected lights that do not impact the safety and security of residents and employees. In 2016, 55 Ascott Reit properties participated in Earth Day activities.

Singapore

Properties
3

Units
497

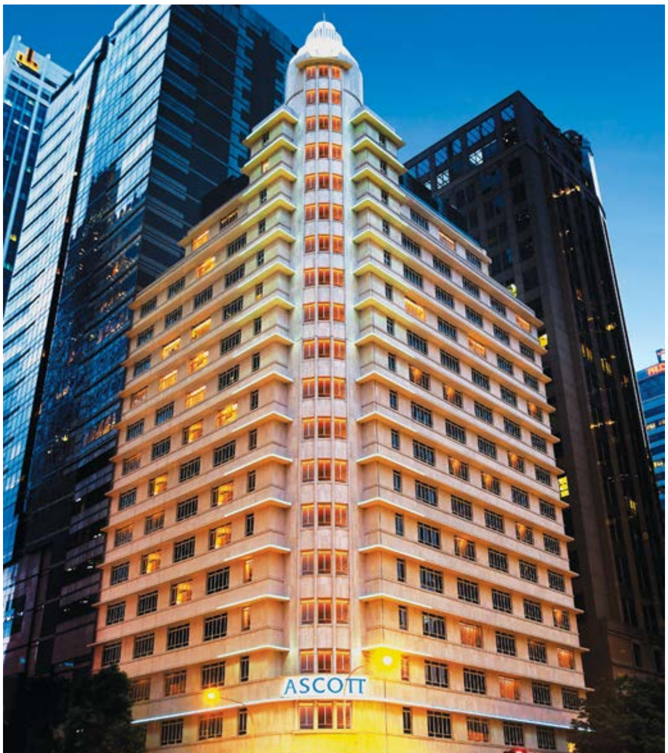
Total Revenue (FY 2016)
S$33.2 million

Total Gross Profit (FY 2016)
S$17.7 million

Valuation as at 31 December 2016
S$557.0 million

Singapore remains a key market in Ascott Reit's portfolio. Ascott Reit owns three leasehold properties in Singapore. The 146-unit Ascott Raffles Place Singapore, a heritage building carefully restored to present a distinct residential experience, remains popular among the corporate customers in the Central Business District (CBD). The 197-unit Somerset Liang Court Property Singapore, located close to the lively dining and entertainment hub of Clarke Quay, is a choice accommodation for families and corporate groups alike. The 154-unit Citadines Mount Sophia Property Singapore, a short walk from bustling Little India and a vibrant art community, is a great location for travellers looking for a balance of tradition amidst modernity.

The average length of stay at the Singapore properties is about three months.



Ascott Raffles Place Singapore

2016 Review

According to the Economist Intelligence Unit (EIU), Singapore's Gross Domestic Product (GDP) grew 1.8% in 2016, slowing from the growth rate of 2.0% registered in 2015. Nevertheless, the positive GDP growth testifies to the structural strengths of the highly market-oriented Asian economy in an adverse external environment.

The Singapore Tourism Board (STB) reported that tourist arrivals into Singapore increased 7.7% year-on-year (YoY) to reach 16.4 million in 2016, mainly due to a stronger than expected rise in the number of Chinese visitors in 2016. However, corporate activities softened as a result of continued global economic uncertainties. In response to the weaker market conditions, an increasing number of firms from various industries have been reducing travelling and accommodation expenses as part of their cost-rationalisation exercise. Even though the increase in new supply of hotel rooms in 2016 was lower than expected due to delays in completion of some hotels, market Revenue per Available Room (RevPAR) remained weak due to lower demand from the corporate segment which typically offers higher yields.

Consequently, Revenue per Available Unit (RevPAU) of our properties in Singapore declined by 3% YoY, from S$201 in 2015 to S$195 in 2016. Nevertheless, average occupancy for our three properties have consistently been performing at around 80% since 2013.

2017 Outlook

Singapore's economic growth is expected to remain moderate in 2017, with the Singapore government forecasting growth at a "modest pace" of 1% to 3% due to heightened political risks and uncertainties in the global economy. A possible global protectionist shift could weigh further on the outlook. The EIU predicts the Singapore economy to grow 2.0% in 2017. STB forecasts and international visitor arrivals to grow in the range of 0 to 2% in 2017. Even though the growth in visitor arrivals in 2017 remains positive, the outlook for demand from the corporate segment remains weak. In 2017, hotel room supply will grow 6.1%, adding downward pressures on market RevPAR.

Despite the uncertain growth outlook, Singapore continues to remain as one of the key markets for corporate travellers worldwide. According to PWC's Talent and Mobility: 2020 and Beyond report, short-term assignments, often lasting a year or less have become increasingly popular with twenty percent of assignments now last less than 12 months, twice the figure in 2002. Furthermore, the Planning Act was amended in February 2017 that prohibits private residential property rentals of less than six months, thus making the accommodation option of serviced apartments a good fit for corporate travellers on short-term assignments. We expect the operational performance of our properties in Singapore to remain stable as we continue to cultivate more long-staying corporate guests from industries such as information technology, healthcare, financial technology (FinTech) and creative which have also been identified by the Singapore government as some of the key industries for economic growth.

The 220-unit Ascott Orchard Singapore, which Ascott Reit has entered into a forward contract to acquire upon completion, has commenced operations in December 2016 and is on track for delivery in 2017.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Ascott Raffles Place Singapore	7,987	9,297	220.0
Citadines Mount Sophia Property Singapore	9,344	9,911	107.0
Somerset Liang Court Property Singapore	15,678	15,881	127.5

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Citadines Mount Sophia Property Singapore	166	176
Somerset Liang Court Property Singapore	217	221

Australia

Properties
5

Units
777

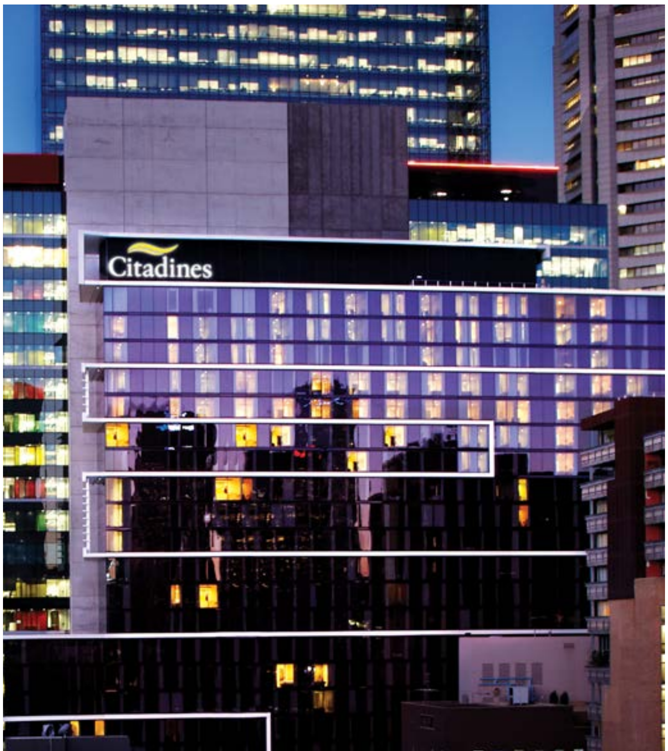
Total Revenue (FY 2016)
S$35.5 million

Total Gross Profit (FY 2016)
S$18.7 million

Valuation as at 31 December 2016
S$297.5 million

Ascott Reit owns a leasehold and four freehold serviced residences in Australia. The 380-unit Citadines on Bourke Melbourne is situated in the heart of Melbourne's CBD, close to the Parliament House and 101 Collins Street while the 85-unit Citadines St Georges Terrace Perth is conveniently located in Perth's CBD, along St Georges Terrace. The 140-unit Quest Sydney Olympic Park is a 99-year leasehold property located within Sydney Olympic Park, near ANZ Stadium and Allphones Arena, a large entertainment and sporting complex. The 81-unit Quest Campbelltown is well located in south-west Sydney's urban hub, an established residential, commercial and industrial area with numerous restaurants near the property while the 91-unit Quest Mascot is a five-minute drive from Sydney Airport. Quest Sydney Olympic Park, Quest Campbelltown and Quest Mascot (collectively known as the 'Quest properties') are under master lease arrangements with Australasian Franchise Systems Pty Ltd, a wholly-owned subsidiary of Quest Serviced Apartments. The remaining lease terms vary between one to ten years.

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



Citadines on Bourke Melbourne

2016 Review

According to the EIU, Australia's economy recorded an estimated GDP growth of 2.3% in 2016. The hospitality and tourism sectors saw sustained and strong growth in both international and domestic arrivals. According to Tourism Research Australia, there were 8.26 million visitor arrivals in 2016, an increase of 11% YoY. International visitors to Australia spent a record $38.8 billion in the year ending September 2016, 11% or $4 billion more than the previous year.

Overall RevPAU decreased by 2% YoY from S$156 in 2015 to S$153 in 2016, mainly due to the slowdown in demand from oil and mining industries which affected the hospitality market in Perth. Nevertheless, Citadines St Georges Terrace Perth outperformed the market with a respectably high occupancy of 85% for FY 2016. The performance of Citadines on Bourke Melbourne represented the continued strength of the Australian East Coast markets with strong demand from both corporate and leisure travellers. The Quest properties are underpinned by fixed rent with annual indexation from the master leases, hence providing income stability to the overall portfolio.

2017 Outlook

Based on a report by the EIU, Australia's GDP is expected to grow 2.6% in 2017 on the back of a stabilising regional outlook and healthier commodity prices. The continued rebalancing of the Australian economy should see the non-mining sector become a stronger contributor to growth. According to Australian Bureau of Statistics, over 1.2 million Chinese tourists visited Australia in 2016 which represents an increase of 20% YoY. At this rate, China will likely surpass New Zealand for the first time in 2017, becoming Australia's largest inbound source market. Australia continues to attract the rising middle class who are increasingly travelling from the Asia-Pacific region, which bodes well for the sustained demand for visitor accommodation in key capital city locations, including Melbourne and Perth. According to JLL's Hotel Investment Outlook 2017, Australia's overdue supply wave will commence in 2017 which will most likely place pressure on room rates in Perth. However, in Sydney and Melbourne, where occupancies have neared the 90% mark in 2016, expectations are for the new supply to be more than matched by tourism demand. We expect properties in Australia to enjoy stable and healthy operational performance in 2017.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Citadines on Bourke Melbourne[1]	22,346	9,105	167.6
Citadines St Georges Terrace Perth	4,603	5,177	36.1
Quest Campbelltown	1,664	1,655	21.3
Quest Mascot	2,222	2,144	26.9
Quest Sydney Olympic Park	3,444	3,337	44.8

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Citadines on Bourke Melbourne[1]	155	153
Citadines St Georges Terrace Perth	145	163

1 The property was acquired on 31 July 2015.

Belgium

Properties
2

Units
323

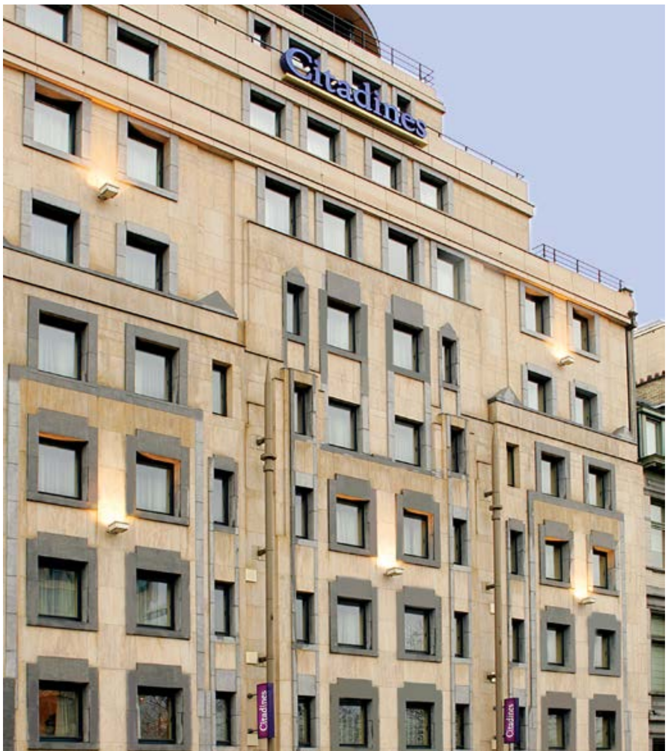
Total Revenue (FY 2016)
S$10.0 million

Total Gross Profit (FY 2016)
S$2.1 million

Valuation as at 31 December 2016
S$57.6 million

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

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



Citadines Toison d'Or Brussels

2016 Review

According to EIU, Belgium's GDP grew 1.2% in 2016. After a weak start to the year, which was partly linked to heightened security threats due to the bombing in Brussels in March 2016, the economy recorded a modest rebound in the second quarter with growth primarily driven by stronger household consumption and investment growth.

However, occupancy levels across the hospitality market have been adversely impacted as security threat remains a concern for both corporate and leisure travellers. Consequently, overall RevPAU for both properties decreased by 22% YoY from S$99 in 2015 to S$77 in 2016. Nevertheless, both properties performed above the minimum guaranteed income to Ascott Reit despite the challenging operating environment.

2017 Outlook

Based on the EIU's report, Belgium's economy is expected to grow at a modest rate of 1.3% in 2017. The government's 'tax shift' fiscal reform agenda and falling unemployment should bolster private consumption this year. Investment is expected to remain strong amid healthy growth in the Eurozone. As the capital of Belgium, Brussels hosts many international associations such as the European Union (EU) institutions and the North Atlantic Treaty Organization (NATO). The construction of the new NATO headquarters in Brussels which started in October 2010 is expected to be completed in early 2017. Furthermore, the number of overnight visitors in Brussels is expected to grow as the government aims for an additional three million overnight stays by foreign tourists to reach 10 million in 2020.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Citadines Sainte-Catherine Brussels	4,814	6,121	26.7
Citadines Toison d'Or Brussels	4,544	5,760	23.5

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Citadines Sainte-Catherine Brussels	76	98
Citadines Toison d'Or Brussels	78	100

China

Properties
10

Units
1,877

Total Revenue (FY 2016)
S$63.0 million

Total Gross Profit (FY 2016)
S$18.9 million

Valuation as at 31 December 2016
S$658.7 million

Ascott Reit owns 10 leasehold serviced residences across China in Beijing, Dalian, Guangzhou, Shanghai, Shenyang, Suzhou, Tianjin, Wuhan and Xi'an. The 180-unit Citadines Biyun Shanghai is located in the Jinqiao Export Processing Zone; the 168-unit Somerset Xu Hui Shanghai is in the exclusive Xu Hui residential district; the 185-unit Somerset Olympic Tower Property Tianjin is situated in Heping district, the city's prime commercial, entertainment and residential area; the 207-unit Ascott Guangzhou lies within the Tianhe CBD; the 270-unit Somerset Heping Shenyang lies within Heping district, the heart of Shenyang's main commercial and shopping district; the 167-unit Citadines Xinghai Suzhou is located in the West Jinji Lake CBD of Suzhou Industrial Park; the 195-unit Somerset Grand Central Dalian is situated in Dalian Development Area; the 251-unit Citadines Gaoxin Xi'an is located in the Xi'an High-Tech Industries Development Zone; and the 249-unit Citadines Zhuankou Wuhan is situated in the Wuhan Economic and Technological Development Zone.

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

Somerset Xu Hui Shanghai

2016 Review

Based on the EIU's report, China's economy grew 6.7% in 2016, lower than the government's target growth of approximately 7% and falling short of the 6.9% growth in 2015. However, even with the slowdown, China remains one of the fastest growing countries among the world's major economies. The phased Asset Enhancement Initiatives (AEI) at Somerset Xu Hui Shanghai, which commenced in 2014, were successfully completed in 2Q 2016. After the AEI, ADR increased by approximately 16% compared to last year. As at 31 December 2016, all units in Fortune Garden Apartments in Beijing have been sold.

Operational performance of our properties in Tianjin, Guangzhou and Shanghai remain strong on the back of the recently completed refurbishments as well as resilient corporate demand in first-tier cities. However, operational performance of the properties located in the regional cities have been affected by continued new supply and weaker demand from project groups from multinational corporations. Consequently, overall RevPAU decreased by 10% from S$93 in 2015 to S$84 in 2016.

2017 Outlook

According to the EIU, China's economic growth is expected to slow to 6.2% in 2017. While the government will try to cushion any sharp slowdown, growth will moderate in 2017 on the back of a cooling property market and rising global economic uncertainties. This is still within the target growth of 6.5% to 7% that China's policymakers have set out in the National People's Congress 2016.

Moving ahead, Ascott Reit's properties in Tianjin, Guangzhou and Shanghai are expected to continue to face challenges, though they remain resilient due to strong domestic demand and various regional developments that would bring about considerable opportunities. Construction of Airbus completion and delivery centre in Tianjin has commenced since March 2016, with the first A330 expected to be delivered in late 2017. Hainan Airlines' subsidiary Tianjin Airlines has started its intercontinental flights to Moscow, London and Vancouver since mid-2016. Volkswagen also increased its presence in Tianjin. Guangzhou continue to see growth in number of consulates and embassies from Africa and the countries of the Gulf Cooperation Council. Shanghai Disneyland opened in June 2016 and more project teams are expected during the planning, design and construction stages of its second phase development. The number of international visitor arrivals will be further boosted by the extension of visa-free entry period in Shanghai, from 72 hours to 144 hours.

In the regional cities, Intel has upgraded its facility in Dalian, leading also to the expansion of their suppliers such as Lam Research. Panasonic's battery factory in Dalian is expected to begin operation in 2017, further boosting corporate demand. Wuhan continues to be the preferred location place of preference for automobile companies, with Dongfeng Honda announcing its intention to build a new factory that will begin production by 2019. Xi'an government has launched its first ever innovation and entrepreneurship forum and lined up a series of activities to attract foreign talent to accelerate the construction of science and technology parks and innovation demonstration zone within the Xi'an Hi-Tech Industries Development Zone.

In 2017, we continue to see a resilient domestic demand underpinned by China's central policies and the government's resolve to restructure the economy while ensuring a long-term sustainable economic growth rate.

Operations Review

China

	Gross Rental Income (S$'000) FY 2016	Gross Rental Income (S$'000) FY 2015	Agreed Property Value at Acquisition (S$'million)
Ascott Guangzhou	8,946	9,554	85.7
Citadines Biyun Shanghai	6,091	5,561	63.2
Citadines Gaoxin Xi'an	3,640	6,388	55.1
Citadines Xinghai Suzhou	4,482	4,408	23.2
Citadines Zhuankou Wuhan	5,140	6,230	51.4
Fortune Garden Apartments[1]	386	907	52.8
Somerset Grand Central Dalian	9,162	8,705	118.6
Somerset Heping Shenyang	8,460	10,759	86.2
Somerset Olympic Tower Property Tianjin	8,061	8,414	76.8
Somerset Xu Hui Shanghai	6,718	5,724	51.5

1 Ascott Reit has commenced the strata sale of its 81 units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing) as announced in October 2013. As at 31 December 2016, all units in Fortune Garden Apartments have been sold.

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Ascott Guangzhou	118	126
Citadines Biyun Shanghai	86	85
Citadines Gaoxin Xi'an	37	67
Citadines Xinghai Suzhou	73	72
Citadines Zhuankou Wuhan	54	66
Somerset Grand Central Dalian	115	113
Somerset Heping Shenyang	86	109
Somerset Olympic Tower Property Tianjin	101	106
Somerset Xu Hui Shanghai	109	93

Operations Review

France

Properties
17

Units
1,671

Total Revenue (FY 2016)
S$35.0 million

Total Gross Profit (FY 2016)
S$32.2 million

Valuation as at 31 December 2016
S$509.3 million

Ascott Reit has 17 freehold serviced residences in France. Ten properties are located in the French capital, Paris, while seven are based in the regional cities of Cannes, Grenoble, Lille, Lyon, Marseille and Montpellier. Our properties in Paris are in prime areas near iconic landmarks such as the Louvre, Eiffel Tower, Notre Dame and Seine River. The remaining seven properties are all conveniently located in the cities' central districts. All 17 properties are on master lease arrangements with Citadines SA, a wholly owned subsidiary of Ascott. The remaining lease terms vary between one and four years.

Citadines Place d'Italie Paris

2016 Review

According to the EIU, the French economy grew 1.2% in 2016. France remained the third largest European economy and the most visited country in the world, with more than 82.5 million tourists in 2016. In 2016, the French hospitality market saw RevPAR decrease by around 6% YoY due to the terrorist attacks in November 2015 in Paris and July 2016 in Nice. The hospitality market was affected by weaker demand from the leisure segment despite having major events in 2016 such as the Euro football cup and the Paris Motor Show. As all our properties in France are underpinned by stable rental income from the master leases, we are not exposed to operational risks relating to the attacks. In 2016, the AEIs carried out by the Sponsor, the master lessee, at Citadines Montmartre Paris and Citadines Prado Chanot Marseille were successfully completed.

2017 Outlook

Based on the EIU report, GDP growth in France is expected to remain unchanged at 1.2% in 2017. Private consumption is set to slow and ongoing uncertainty ahead of the presidential elections in April could dent growth. Likewise, the recovery of the external sector could be undermined by weakening overseas demand. The tourism sector continues to have strategic importance for the growth of the French economy and the French government has set a target to attract 100 million tourists in 2020 so as to increase revenues generated by the sector. Furthermore, major recurring events such as the Paris Air Show, Roland Garros Tennis Open and the Paris Fashion Week are expected to boost France's visitor numbers in 2017. In 2017, our Sponsor will embark on the refurbishment of Citadines Trocadéro Paris.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Citadines Antigone Montpellier	786	788	13.8
Citadines Austerlitz Paris	484	488	9.6
Citadines Castellane Marseille	538	543	10.7
Citadines City Centre Grenoble	1,483	1,489	16.7
Citadines City Centre Lille	1,564	1,570	16.2
Citadines Croisette Cannes	468	469	8.4
Citadines Didot Montparnasse Paris	1,777	1,790	25.7
Citadines Les Halles Paris	5,011	5,030	88.2
Citadines Maine Montparnasse Paris	1,427	1,439	20.6
Citadines Montmartre Paris	2,989	3,000	40.4
Citadines Place d'Italie Paris	4,096	4,111	56.3
Citadines Prado Chanot Marseille	383	382	9.4
Citadines Presqu'île Lyon	1,195	1,200	21.4
Citadines République Paris	1,510	1,523	21.2
Citadines Tour Eiffel Paris	3,263	3,293	59.2
Citadines Trocadéro Paris	3,155	3,168	51.3
La Clef Louvre Paris[1]	2,340	2,388	40.3

1 Formerly known as Citadines Suites Louvre Paris.

Germany

Properties
3

Units
429

Total Revenue (FY 2016)
S$9.2 million

Total Gross Profit (FY 2016)
S$8.4 million

Valuation as at 31 December 2016
S$119.3 million

Ascott Reit owns three freehold serviced residences in Germany. The 117-unit Citadines Kurfürstendamm Berlin, the 146-unit Citadines Arnulfpark Munich and the 166-unit Madison Hamburg are conveniently located in the cities' central districts. Citadines Arnulfpark Munich and Citadines Kurfürstendamm Berlin are on master lease arrangements with Citadines Betriebsgesell-schaft mbH, a wholly owned subsidiary of Ascott, while Madison Hamburg is on master lease arrangement with a third-party operator, Madison Hotel GmbH. The remaining lease terms vary between five and 13 years.

Citadines Kurfürstendamm Berlin

2016 Review

The Germany economy grew steadily by 1.8% in 2016, according to the EIU. This was mainly due to robust employment and consumption. The German hospitality market recorded positive performance for the first half of 2016 with RevPAU increasing 9.8% YoY mainly boosted by large international events and fairs in the main cities. Berlin has emerged as a highly dynamic destination in Europe with the MICE sector accounting for a significant part of business travel in Germany. The world's largest construction machinery trade fair, Munich BAUMA fair, which is held every three years in Munich, took place in April 2016 and has given the market a huge boost. Hamburg, the second largest city in Germany and a major industry and transport hub in northern Germany, remained a choice leisure destination for both domestic and international visitors.

2017 Outlook

According to EIU, Germany's GDP growth is forecasted to reach 1.5% in 2017. A robust labor market, low interest rate environment as well as low oil prices will continue to underpin private consumption. In September 2017, Germans will go to the polls to elect a Chancellor. In Berlin, new properties continue to open with a total of over 1,500 rooms to be added to the market. The opening of the long-awaited Berlin Brandenburg Airport has been delayed to beyond 2018. Hamburg will continue to be a popular destination among corporate travellers given its strategic location as Germany's largest universal port and Europe's second largest container port, making it the ideal national as well as international logistic center. Leisure travellers to Hamburg has also been increasing. The airport's extension is under development and HafenCity, the former Hamburg free port, is currently being revitalised with new hotels, shops, office buildings, and residential areas. Munich, one of Germany's best performing hospitality markets given its position as a leading venue for international trade fair and congresses, is expected to show steady growth in 2017.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Citadines Kurfürstendamm Berlin	1,565	1,558	21.1
Citadines Arnulfpark Munich	2,048	1,994	34.0
Madison Hamburg	4,785	4,476	59.4

Indonesia

Properties
2

Units
408

Total Revenue
(FY 2016)
S$17.2 million

Total Gross Profit
(FY 2016)
S$6.8 million

Valuation as at
31 December 2016
S$106.9 million

Ascott Reit owns two leasehold properties in Indonesia. Located in Central Jakarta's Golden Triangle business and shopping district, both Ascott Jakarta and Somerset Grand Citra Jakarta have 204 units each.

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

Ascott Jakarta

2016 Review

According to the EIU, Indonesia's economy grew 5.2% in 2016, led chiefly by domestic demand. The government's reforms and infrastructure drive have led to an improvement in the business environment and should continue to support growth, though weak commodity prices have affected overall business sentiments in Indonesia. Economic and corporate growth both domestically and internationally has not generated sufficient demand for rooms in Jakarta in 2016. This, combined with the increase in supply and the trading down of hotel tiers by corporates has led to reduced room rates across the hospitality sector. Consequently, overall RevPAU decreased by 4% from S$116 in 2015 to S$111 in 2016.

As part of our holistic asset enhancement programme, some underutilised areas in Somerset Grand Citra Jakarta were converted into commercial space and rented out to restaurants to generate additional income while the lobby was refurbished to enhance guest experience.

2017 Outlook

The EIU reported that, Indonesia's GDP growth is expected to increase slightly to 5.2% in 2017. Given that commodity prices, particularly coal and crude palm oil, have been rising, Indonesia's export performance is expected to be boosted in 2017. Economic outlook in 2017 remains positive as household consumption in Indonesia is strengthening due to people's improving purchasing power amid low inflation and a stronger Rupiah giving rise to cheaper imports. The new Terminal 3 in the Jakarta International Airport officially opened in August 2016, and when fully functional (Q2 2017), it will have a carrying capacity of approximately 25 million passengers per year, thus boosting accommodation demand.

Despite a slowdown of business from oil, mining and commodities related industries in the past years, we have been successful at maintaining fair market share against competitors, having secured stable long-staying corporate guests from embassies and multinational corporations from consultancy and information technology industries as well as groups from infrastructure projects. We have also targeted new sectors including cultural and entertainment groups, social visits and MICE groups.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Ascott Jakarta	9,289	9,942	43.0
Somerset Grand Citra Jakarta	7,339	6,898	54.6

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Ascott Jakarta	124	133
Somerset Grand Citra Jakarta	96	95

Operations Review

Japan

Properties
33

Units
2,595

Total Revenue (FY 2016)
S$67.0 million

Total Gross Profit (FY 2016)
S$38.9 million

Valuation as at 31 December 2016
S$764.9 million

Ascott Reit has four freehold serviced residences and 29 freehold rental housing properties in Japan. The 79-unit Somerset Azabu East Tokyo, 160-unit Citadines Shinjuku Tokyo and the 206-unit Citadines Central Shinjuku Tokyo have prime locations in central Tokyo with easy access to business and leisure districts. The 124-unit Citadines Karasuma-Gojo Kyoto enjoys a premium address next to the Gojo subway station and is close to entertainment, retail and food and beverage outlets. Nineteen of the rental housing properties are centrally located in nine wards within Tokyo: Minato, Bunkyo, Meguro, Nakano, Nerima, Setagaya, Shinjuku, Suginami and Taito. The other 10 rental housing properties are located across four cities of Osaka, Fukuoka, Sapporo and Hiroshima. The rental housing properties are conveniently located close to public transportation, supermarkets and other lifestyle amenities.

The average length of stay at the serviced residence properties in Japan is more than one month.

Citadines Central Shinjuku Tokyo

2016 Review

According to the EIU, Japan's economy grew by 0.8% in 2016. The weakening of the yen and a pickup in global trade are propelling exports. The second stage hike in consumption tax was once again pushed back from April 2017 to October 2019.

Japan's phenomenal growth in inbound tourism continued in 2016. The country has seen double-digit YoY increase in international arrivals every year since 2012. According to the Japan National Tourism Organization, a record number of 24 million foreigners visited Japan in 2016, up 22% YoY. Having surpassed the 20 million target in 2016, the government has revised up its target to 40 million by 2020 and to 60 million by 2030. The surge in visitor arrivals was largely attributed to the increased port of calls by cruise ships and airlines launching new routes. Furthermore, government initiatives focusing on national parks and attractions in regional cities have resulted in some shift in tourism away from Tokyo to other cities in Japan.

The strong growth in inbound visitor arrivals, combined with a historical supply shortage, has boosted the performance of the hospitality market. Consequently, our properties in Japan delivered strong performance in 2016. Overall RevPAU for our serviced residences in Japan increased 16% YoY from S$136 in 2015 to S$158 in 2016. Our rental housing properties continued to achieve strong and stable occupancy of approximately 98% in 2016.

2017 Outlook

The EIU forecasted, Japan's GDP to grow 1.0% in 2017. The economic recovery will gain traction this year on the back of rising wages and improving business sentiment. With the aggressive tourism target coupled with the renewed interest in Japan leading up to the 2019 Rugby World Cup and the 2020 Olympics, the uptrend in hospitality market is expected to continue.

	Gross Rental Income (S$'000)		**Agreed Property Value at Acquisition (S$'million)**
	FY 2016	**FY 2015**	
Citadines Central Shinjuku Tokyo	12,091	10,267	95.2
Citadines Karasuma-Gojo Kyoto	7,288	6,034	39.9[1]
Citadines Shinjuku Tokyo	10,223	8,713	84.3[2]
Somerset Azabu East Tokyo	3,295	3,376	79.8
Actus Hakata V-Tower	2,967	2,654	39.5
Asyl Court Nakano Sakaue Tokyo	908	869	20.3
Big Palace Kita 14jo	1,368	1,216	17.3
Gala Hachimanyama I Tokyo	993	911	20.1
Gala Hachimanyama II Tokyo	191	170	3.9
Grand E'terna Chioninmae[3]	–	216	4.8
Grand E'terna Nijojomae[3]	–	394	7.5
Grand E'terna Saga[3]	–	559	9.2
Grand E'terna Saga Idaidori[3]	–	214	3.2
Grand Mire Miyamachi[3]	–	602	10.9
Grand Mire Shintera[3]	–	353	6.5

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

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

3 The property was divested on 30 September 2015.

Operations Review

Japan

	Gross Rental Income (S$'000) FY 2016	Gross Rental Income (S$'000) FY 2015	Agreed Property Value at Acquisition (S$'million)
Gravis Court Kakomachi	585	520	6.7
Gravis Court Kokutaiji	453	405	5.0
Gravis Court Nishiharaekimae	248	228	4.2
Infini Garden	6,580	5,897	95.2
Joy City Koishikawa Shokubutsuen Tokyo	559	538	12.8
Joy City Kuramae Tokyo	889	834	19.1
Roppongi Residences Tokyo	2,191	1,987	57.1
S-Residence Fukushima Luxe[1]	2,069	774	31.1
S-Residence Hommachi Marks[1]	1,179	426	17.3
S-Residence Midoribashi Serio[1]	981	367	14.5
S-Residence Tanimachi 9 chome[1]	1,161	441	18.1
Zesty Akebonobashi Tokyo	189	173	4.8
Zesty Gotokuji, Tokyo	194	184	4.2
Zesty Higashi Shinjuku Tokyo	273	258	6.2
Zesty Kagurazaka I Tokyo	268	261	6.0
Zesty Kagurazaka II Tokyo	274	259	5.6
Zesty Kasugacho Tokyo	354	338	8.0
Zesty Koishikawa Tokyo	185	171	3.5
Zesty Komazawa Daigaku II Tokyo	491	460	11.5
Zesty Nishi Shinjuku III Tokyo	443	415	10.5
Zesty Sakura Shinmachi Tokyo	272	236	7.0
Zesty Shin Ekoda Tokyo	222	209	4.7
Zesty Shoin Jinja Tokyo	220	211	4.7
Zesty Shoin Jinja II Tokyo	248	233	5.7

1 The property was acquired on 31 July 2015.

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Citadines Central Shinjuku Tokyo	160	137
Citadines Karasuma-Gojo Kyoto	161	133
Citadines Shinjuku Tokyo	175	149
Somerset Azabu East Tokyo	111	115

Rental Per Square Metre (S$)	FY 2016	FY 2015
Actus Hakata V-Tower	30	27
Asyl Court Nakano Sakaue Tokyo	52	47
Big Palace Kita 14jo	26	24
Gala Hachimanyama I Tokyo	44	39
Gala Hachimanyama II Tokyo	46	41
Grand Mire Miyamachi[1]	–	31
Gravis Court Kakomachi	25	23
Gravis Court Kokutaiji	27	24
Gravis Court Nishiharaekimae	24	22
Joy City Koishikawa Shokubutsuen Tokyo	47	44
Joy City Kuramae Tokyo	44	40
Roppongi Residences Tokyo	48	42
S-Residence Fukushima Luxe[2]	39	35
S-Residence Hommachi Marks[2]	35	30
S-Residence Midoribashi Serio[2]	33	30
S-Residence Tanimachi 9 chome[2]	35	33
Zesty Akebonobashi Tokyo	49	43
Zesty Gotokuji, Tokyo	46	42
Zesty Higashi Shinjuku Tokyo	51	46
Zesty Kagurazaka I Tokyo	51	46
Zesty Kagurazaka II Tokyo	53	48
Zesty Kasugacho Tokyo	39	35
Zesty Koishikawa Tokyo	49	43
Zesty Komazawa Daigaku II Tokyo	44	40
Zesty Nishi Shinjuku III Tokyo	49	44
Zesty Sakura Shinmachi Tokyo	42	39
Zesty Shin Ekoda Tokyo	41	37
Zesty Shoin Jinja Tokyo	45	42
Zesty Shoin Jinja II Tokyo	42	38

1 The property was divested on 30 September 2015.
2 The property was acquired on 31 July 2015.

Malaysia

Property
1

Units
205

Total Revenue (FY 2016)
S$6.3 million

Total Gross Profit (FY 2016)
S$2.0 million

Valuation as at 31 December 2016
S$52.4 million

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

The average length of stay at the property is about three months.

Somerset Ampang Kuala Lumpur

2016 Review

According to the EIU, Malaysia's economy grew 4.3% in 2016. Although the global economic prospect has remained uncertain, it is expected to be compensated by better domestic demand as a result of an expansionary monetary policy.

The hospitality industry in Malaysia is undergoing a challenging time due to keen competition from other hospitality service providers such as Airbnb lodgings, guests houses and homestays. In addition, an oversupply in the current market has led to a decline in occupancy and ADR in 2016, particularly within the Jalan Ampang area. To attract a consistent pool of long-stay corporate travellers amidst the challenging operating conditions, ADR of Somerset Ampang Kuala Lumpur was reduced to maintain occupancy above 80% in 2016. Overall RevPAU declined by 9% from S$91 in 2015 to S$83 in 2016. Nonetheless, the property outperformed its competitors in 2016.

2017 Outlook

The EIU expects the Malaysian economy to grow 4.6% in 2017 on the back of improved public and private domestic demand due to the public investment plans for 2017. Stronger export figures should support Malaysia's economy this year thanks to rising oil prices, a weaker ringgit and robust consumption growth in the USA. However, the country will remain vulnerable to external developments such as a slowdown in China's economy, Malaysia's second largest trading partner. During the 2017 Southeast Asian Games which will be held from 19 to 31 August 2017, we foresee demand for accommodation to increase with high occupancy at most hotels in the city centre.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	**FY 2015**	
Somerset Ampang Kuala Lumpur	6,208	6,798	67.4

Revenue Per Available Unit (S$)	**FY 2016**	**FY 2015**
Somerset Ampang Kuala Lumpur	83	91

The Philippines

Properties
2

Units
495

Total Revenue (FY 2016)
S$21.4 million

Total Gross Profit (FY 2016)
S$6.0 million

Valuation as at 31 December 2016
S$151.8 million

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

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

Ascott Makati

2016 Review

According to EIU, the Philippine economy grew 6.9% YoY in 2016, mainly due to increased government spending and the accelerated growth of the services and industrial sectors. Foreign Direct Investment (FDI) is expected to reach US$6.3 billion in 2016 as compared to US$6 billion in 2015. According to the Department of Tourism, visitors to the Philippines for the first eight months of 2016 increased of 13% YoY to 4.0 million while tourism receipts gain 8% YoY to PHP164 billion.

The first phase of refurbishment at Ascott Makati commenced in 4Q 2015 and concluded in 3Q 2016. All 177 apartment units in Tower 2 of the property as well as the common areas and facilities have been refurbished. AEI at Somerset Millennium Makati commenced in 2Q 2016 and is expected to be completed by 1Q 2017. Due to the ongoing refurbishment at both properties during the year, overall RevPAU of Ascott Makati and Somerset Millennium Makati slipped by 12% YoY from S$120 in 2015 to S$106 in 2016.

2017 Outlook

EIU estimates that the Philippine economy will expand at a rate of 6.4% in 2017 driven by private consumption and infrastructure development. Under the new administration, the economic agenda includes the continuation of macroeconomic policies, acceleration of infrastructure projects and more lucrative FDI packages, all of which would help boost the Philippine economy and various industries including the hospitality sector.

Opportunities in the hospitality sector continue to lie in tapping various industries that have remained resilient such as business process outsourcing and call centres. These industries have posted double-digit compound annual growth rates in revenue over the last five years. Other growing industries include manufacturing, construction and PPP (public-private partnership) programmes. To further expand its current market base, our Philippine sales team will be embarking on international sales calls via roadshows in the USA, China and Singapore to tap new accounts for long-stay, focused primarily on relocation companies.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Ascott Makati	16,205	19,886	87.5
Somerset Millennium Makati	3,591	5,218	12.7

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Ascott Makati	118	150
Somerset Millennium Makati	72	94

Spain

Property
1

Units
131

Total Revenue (FY 2016)
S$7.6 million

Total Gross Profit (FY 2016)
S$3.4 million

Valuation as at 31 December 2016
S$69.1 million

Ascott Reit owns one freehold serviced residence in Barcelona under the Citadines brand. The 131-unit Citadines Ramblas Barcelona is located on the famous Las Ramblas boulevard, a top tourist and entertainment district in downtown Barcelona.

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

Citadines Ramblas Barcelona

2016 Review

According to EIU, Spain's GDP grew 3.2% in 2016. The economic indicators in Spain are positive and the economy is growing significantly above the European average. The unemployment rate has also decreased in 2016.

Tourism continues to remain one of the major driving forces of the Spanish economy. According to the Ministry of Energy & Tourism, total visitor arrivals into Spain have reached record highs for seven years in a row, growing to 75.3 million in 2016. The hotel supply in Barcelona has remained almost unchanged in 2016 as the moratorium on development and short-term rentals was extended for another year. Citadines Ramblas Barcelona performed above the minimum guaranteed income in 2016. Overall RevPAU increased 4% YoY from S$141 in 2015 to S$146.

2017 Outlook

GDP growth is forecasted to grow at 2.3% in 2017 according to a report by the EIU. Investment growth is expected to ease slightly in 2017, before increasing again in 2018, mainly driven by the gradual recovery of construction investment, both residential and non-residential sectors.

The hospitality sector is expected to remain robust on the back of increasing demand from the MICE and the leisure segments. MICE events for 2017 include the Mobile World Congress which will be held in Barcelona annually until 2023, IBTM Fair (formerly known as Exhibition for the Incentive Business Travel and Meetings), which will be held annually in Barcelona until 2019, as well as the European Society of Cardiology Congress (ESC), the largest cardiology meeting in the world that hosts more than 30 000 cardiovascular medical professionals during the five-day event. The Spanish government is attempting to attract leisure travellers with shopping city breaks to widen its appeal to the biggest spenders while hospitality industry players and travel firms are working hand-in-hand to recast Spain as a retail hub to rival Milan or Paris. These efforts include simplifying Spain's value-added tax refund system for foreigners and having airlines increase the number of flights between Spain and Asia. Operations at the Barcelona – El Prat Airport are forecasted to continue growing as new direct flights will be added in 2017. Furthermore, Amazon will open its biggest Southern-Europe logistics centre in Barcelona (El Prat de Llobregat) in 2017, boosting accommodation demand from the corporate segment.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Citadines Ramblas Barcelona	7,237	6,917	56.7

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Citadines Ramblas Barcelona	146	141

Operations Review

The United Kingdom

Properties
4

Units
600

Total Revenue (FY 2016)
S$50.5 million

Total Gross Profit (FY 2016)
S$23.7 million

Valuation as at 31 December 2016
S$460.6 million

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

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

Citadines Trafalgar Square London

2016 Review

According to the EIU, the United Kingdom (UK) economy grew by 2.0% in 2016. The country's macroeconomic fundamentals remain relatively strong despite the referendum vote by the UK to leave the European Union (also known as 'Brexit') which have dampened business sentiments. According to STR, the London hospitality market recorded a 0.9% decline in market-wide RevPAR, brought about by a flat ADR coupled with a 0.9% drop in occupancy.

In 2016, overall RevPAU of our properties in the UK decreased 12% from S$246 in 2015 to S$216, mainly due to the depreciation of GBP against SGD. All our properties in the United Kingdom ended the year by performing above minimum guaranteed income.

2017 Outlook

The UK would begin the formal process of leaving the EU by the end of March 2017. This will start the two-year time limit to complete exit negotiations with the other EU members. The outcome remains uncertain. According to the EIU, UK's GDP is expected to grow 1.2% in 2017. Growth will be suppressed due to costlier imports on goods and services arising from the weakened GBP. Wages will continue to remain under pressure. However, London, with its position as a leading international destination, is expected to remain strong in 2017 despite a continued 3.2% increase YoY in the supply of hotel rooms which will put additional pressure on room rates. PWC forecasted that the hospitality market in London is set to achieve a high occupancy rate of approximately 81% while ADR will see an increase of 2% YoY. We believe that the London hospitality market remains a buoyant place for the corporate segment as well as an attractive leisure travel destination.

As part of the Group's robust asset management strategy, the AEI at Citadines Barbican London is expected to be completed in 2Q 2017. We expect to see an uplift in occupancy and room rates following the AEI which will contribute to overall growth in RevPAU in 2017.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Citadines Barbican London	7,581	8,846	75.0
Citadines Trafalgar Square London	18,447	20,656	130.9
Citadines South Kensington London	7,472	8,671	71.1
Citadines Holborn-Covent Garden London	16,024	18,162	127.5

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Citadines Barbican London	158	185
Citadines Trafalgar Square London	257	289
Citadines South Kensington London	209	244
Citadines Holborn-Covent Garden London	217	247

The United States of America

Properties
2

Units
780

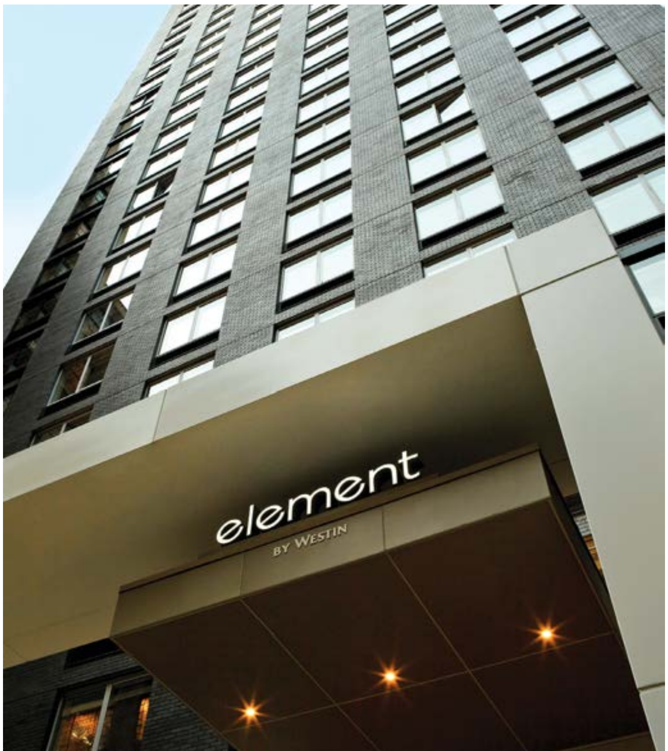
Total Revenue (FY 2016)
S$79.9 million

Total Gross Profit (FY 2016)
S$21.4 million

Valuation as at 31 December 2016
S$471.7 million

Ascott Reit made its foray into the United States of America (United States) through the acquisition of a leasehold extended-stay hotel, Element New York Times Square West in August 2015. With a prime address on 39th Street between Eighth and Ninth Avenues in New York, the property is strategically located within blocks of 15 subway lines, 3 major commuter hubs, 50 million square feet of office space and 2.7 million square feet of retail space, catering to both leisure and corporate segments. In April 2016, Ascott Reit acquired its second property in USA, the 369-unit Sheraton Tribeca New York Hotel, located in the heart of Tribeca, one of the priciest residential neighbourhoods in Manhattan, New York, adjacent to SoHo, a premier retail district and within close proximity to the financial district.

The average length of stay at our properties in New York is less than one week.



Element New York Times Square West

2016 Review

According to the EIU, the economic growth in the United States slowed to 1.6% in 2016, after the strong dollar sent exports slipping by 4.5% YoY in the last quarter of 2016 and encouraged American businesses to import cheaper components from abroad, weighing on overall growth. Nevertheless, consumer confidence has remained elevated and consumer spending registered its best performance in more than a year. In addition, rising wages, lower energy prices along with unemployment rates at its lowest in nine years, have provided a more stable platform of fiscal growth in the nation overall.

As the global centre of corporate headquarters in finance and services, media, entertainment and telecommunications, the hospitality market in New York remains as one of the top-performing in the nation. The volume of tourism in New York City continued to grow in 2016, to a projected 60.3 million visitors, up 3% YoY. However, the market is in the midst of a wave of hotel supply growth. Consequently, overall RevPAU of our properties in New York slipped by 15%, from S$383 in 2015 to S$326 in 2016. Despite the decline in RevPAU, average occupancy at both properties was maintained above 95% in 2016.

2017 Outlook

The New Year has witnessed the advent of a new administration, which will likely provide a healthier environment for domestic growth. However, the recent 0.25% interest rate hike in December 2016 by the Federal Reserve might impact most travellers' disposable income, as borrowing in general becomes more expensive. Furthermore, the financial market expects the Federal Reserve to further increase the Federal Funds rate three times in 2017 which might further strengthen the dollar and in turn negatively impact international travel.

Based on a report by STR, RevPAR for the hotel industry in the United States is projected to grow 2.3% in 2017, on the back of strengthening ADR though hotel supply in Manhattan is expected to increase by over 5,000 rooms in 2017. We will continue to adopt proactive pricing strategies to build a viable base of both transient and group customer accounts to continue to capture favourable market share and achieve stronger operational performance in 2017.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Element New York Times Square West[1]	47,729	21,388	220.7
Sheraton Tribeca New York Hotel[2]	31,489	–	218.0

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Element New York Times Square West[1]	317	383
Sheraton Tribeca New York Hotel[2]	339	–

1 The property was acquired on 19 August 2015.
2 The property was acquired on 29 April 2016.

Vietnam

Properties
5

Units
839

Total Revenue (FY 2016)
S$39.8 million

Total Gross Profit (FY 2016)
S$22.0 million

Valuation as at 31 December 2016
S$288.4 million

Ascott Reit owns five leasehold properties in Hanoi and Ho Chi Minh City in Vietnam. The 185-unit Somerset Grand Hanoi is located in the CBD; the 90-unit Somerset West Lake Hanoi is situated in scenic West Lake; and the 206-unit Somerset Hoa Binh Hanoi is well positioned next to the business and financial districts as well as the flourishing Hoa Lac high technology development zone. The 172-unit Somerset Chancellor Court Ho Chi Minh City is located in the central business district that attracts expatriates working for large MNC offices within the vicinity. The newly renovated 186-unit Somerset Ho Chi Minh City is also strategically located in District 1, a prime commercial, diplomatic and shopping district.

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

Somerset West Lake Hanoi

2016 Review

According to EIU, Vietnam's GDP grew 6.2% in 2016, outpacing most of its ASEAN neighbours. Manufacturing was the key engine of the economic growth, rising at a double-digit rate and affirming Vietnam's attractiveness for FDI, which is mainly aimed at the export-oriented manufacturing sector. According to the General Statistics Office of Vietnam, FDI increased 9% YoY to reach US$15.8 billion in 2016. New FDI pledges and additional funds to finance existing projects in 2016 rose 7% to a combined US$24.4 billion, up from 2015.

Overall RevPAU of our properties in Vietnam declined 5% YoY from S$97 in 2015 to S$92 in 2016, mainly due to the ongoing AEI at Somerset Ho Chi Minh City in 2016. The latest completed phase of AEI at Somerset Ho Chi Minh City has brought about an uplift of approximately 26% in the ADR of the refurbished apartment units. In 2016, the commercial component of Somerset Grand Hanoi has consistently outperformed other Grade A office buildings in Hanoi in terms of occupancy and rental rates. The commercial component of our Vietnam properties achieved close to full occupancy as at end 2016.

2017 Outlook

The GDP for Vietnam in 2017 is expected to grow 6.6%, based on a report by the EIU. Vietnam will be one of the South-East Asia region's fastest-growing economies in the next five years, with real GDP growth forecasted to increase at an average of 6.5% per year between 2017 and 2021. The Ministry of Planning and Investment – Foreign Investment Agency, Vietnam, has projected an increase of FDI in 2017, between 15% and 20% at US$17 billion and US$18.3 billion. Tourism industry in Vietnam is also witnessing a hike in the numbers of international arrival. Vietnam's tourism sector is targeting 11.5 million international arrivals and 66 million domestic travellers in 2017, that will generate an estimated tourism revenue of US$20.3 billion.

The final phase of AEI at Somerset Ho Chi Minh City is on track for completion by 1H 2017. We expect to see uplift in occupancy and room rates following the AEI which will contribute to overall growth in RevPAU in 2017. Furthermore, we expect our properties in Vietnam to enjoy healthy operational performance in 2017 on the back of stronger demand from the long-stay corporate segment as well as the leisure segment.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2016	FY 2015	
Somerset Chancellor Court Ho Chi Minh City	8,909	8,455	69.3
Somerset Grand Hanoi	14,826	14,102	105.7
Somerset Ho Chi Minh City	5,935	6,094	66.8
Somerset Hoa Binh Hanoi	6,042	6,285	54.9
Somerset West Lake Hanoi	2,390	2,615	29.4

Revenue Per Available Unit (S$)	FY 2016	FY 2015
Somerset Chancellor Court Ho Chi Minh City	108	105
Somerset Grand Hanoi	113	116
Somerset Ho Chi Minh City	92	100
Somerset Hoa Binh Hanoi	71	78
Somerset West Lake Hanoi	69	78

Financial Review

OPERATING PERFORMANCE

Revenue

Ascott Reit's revenue of S$475.6 million for the financial year ended 31 December 2016 ("FY 2016") comprised S$66.2 million (14% of total revenue) from serviced residences on master leases, S$68.1 million (14% of total revenue) from serviced residences on management contracts with minimum guaranteed income and S$341.3 million (72% of total revenue) from serviced residences on management contracts.

Revenue for FY 2016 increased by S$54.5 million or 13% as compared to the previous financial year ended 31 December 2015 ("FY 2015"). The increase in revenue was mainly due to the additional revenue of S$75.9 million from the six properties acquired in the second half of 2015 (the "2015 Acquisitions") and the acquisition of Sheraton Tribeca New York Hotel in April 2016 (the "2016 Acquisition").

The increase was partially offset by the decrease in revenue of S$2.5 million from the divestment of six rental housing properties in the regional cities of Japan on 30 September 2015.

		FY 2016		FY 2015	
	Local Currency	Revenue million	Gross Profit million	Revenue million	Gross Profit million
Master leases					
Australia	AUD	7.2	6.8	6.8	6.4
France	EUR	22.9	21.1	23.0	21.2
Germany	EUR	6.0	5.5	5.8	5.0
Japan	JPY	533.2	412.9	695.6	550.3
Singapore	S$	8.0	7.3	9.3	7.9
Management contracts with minimum guaranteed income					
Belgium	EUR	6.5	1.4	8.4	2.2
Spain	EUR	4.9	2.3	4.8	2.2
The United Kingdom	GBP	26.7	12.6	27.4	12.7
Management contracts					
Australia	AUD	27.5	11.4	14.6	6.2
China	RMB	302.1	90.7	319.0	85.5
Indonesia	USD	12.4	4.9	12.8	4.7
Japan	JPY	4,764.6	2,665.4	4,462.1	2,471.1
Malaysia	MYR	18.7	6.1	19.3	4.8
The Philippines	PHP	733.4	207.3	931.6	314.1
Singapore	S$	25.2	10.4	25.9	10.2
The United States of America	USD	57.9	15.5	15.7	5.9
Vietnam[1]	VND	642.1	353.8	633.0	339.4

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

On a same store basis, revenue decreased by S$18.9 million mainly due to lower revenue from the United Kingdom (due to depreciation of GBP against SGD), China (due to weaker demand from project groups in the regional cities) and the Philippines (arising from ongoing renovation for Ascott Makati).

Ascott Reit's portfolio occupancy remained stable at about 80%. Revenue Per Available Unit (RevPAU) increased by S$7, or 5%, from S$133 in FY 2015 to S$140 in FY 2016. On a same store basis (excluding the 2015 Acquisitions and 2016 Acquisition), RevPAU would have decreased by 7%.

Gross Profit

Ascott Reit's gross profit of S$222.2 million for FY 2016 comprised S$60.1 million (27% of total gross profit) from serviced residences on master leases, S$29.2 million (13% of total gross profit) from serviced residences on management contracts with minimum guaranteed income and S$132.9 million (60% of total gross profit) from serviced residences on management contracts.

In line with the increase in revenue, gross profit for FY 2016 increased by S$17.6 million or 9% as compared to FY 2015.

	FY 2016		FY 2015	
	Revenue S$'million	Gross Profit S$'million	Revenue S$'million	Gross Profit S$'million
Australia	7.3	7.0	7.1	6.7
France	35.0	32.2	35.1	32.4
Germany	9.2	8.4	9.0	7.7
Japan	6.7	5.2	7.9	6.2
Singapore	8.0	7.3	9.3	7.9
Master leases	**66.2**	**60.1**	**68.4**	**60.9**
Belgium	10.0	2.1	12.7	3.4
Spain	7.6	3.4	7.3	3.3
The United Kingdom	50.5	23.7	57.4	26.7
Management contracts with minimum guaranteed income	**68.1**	**29.2**	**77.4**	**33.4**
Australia	28.2	11.7	15.0	6.3
China	63.0	18.9	69.9	18.7
Indonesia	17.2	6.8	17.6	6.4
Japan	60.3	33.7	50.5	28.0
Malaysia	6.3	2.0	6.8	1.7
The Philippines	21.4	6.0	28.1	9.5
Singapore	25.2	10.4	25.9	10.2
The United States of America	79.9	21.4	21.6	8.1
Vietnam	39.8	22.0	39.9	21.4
Management contracts	**341.3**	**132.9**	**275.3**	**110.3**
Group	**475.6**	**222.2**	**421.1**	**204.6**

Financial Review

DISTRIBUTIONS

Ascott Reit achieved Unitholders' distribution of S$135.0 million for FY 2016, S$11.7 million or 9% higher as compared to FY 2015.

DPU for FY 2016 was 8.27 cents, 4% higher than FY 2015. Unitholders' distribution for FY 2016 included net realised exchange gain of S$8.8 million arising from repayment of foreign currency bank loans with the divestment proceeds from Fortune Garden Apartments and repayment of shareholders' loans from the Group's subsidiaries. Unitholders' distribution for FY 2015 included interest expense of S$1.2 million incurred on the S$250.0 million perpetual securities issued in June 2015 prior to utilisation of the proceeds in 3Q 2015 to fund the acquisitions in Australia and The United States of America. Excluding the effects from the one-off items and equity placement, the adjusted DPU for FY 2016 would have been 7.78 cents and 3% lower than the adjusted DPU for FY 2015 of 8.06 cents.

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

In March 2016, the Manager announced an equity placement exercise. In order to ensure fairness to holders of Ascott Reit units prior to the issuance of the placement units, the Manager declared, in lieu of the scheduled distribution, an advanced distribution of the distributable income for the period from 1 January 2016 to 22 March 2016, the day immediately prior to the date on which the placement units were issued. The advanced distribution was paid on 27 April 2016.

Breakdown of total unitholders' distribution for FY 2016 is as follows:

Distribution	1 January 2016 to 22 March 2016	23 March 2016 to 30 June 2016	1 July 2016 to 31 December 2016	1 January 2016 to 31 December 2016
Distribution rate per Unit	**1.585 cents**	**2.290 cents**	**4.392 cents**	**8.267 cents**
Payment Date	27 April 2016	24 August 2016	28 February 2017	

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

ASSETS

The value of Ascott Reit's total assets as at 31 December 2016 was S$4,791.3 million, compared with S$4,724.6 million as at 31 December 2015. The increase of S$66.7 million was mainly due to the 2016 Acquisition and increase in valuation of certain serviced residence properties, partially offset by the sale of strata units in Fortune Garden Apartments and lower amount of cash and cash equivalents.

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

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

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

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

In determining the fair value of the Group's portfolio, the discounted cash flow approach was used. The valuation method used was consistent with that used for the 31 December 2015 valuation.

The Group's portfolio of serviced residence properties (including assets held for sale) was revalued at S$4,511.0 million, resulting in a surplus of S$30.0 million which was recognised in the Statement of Total Return in FY 2016. The surplus was mainly due to higher valuation of the Group's serviced residences in Japan and Spain (due to better operating performance), partially offset by lower valuation from the properties in the United Kingdom and the United States of America (due to higher property tax). The net impact on the Statement of Total Return was S$24.1 million (net of tax and non-controlling interests).

FUNDING AND BORROWINGS

Ascott Reit adopts a prudent and disciplined approach towards capital management so as to ensure financial flexibility in its funding structure.

Ascott Reit continued to actively tap the debt capital market to diversify its funding sources and mitigate interest rate volatility. In March 2016, Ascott Reit tapped the debt capital market by issuing an eight-year fixed rate medium term notes at 4.00% per annum. The eight-year S$120.0 million medium term notes were swapped into Euro at a fixed interest rate of 2.15% per annum for the same tenor to hedge the Group's net investments in Europe. Ascott Reit also swapped a USD50.9 million bank loan into Japanese Yen at an overall effective interest rate of 0.082% per annum to hedge the Group's net investments in Japan.

On 23 March 2016, Ascott Reit raised S$100.0 million through an equity private placement of 94,787,000 new units to institutional and other investors. The proceeds from the equity private placement has been fully utilised as follows:

(a) S$90.5 million was used to part finance the 2016 Acquisition in March 2016 and April 2016;
(b) S$1.0 million was used to pay the fees and expenses incurred in connection with the equity private placement in March 2016; and
(c) S$8.5 million was used to repay bank borrowings in October 2016 as the purchase consideration for the 2016 Acquisition was less than the originally estimated amount due to favourable exchange rate movements and lower associated costs of the acquisition.

As at 31 December 2016, Ascott Reit's outstanding borrowings was S$1,862.6 million (2015: S$1,815.2 million), with an interest cost averaging 2.4% per annum for FY 2016 (2015: 2.8% per annum). The gearing of the Group as at 31 December 2016 was 39.8% (2015: 39.3%), below the 45.0% gearing limit allowed by the Monetary Authority of Singapore.

Debt Maturity Profile

2016		
Maturity	S$'million	%
2017	147.0	8
2018	216.9	12
2019	134.1	7
2020	284.8	15
2021 & after	1,079.8	58
Total	**1,862.6[1]**	**100**

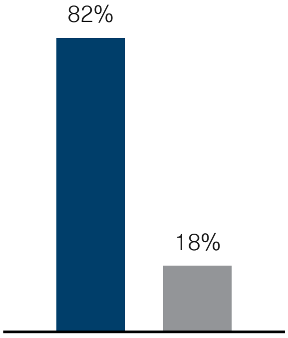
2015		
Maturity	S$'million	%
2016	258.4	14
2017	182.7	10
2018	223.9	12
2019	132.4	8
2020 & after	1,017.8	56
Total	**1,815.2[1]**	**100**

1 Net of unamortised transaction costs.

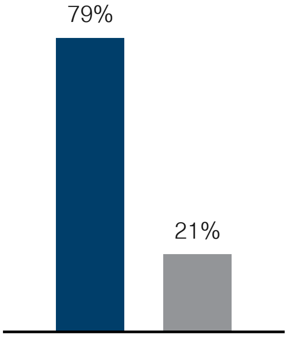
Out of the Group's total borrowings, 8% falls due in 2017, 12% falls due in 2018, 7% falls due in 2019, 15% falls due in 2020 and the balance falls due after 2020.

Financial Review

Fixed vs Floating Rate Profile



Maturity	S$'million	%
2016		
Fixed Rate	1,535.6	82
Floating Rate	327.0	18
Total	**1,862.6[1]**	**100**



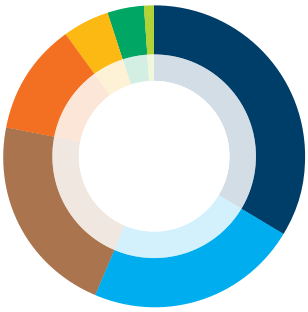
Maturity	S$'million	%
2015		
Fixed Rate	1,428.7	79
Floating Rate	386.5	21
Total	**1,815.2[1]**	**100**

1 Net of unamortised transaction costs.

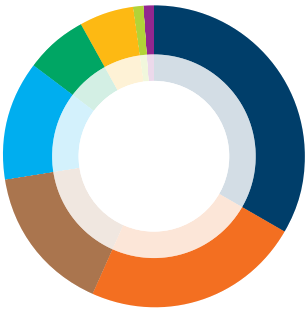
Fixed Rate Loans

This has taken into account the interest rate swaps and cross currency interest rate swaps entered into to convert floating rate loans to fixed rate loans. As at 31 December 2016, S$1,535.6[1] million or 82% of the Group's borrowings are on fixed interest rates, including S$35.5[1] million due for refinancing in 2017, in line with the maturity dates of the underlying loans.

Debt by Currency Profile



Currency	S$'million	%
2016		
JPY	633.6	34
USD	420.7	23
SGD	418.9	22
EUR	221.7	12
RMB	90.0	5
GBP	67.9	4
MYR	9.8	<1
Total	**1,862.6[1]**	**100**



Currency	S$'million	%
2015		
JPY	610.9	34
EUR	433.3	24
SGD	299.3	16
USD	229.6	13
GBP	125.7	7
RMB	104.4	6
MYR	11.6	<1
AUD	0.4	<1
Total	**1,815.2[1]**	**100**

1 Net of unamortised transaction costs.

CASH FLOW

As at 31 December 2016, Ascott Reit's cash and cash equivalents was S$143.1 million, a decrease of S$77.4 million over last year. The major cash flow movements are as follows:

	S$'million
Cash generated from operations	222.6
Proceeds from issue of medium term notes	120.0
Proceeds from issue of new Units	100.0
Proceeds from disposal of assets held for sale	74.5
Acquisition of serviced residence properties / plant and equipment	(230.7)
Distributions to Unitholders and perpetual securities holders	(145.7)
Net repayment of bank borrowings	(101.0)
Payment of interest and income tax	(71.8)
Capital expenditure on serviced residence properties	(40.7)

Portfolio Overview

Location

Ascott Reit's 61 serviced residences and 29 rental housing properties are located in key gateway cities across Singapore, Australia, Belgium, China, France, Germany, Indonesia, Japan, Malaysia, the Philippines, Spain, the United Kingdom, the United States of America and Vietnam. The properties are well served by public transportation and within walking distance to amenities such as restaurants and supermarkets. In Japan, 19 of the rental housing properties are located in Tokyo while the remaining 10 rental housing properties are located in cities outside of Tokyo, namely Fukuoka, Hiroshima, Osaka, and Sapporo.

Brands

Four serviced residences are managed under the Ascott brand, 14 are managed under the Somerset brand while 36 are managed under the Citadines brand. In Japan, the rental housing proper ties are managed under the local brands. All serviced residences are managed by Serviced Residence Management Companies (SRMCs), with the exception of Element New York Times Square West, Sheraton Tribeca New York Hotel, Madison Hamburg, Quest Sydney Olympic Park, Quest Mascot and Quest Campbelltown, which are managed by third-party operators in their respective brands.

Scale

The Ascott Limited (Ascott) is the largest international serviced residence owner-operator. Its strong global brand and over 30-year industry track record enables our properties to enjoy worldwide recognition as the preferred accommodation for extended-stay business travellers. Through a combination of serviced residence and rental housing units, Ascott Reit's portfolio of 11,627 apartment units cater to a wide range of customer needs. These include studio, one to three-bedroom, and penthouse apartment units. We leverage on Ascott to achieve economies of scale, benefitting from its global recognition, international sales, wide distribution and marketing networks and centralisation of key functions such as finance and procurement.

Awards

Our award winning properties continue to enjoy worldwide recognition as the preferred accommodation for business and leisure travellers alike. These include the World Travel Awards 2016 where Somerset Grand Hanoi were awarded the title of "Leading Serviced Apartments" in Vietnam, while La Clef Louvre Paris and Citadines Sainte-Catherine Brussels retained their titles attained in 2015. In addition, Ascott Raffles Place Singapore, our flagship property located in the heart of Singapore's Central Business District, has also clinched the prestigious title as the "Best Serviced Residence in Asia-Pacific" at the Business Traveller Asia Pacific Awards 2016.

Our Extended-Stay Business Model

Our guest base comprises mainly expatriates' relocation, corporate assignments, project groups and extended-stay. Corporate travel, which is driven by long-term macroeconomic factors such as Gross Domestic Product (GDP) growth and Foreign Direct Investment (FDI), is generally more stable than the seasonal nature of tourism travel. Our flexible business model provides short to long-term accommodation. The average length of stay for properties on serviced residence management contracts is approximately three months, while rental housing properties with leases averaging one to two years offer greater income stability to the portfolio. Shorter-term stays also presents opportunities for yielding growth and higher operating margins. For Ascott Reit, income stability is also supported by master leases and serviced residence management contracts with minimum income guarantee.

Master Leases

25 of our properties, 17 in France, three in Germany, three in Australia, one in Japan and one in Singapore, are on master leases. The master lessees pay fixed net rental per annum to Ascott Reit. The master leases in Europe are subject to annual rental revisions pegged to indices representing construction cost, inflation or commercial rental prices. The master leases in Australia are subject to fixed indexation per annum until the next market review. These master leases have an weighted average remaining tenure of over two years.

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

Portfolio Overview

Serviced Residence Management Contracts

65 of our properties are on serviced residence management contracts, comprising seven properties on serviced residence management contracts with minimum guaranteed income and 58 properties on serviced residence management contracts without minimum guaranteed income. Serviced residence management contracts are entered into between Ascott Reit and SRMCs which provide serviced residence management services to Ascott Reit. Unlike the properties under master lease arrangements, guests will lease the units of the serviced residences directly from Ascott Reit or its subsidiaries (for serviced residences outside of Japan) or other entities acting on behalf of Ascott Reit (for serviced residences within Japan[1]). Therefore, the Manager of Ascott Reit has obtained a waiver from the Monetary Authority of Singapore in relation to paragraphs 11.1(c)(iv) and (v) of the Property Funds Appendix regarding the disclosures of lease maturity profile and weighted average lease expiry for properties under serviced residence management contracts, subject to the following disclosures:

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

Serviced Residence Management Contracts with Minimum Guaranteed Income

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

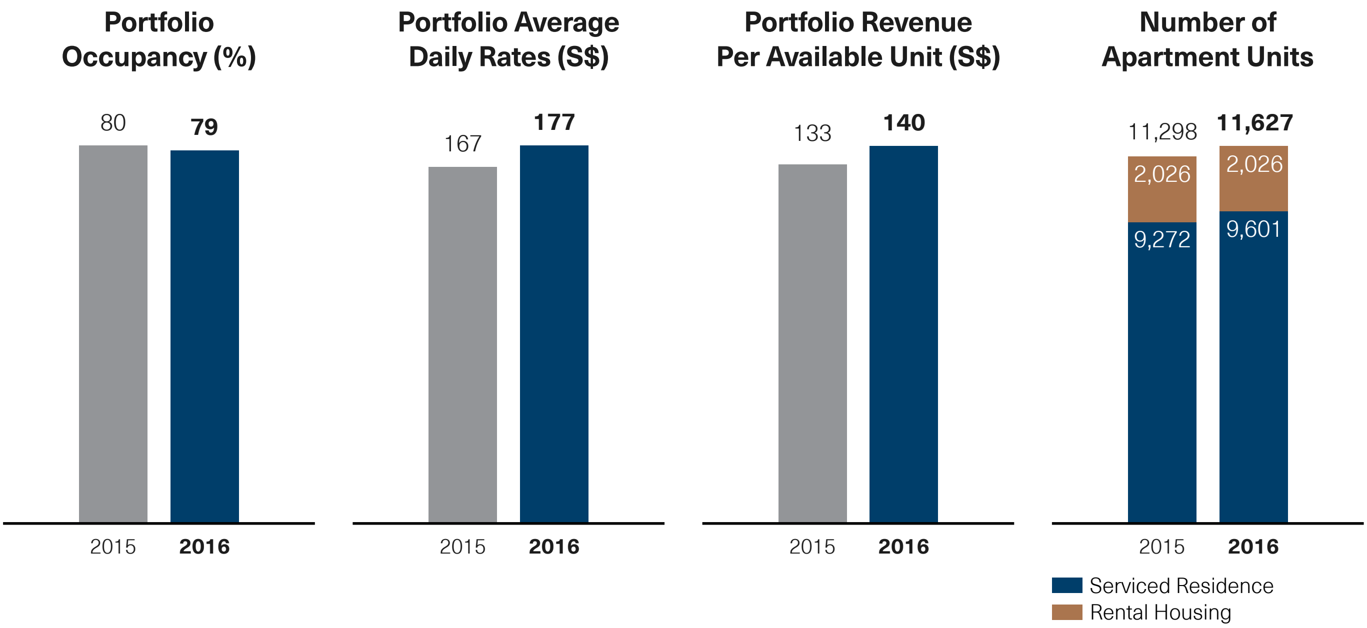
Serviced Residence Management Contracts without Minimum Guaranteed Income

58 of our properties across Australia, China, Indonesia, Japan, Malaysia, the Philippines, Singapore, the United States of America and Vietnam are on serviced residence management contracts without minimum guaranteed income. Under the serviced residence management contracts without minimum income guarantee, the income stream is dependent on the revenue per available unit of the properties under such management arrangements.

1 In Japan, Ascott Reit'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.

Key Statistics of Ascott Reit's Portfolio[1]

(For the year ended 31 December 2016)



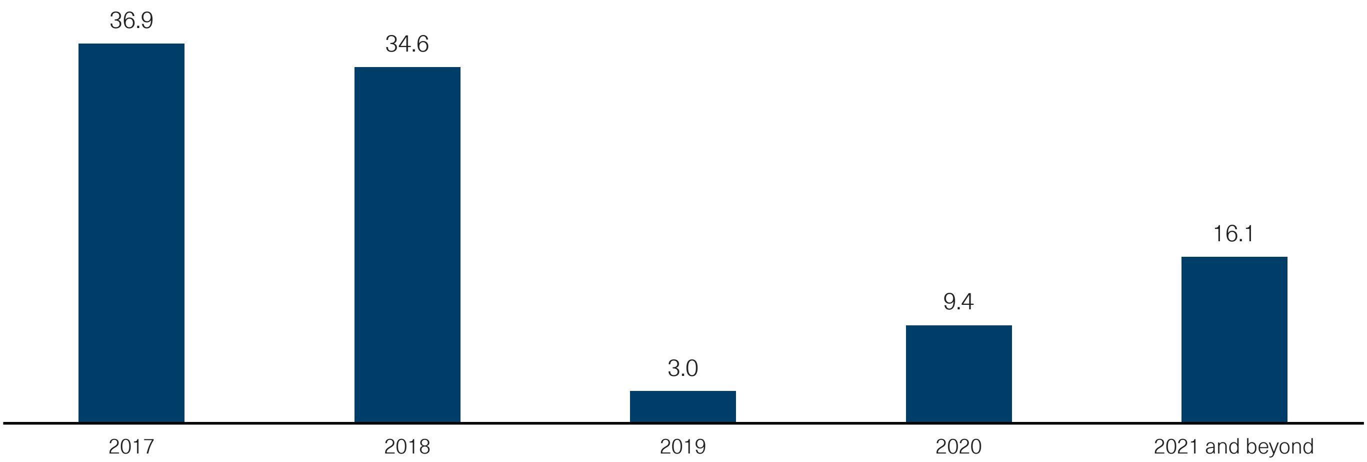
1 Portfolio Occupancy, Portfolio Average Daily Rates and Portfolio Revenue per Available Unit information do not include statistics of the rental housing properties and properties on master leases.

Top 10 Corporate Clients Of Ascott Reit By Apartment Rental Income

Corporate Client	Industry	% of Total Apartment Rental Income
Embassies of OECD Countries	Government & NGOs	1.4%
Amdocs	Information & Communications Technology	0.7%
Standard Chartered Bank	Financial Institutions	0.7%
Samsung	Consumers	0.7%
Bank of Tokyo-Mitsubishi UFJ	Financial Institutions	0.6%
Toyota	Consumers	0.5%
Qantas Airways	Consumers	0.5%
BNP Paribas	Financial Institutions	0.5%
Hitachi	Consumers	0.4%
Citigroup	Financial Institutions	0.4%
Total		**6.4%**

Portfolio Overview

Lease Expiry for Master Leases[1] (%)

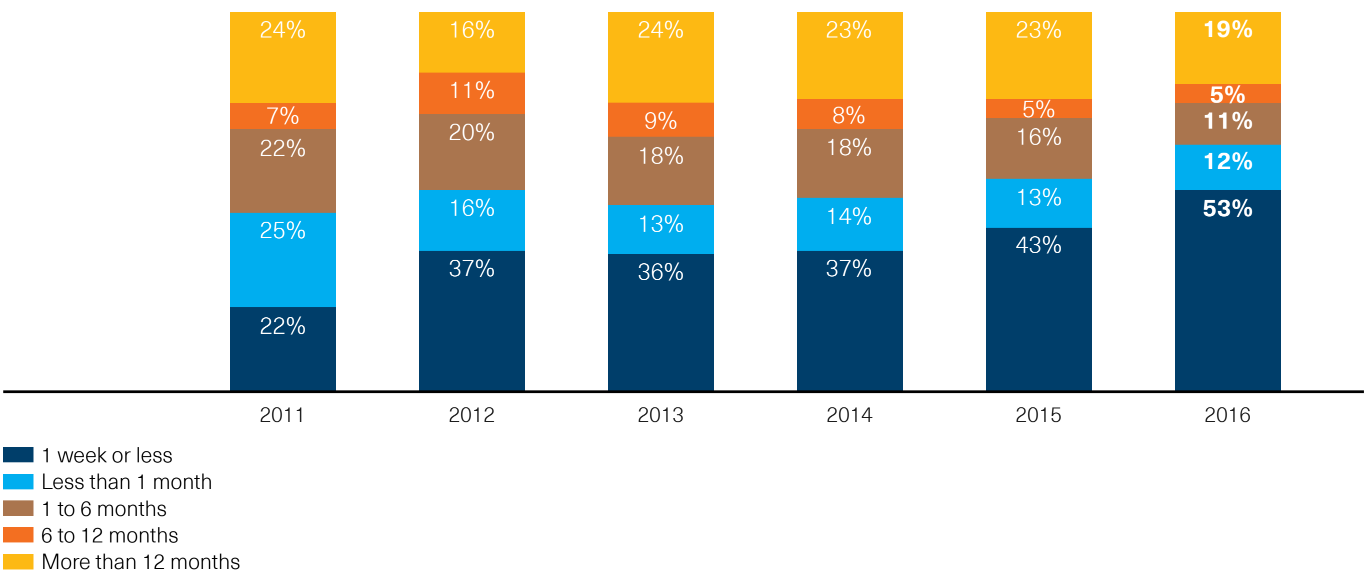


1 Percentage of gross rental income for master leases expiring at respective years over the total gross rental income for all master leases

Portfolio Information by Length of Stay[2,3]

(Portfolio Apartment Rental Income)

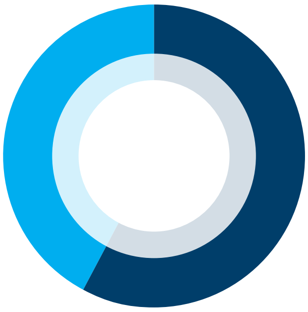
	2011	2012	2013	2014	2015	2016
Average length of stay	5 months	4 months	5 months	4 months	4 months	**3 months**



2 Portfolio information excludes properties on master leases.
3 Historical information is prepared for illustrative purposes only and are not guarantees of future performance.

FY 2016 Portfolio Information By Market Segment[1]

(Portfolio Apartment Rental Income)



	%
Corporate	58
Leisure	42

1 Portfolio information excludes properties on master leases.

FY 2016 Portfolio Information By Industry[2]

(Portfolio Apartment Rental Income)

	%
Industrial	21
Financial Institutions	14
Consumers	14
Government & NGOs	13
Information Technology	8
Manufacturing	7
Energy & Utilities	6
Real estate/ Lodging	6
Others	4
Media & Telecommunications	4
Healthcare	3
Total	**100**

2 Based on apartment rental income for corporate accounts only.

Portfolio Listing

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
AUSTRALIA				
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000, Australia	380	Freehold	–
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000, Australia	85	Freehold	–
Quest Campbelltown	1 Rennie Road, Campbelltown, NSW 2560, Australia	81	Freehold	–
Quest Mascot	108-114 Robey Street, Mascot, NSW 2020, Australia	91	Freehold	–
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127, Australia	140	99	2111
CHINA				
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630, China	207	70	2074
Citadines Biyun Shanghai	Nos. 1-3, 9-12, 15-16, Lane 450 Hongfeng Road, Pudong District, Shanghai, China	180	70	2064
Citadines Gaoxin Xi'an	1-26/F, No. 13 Gaoxin Si Road, Xi'an Hi-Tech Industries Development Zone, Xi'an, Shaanxi Province, China	251	50	2056
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021, China	167	70	2066
Citadines Zhuankou Wuhan	Building C2 and C3, Xiang Long Times Business Center, Plot 3R2, Wuhan Economic and Technological Development Zone, Wuhan, Hubei Province, China	249	40	2043
Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing)	No 46 Liangmaqiao Road, Chaoyang District, Beijing 100125, China	5	70	2068
Somerset Grand Central Dalian	Nos. 128-2 Jinma Road, Dalian Development Area, Dalian 116600, China	195	50	2056
Somerset Heping Shenyang	No 80 Taiyuan North Street, Heping District, Shenyang 110000, China	270	40	2046
Somerset Olympic Tower Property Tianjin	No 126 Chengdu Dao, Heping District, Tianjin 300051, China	185	70	2062
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031, China	168	70	2066

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
INDONESIA				
Ascott Jakarta	Jalan Kebon Kacang Raya No 2, Jakarta 10230, Indonesia	204	26	2024
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940, Indonesia	204	30	2024
JAPAN				
Citadines Central Shinjuku Tokyo	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo, Japan	206	Freehold	–
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105, Japan	124	Freehold	–
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan	160	Freehold	–
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044, Japan	79	Freehold	–
JAPAN RENTAL HOUSING				
Actus Hakata V-Tower	3-15-10, Hakata Ekimae, Hakata-ku, Fukuoka, Japan	296	Freehold	–
Asyl Court Nakano Sakaue Tokyo	1-14-12 Honcho, Nakano-ku, Tokyo, Japan	62	Freehold	–
Big Palace Kita 14jo	4-1-6, Kita14jo Nishi, Kita-ku, Sapporo, Japan	140	Freehold	–
Gala Hachimanyama I Tokyo	2-1-18 Kamitakaido, Suginami-ku, Tokyo, Japan	76	Freehold	–
Gala Hachimanyama II Tokyo	2-1-2 Kamitakaido, Suginami-ku, Tokyo, Japan	16	Freehold	–
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima, Japan	63	Freehold	–
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima, Japan	48	Freehold	–
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima, Japan	29	Freehold	–
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka, Japan	389	Freehold	–
Joy City Koishikawa Shokubutsuen Tokyo	3-35-18 Otsuka, Bunkyo-ku, Tokyo, Japan	36	Freehold	–
Joy City Kuramae Tokyo	2-8-1 Kuramae, Taito-ku, Tokyo, Japan	60	Freehold	–
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032, Japan	64	Freehold	–
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka, Japan	178	Freehold	–

Portfolio Listing

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
JAPAN RENTAL HOUSING				
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka, Japan	110	Freehold	–
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka, Japan	98	Freehold	–
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka, Japan	102	Freehold	–
Zesty Akebonobashi Tokyo	1-17 Tomihisacho, Shinjuku-ku, Tokyo, Japan	12	Freehold	–
Zesty Gotokuji Tokyo	6-42-5 Matsubara, Setagaya-ku, Tokyo, Japan	15	Freehold	–
Zesty Higashi Shinjuku Tokyo	6-15-20 Shinjuku, Shinjuku-ku, Tokyo, Japan	19	Freehold	–
Zesty Kagurazaka I Tokyo	2-13 Nishigokencho, Shinjuku-ku, Tokyo, Japan	20	Freehold	–
Zesty Kagurazaka II Tokyo	123-3 Yaraicho, Shinjuku-ku, Tokyo, Japan	20	Freehold	–
Zesty Kasugacho Tokyo	6-4-15 Kasugacho, Nerima-ku, Tokyo, Japan	32	Freehold	–
Zesty Koishikawa Tokyo	5-41-7 Koishikawa, Bunkyo-ku, Tokyo, Japan	15	Freehold	–
Zesty Komazawa Daigaku II Tokyo	2-12-21 Higashigaoka, Meguro-ku, Tokyo, Japan	29	Freehold	–
Zesty Nishi Shinjuku III Tokyo	3-18-14 Nishishinjuku, Shinjuku-ku, Tokyo, Japan	29	Freehold	–
Zesty Sakura Shinmachi Tokyo	3-11-3 Tsurumaki, Setagaya-ku, Tokyo, Japan	17	Freehold	–
Zesty Shin Ekoda Tokyo	1-2-2 Toyotamakami, Nerima-ku, Tokyo, Japan	18	Freehold	–
Zesty Shoin Jinja Tokyo	4-3-3 Setagaya, Setagaya-ku, Tokyo, Japan	16	Freehold	–
Zesty Shoin Jinja II Tokyo	4-5-4 Setagaya, Setagaya-ku, Tokyo, Japan	17	Freehold	–
MALAYSIA				
Somerset Ampang Kuala Lumpur	No. 187, Jalan Ampang 50450, Kuala Lumpur, Malaysia	205	Freehold	–
THE PHILIPPINES				
Ascott Makati	4, Ayala Glorietta Centre, Makati City 1224, The Philippines	362	48	2044
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229, The Philippines	133	Freehold	–

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
SINGAPORE				
Ascott Raffles Place Singapore	No 2 Finlayson Green, Singapore 049247	146	999	–
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	154	96	2105
Somerset Liang Court Property Singapore	No 177B River Valley Road, Singapore 179032	197	97	2077
VIETNAM				
Somerset Chancellor Court Ho Chi Minh City	Nos 21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City, Vietnam	172	48	2041
Somerset Grand Hanoi	No 49 Hai Ba Trung Street, Hanoi, Vietnam	185	45	2038
Somerset Ho Chi Minh City	No 8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City, Vietnam	186	45	2039
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Hanoi, Vietnam	206	36	2042
Somerset West Lake Hanoi	No 254D Thuy Khue Road, Hanoi, Vietnam	90	49	2041
FRANCE				
Citadines Antigone Montpellier	588 boulevard d'Antigone, 34000 Montpellier, France	122	Freehold	–
Citadines Austerlitz Paris	27 rue Esquirol, 75013 Paris, France	50	Freehold	–
Citadines Castellane Marseille	60 rue du Rouet, 13006 Marseille, France	97	Freehold	–
Citadines City Centre Grenoble	9-11 rue de Strasbourg 38000 Grenoble, France	106	Freehold	–
Citadines City Centre Lille	Avenue Willy Brandt – Euralille, 59777 Lille, France	101	Freehold	–
Citadines Croisette Cannes	1 rue le Poussin, 06400 Cannes, France	58	Freehold	–
Citadines Didot Montparnasse Paris	94 rue Didot, 75014 Paris, France	80	Freehold	–
Citadines Les Halles Paris	4 rue des Innocents, 75001 Paris, France	189	Freehold	–
Citadines Maine Montparnasse Paris	67 avenue du Maine, 75014 Paris, France	67	Freehold	–
Citadines Montmartre Paris	16 avenue Rachel, 75018 Paris, France	111	Freehold	–
Citadines Place d'Italie Paris	18 place d'Italie, 75013 Paris, France	169	Freehold	–
Citadines Prado Chanot Marseille	9-11 boulevard de Louvain, 13008 Marseille, France	77	Freehold	–

Portfolio Listing

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
FRANCE				
Citadines Presqu'île Lyon	2 rue Thomassin, 69002 Lyon, France	116	Freehold	–
Citadines République Paris	75 bis, avenue Parmentier, 75011 Paris, France	76	Freehold	–
Citadines Tour Eiffel Paris	132 boulevard de Grenelle, 75015 Paris, France	104	Freehold	–
Citadines Trocadéro Paris	29 bis, rue Saint-Didier, 75116 Paris, France	97	Freehold	–
La Clef Louvre Paris (formerly known as Citadines Suites Louvre Paris)	8 rue de Richelieu, 75001 Paris, France	51	Freehold	–
THE UNITED KINGDOM				
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH, The United Kingdom	129	Freehold	–
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF, The United Kingdom	192	Freehold	–
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL, The United Kingdom	92	Freehold	–
Citadines Trafalgar Square London	18-21 Northumberland Avenue, London WC2N 5EA, The United Kingdom	187	Freehold	–
BELGIUM				
Citadines Sainte-Catherine Brussels	51 Quai au Bois à Brûler 1000 Brussels, Belgium	169	Freehold	–
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels, Belgium	154	Freehold	–
GERMANY				
Citadines Arnulfpark Munich	Arnulfstrasse 51, 80636 München, Germany	146	Freehold	–
Citadines Kurfürstendamm Berlin	Olivaer Platz 1, 10707 Berlin-Wilmersdorf, Germany	117	Freehold	–
Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg, Germany	166	Freehold	–
SPAIN				
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona, Spain	131	Freehold	–
THE UNITED STATES OF AMERICA				
Element New York Times Square West	311 West 39th Street, between 8^{th} and 9^{th} Avenue, New York, New York 10018, The United States of America	411	99	2112
Sheraton Tribeca New York Hotel	350 and 370-372 Canal Street, New York, New York 10013, The United States of America	369	99	2112

Financial Statements

Report of the Trustee

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Ascott Residence Trust (the "Trust") held by it or through its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Ascott Residence Trust Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 19 January 2006 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries (the "Group") during the year covered by these financial statements, set out on pages 112 to 223 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
24 February 2017

Statement by the Manager

In the opinion of the directors of Ascott Residence Trust Management Limited, the accompanying financial statements of Ascott Residence Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 112 to 223 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds and Portfolio Statements of the Group and of the Trust, the Consolidated Statement of Cash Flows of the Group and Notes to the Financial Statements have been drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2016, and the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
Ascott Residence Trust Management Limited

(TA) Tay Boon Hwee
Director

Singapore
24 February 2017

Independent Auditors' Report

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Ascott Residence Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 December 2016, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds of the Group and the Trust and the Consolidated Statement of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 112 to 223.

In our opinion, the accompanying consolidated financial statements of the Group and the Statement of Financial Position, Portfolio Statement, Statement of Total Return, Distribution Statement and Statement of Movements in Unitholders' Funds of the Trust present fairly, in all material respects, the financial position of the Group and the Trust as at 31 December 2016 and the total return, distributable income, movements in unitholders' funds of the Group and the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts"* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of serviced residence properties of $4.5 billion (2015: $4.3 billion)
(Refer to Note 4 – Serviced residence properties and Note 33 – Fair value measurement)

Risk:

The Group has a significant portfolio of serviced residences, including rental housing properties, which represent the single largest category of asset on the Statement of Financial Position at $4.5 billion as at 31 December 2016.

These serviced residence properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the discount rates and terminal capitalisation rates i.e. a small change in certain assumptions can have a significant impact to the valuation of investment properties and profit or loss.

Independent Auditors' Report

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

Our response:

We assessed the Group's process for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting occupancy rates, average daily room rates and other documents.

We evaluated the discount rates and terminal capitalisation rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

We also considered the adequacy of disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Our findings:

The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out the work. The valuation methodologies used by the valuers were in line with generally accepted market practices. The key assumptions used were supported by the evidence available and are within the range of market data.

We also found the related disclosures in the financial statements to be appropriate in their description of the degree of subjectivity and judgement inherent in the key assumptions used in the valuations.

Accounting for significant acquisition
(Refer to Note 34 – Acquisition of serviced residence properties)

Risk:

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

Our response:

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

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

Our findings:

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

The judgement applied by the Group in determining whether the acquisition is a business combination or an acquisition of assets was balanced. We also found the disclosures of the acquisition to be appropriate.

Independent Auditors' Report

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

Other information

Ascott Residence Trust Management Limited, the Manager of the Trust (the "Manager"), is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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 the fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

Independent Auditors' Report

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Tan Kar Yee Linda.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
24 February 2017

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Non-current assets					
Serviced residence properties	4	4,504,416	4,289,711	553,002	563,091
Plant and equipment	5	51,808	52,506	3,998	4,909
Subsidiaries	6	–	–	333,396	347,535
Associate	8	3,505	3,479	3,990	3,958
Financial derivative assets	9	7,125	–	3,709	–
Deferred tax assets	10	5,891	3,983	–	–
Deposits	11	–	20,250	–	20,250
		4,572,745	4,369,929	898,095	939,743
Current assets					
Inventories		201	296	–	–
Trade and other receivables	12	68,712	49,707	2,293,713	2,270,111
Assets held for sale	13	6,549	84,207	–	–
Cash and cash equivalents	14	143,074	220,467	5,778	38,150
		218,536	354,677	2,299,491	2,308,261
Total assets		4,791,281	4,724,606	3,197,586	3,248,004
Non-current liabilities					
Financial liabilities	15	1,715,659	1,556,773	260,323	279,064
Financial derivative liabilities	9	17,745	10,313	13,935	7,098
Deferred tax liabilities	10	94,078	88,851	–	–
		1,827,482	1,655,937	274,258	286,162
Current liabilities					
Financial liabilities	15	146,973	258,404	36,798	202,385
Financial derivative liabilities	9	104	1,222	104	1,145
Trade and other payables	16	132,991	136,453	929,462	746,691
Current tax liabilities		1,468	4,014	–	–
		281,536	400,093	966,364	950,221
Total liabilities		2,109,018	2,056,030	1,240,622	1,236,383
Net assets		2,682,263	2,668,576	1,956,964	2,011,621
Represented by:					
Unitholders' funds	17	2,200,625	2,189,714	1,559,837	1,614,527
Perpetual securities holders	18	397,127	397,094	397,127	397,094
Non-controlling interests	7	84,511	81,768	–	–
		2,682,263	2,668,576	1,956,964	2,011,621
Units in issue ('000)	18	1,653,471	1,548,736	1,653,471	1,548,736
Net asset value per Unit attributable to Unitholders ($)		1.33	1.41	0.94	1.04

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

Statements of Total Return

Year ended 31 December 2016

		Group		Trust	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross revenue	19	475,590	421,114	33,130	35,191
Direct expenses	20	(253,430)	(216,544)	(15,344)	(17,086)
Gross profit		222,160	204,570	17,786	18,105
Finance income	21	1,799	1,603	62	178
Dividend income		–	–	59,757	64,439
Other income		865	438	8,615	691
Finance costs	21	(50,045)	(49,856)	(27,388)	(32,275)
Manager's management fees	22	(22,178)	(19,820)	(22,178)	(19,820)
Professional fees	23	(2,739)	(2,249)	(1,382)	(1,066)
Trustee's fees		(476)	(436)	(476)	(436)
Audit fees		(2,486)	(2,365)	(261)	(249)
Foreign exchange gain/(loss)		4,068	(4,977)	(35,694)	29,313
Other operating expenses		(1,213)	(1,014)	(14,976)	(8,053)
Net income/(loss) before share of results of associate		149,755	125,894	(16,135)	50,827
Share of results of associate (net of tax)		(6)	7	–	–
Net income/(loss)	24	149,749	125,901	(16,135)	50,827
Net change in fair value of serviced residence properties and assets held for sale		29,987	84,318	(10,758)	4,241
Net change in fair value of financial derivatives		322	(675)	(3,575)	(3,873)
Profit from divestments	25	–	9,924	–	–
Assets written off	4	(543)	(3,717)	–	–
Total return for the year before income tax		179,515	215,751	(30,468)	51,195
Income tax (expense)/credit	26	(31,751)	(36,761)	–	2
Total return for the year		147,764	178,990	(30,468)	51,197
Total return attributable to:					
Unitholders of the Trust/ perpetual securities holders		143,312	165,183	(30,468)	51,197
Non-controlling interests	7	4,452	13,807	–	–
		147,764	178,990	(30,468)	51,197
Earnings per Unit (cents)	27				
Basic		7.62	9.85	(3.05)	2.45
Diluted		7.57	9.85	(3.03)	2.45

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

Distribution Statements

Year ended 31 December 2016

		Group		Trust	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Amount available for distribution to Unitholders at beginning of the year		64,134	65,506	64,134	65,506
Total return attributable to Unitholders/perpetual securities holders		143,312	165,183	(30,468)	51,197
Less: Total return attributable to perpetual securities holders		(19,253)	(13,430)	(19,253)	(13,430)
Distribution adjustments	A	10,932	(28,414)	184,712	85,572
Income available for distribution to Unitholders	B	134,991	123,339	134,991	123,339
Amount available for distribution to Unitholders		199,125	188,845	199,125	188,845
Distributions to Unitholders during the year					
- Distribution of 4.26 cents per Unit for the period from 1 July 2014 to 31 December 2014		–	(65,453)	–	(65,453)
- Distribution of 3.85 cents per Unit for the period from 1 January 2015 to 30 June 2015		–	(59,258)	–	(59,258)
- Distribution of 4.14 cents per Unit for the period from 1 July 2015 to 31 December 2015		(64,087)	–	(64,087)	–
- Distribution of 1.59 cents per Unit for the period from 1 January 2016 to 22 March 2016		(24,604)	–	(24,604)	–
- Distribution of 2.29 cents per Unit for the period from 23 March 2016 to 30 June 2016		(37,767)	–	(37,767)	–
		(126,458)	(124,711)	(126,458)	(124,711)
Amount available for distribution to Unitholders at end of the year		72,667	64,134	72,667	64,134

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

Distribution Statements
Year ended 31 December 2016

Note A – Distribution adjustments

	Group		Trust	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Distribution adjustment items:				
- Net change in fair value of serviced residence properties and assets held for sale	(29,987)	(84,318)	10,758	(4,241)
- Net change in fair value of financial derivatives	(322)	675	3,575	3,873
- Profit from divestments	–	(9,924)	–	–
- Assets written off	543	3,717	–	–
- Depreciation of plant and equipment	12,941	16,634	1,757	2,571
- Manager's management fees paid/payable in Units	15,892	14,768	15,892	14,768
- Trustee's fees	59	58	59	58
- Foreign exchange loss/(gain) – unrealised	4,844	10,671	56,119	(28,998)
- Operating lease expense recognised on a straight-line basis	3,208	–	–	–
- Deferred tax expense	4,597	12,636	–	–
- Non-controlling interests' share of adjustments	(1,076)	6,620	–	–
- Other adjustments	233	49	126	144
- Impairment losses on non-trade amounts due from subsidiaries (reversed)/recognised	–	–	(8,051)	4,002
- Impairment of subsidiaries	–	–	14,563	3,715
- Net overseas income* not distributed to the Trust	–	–	89,914	89,680
Net effect of distribution adjustments	10,932	(28,414)	184,712	85,572

Note B – Income available for distribution to Unitholders

	Group		Trust	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Comprises:				
- from operations	27,461	33,040	27,461	33,040
- from Unitholders' contributions	107,530	90,299	107,530	90,299
Income available for distribution to Unitholders	134,991	123,339	134,991	123,339

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

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

Statements of Movements in Unitholders' Funds

Year ended 31 December 2016

		Group		Trust	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Operations					
At 1 January		805,254	707,167	192,507	214,631
Total return attributable to Unitholders/perpetual securities holders		143,312	165,183	(30,468)	51,197
Total return attributable to perpetual securities holders		(19,253)	(13,430)	(19,253)	(13,430)
Distributions to Unitholders		(30,692)	(59,891)	(30,692)	(59,891)
Change in ownership interests in subsidiaries with no change in control		(540)	6,225	–	–
Transfer from capital reserve		51	–	–	–
At 31 December		898,132	805,254	112,094	192,507
Unitholders' contributions					
At 1 January		1,428,452	1,476,104	1,428,452	1,476,104
Creation of Units:					
- Equity placement		100,000	–	100,000	–
- Manager's management fees paid in Units		19,863	14,265	19,863	14,265
- Acquisition fees paid in Units		–	2,903	–	2,903
Distributions to Unitholders		(95,766)	(64,820)	(95,766)	(64,820)
Issue expenses	28	(922)	–	(922)	–
At 31 December		1,451,627	1,428,452	1,451,627	1,428,452
Foreign currency translation reserve					
At 1 January		(36,260)	(64,084)	–	–
Change in ownership interests in subsidiaries with no change in control		–	(7,215)	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(117,150)	35,039	–	–
At 31 December		(153,410)	(36,260)	–	–

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

Statements of Movements in Unitholders' Funds

Year ended 31 December 2016

		Group		Trust	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Capital reserve					
At 1 January		2,008	2,008	–	–
Transfer to operations		(51)	–	–	–
At 31 December		1,957	2,008	–	–
Hedging reserve					
At 1 January		(9,740)	(15,117)	(6,432)	(11,582)
Effective portion of change in fair values of cash flow hedges		12,059	5,377	2,548	5,150
At 31 December		2,319	(9,740)	(3,884)	(6,432)
Unitholders' funds at 31 December		2,200,625	2,189,714	1,559,837	1,614,527
Perpetual securities					
At 1 January		397,094	149,351	397,094	149,351
Issue of perpetual securities		–	250,000	–	250,000
Issue expenses	28	33	(2,321)	33	(2,321)
Total return attributable to perpetual securities holders		19,253	13,430	19,253	13,430
Distribution to perpetual securities holders		(19,253)	(13,366)	(19,253)	(13,366)
At 31 December		397,127	397,094	397,127	397,094
Non-controlling interests					
At 1 January		81,768	97,807	–	–
Total return attributable to non-controlling interests		4,452	13,807	–	–
Distribution to non-controlling interests		(4,345)	(3,382)	–	–
Change in ownership interests in subsidiaries with no change in control		540	(30,330)	–	–
Effective portion of change in fair values of cash flow hedges		–	166	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		2,096	3,700	–	–
At 31 December		84,511	81,768	–	–
		2,682,263	2,668,576	1,956,964	2,011,621

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

Portfolio Statements
As at 31 December 2016

By Geography
Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Serviced residence properties (including rental housing properties)									
Singapore									
Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	60 years	61 years	208,690	207,544	9.5	9.5
Citadines Mount Sophia Property Singapore	8 Wilkie Road, Wilkie Edge, Singapore 228095	Leasehold	96 years	88 years	89 years	131,040	133,002	6.0	6.1
Ascott Raffles Place Singapore[1]	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	874 years – 876 years	875 years – 877 years	213,272	222,545	9.7	10.2
Australia									
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000	Freehold	Not applicable	Not applicable	Not applicable	27,517	26,223	1.3	1.2
Citadines on Bourke Melbourne[2]	131-135 Bourke Street, Melbourne, Victoria 3000	Freehold	Not applicable	Not applicable	Not applicable	171,353	160,333	7.8	7.3
Quest Campbelltown	1 Rennie Road, Campbelltown NSW 2560	Freehold	Not applicable	Not applicable	Not applicable	21,329	19,321	1.0	0.9
Quest Mascot	108-114 Robey Street, Mascot NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	28,775	26,431	1.3	1.2
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park NSW 2127	Leasehold	99 years	95 years	96 years	46,919	42,202	2.1	1.9
Balance carried forward						848,895	837,601	38.7	38.3

1 As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

2 On 31 July 2015, the Group completed the acquisition of one serviced residence property in Australia from related corporations and four rental housing properties in Japan from related corporations and unrelated third parties. The valuations were based on the discounted cash flow approach.

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						848,895	837,601	38.7	38.3
People's Republic of China									
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630	Leasehold	70 years	58 years	59 years	106,105	108,865	4.8	5.0
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031	Leasehold	70 years	49 years	50 years	77,378	73,728	3.5	3.3
Somerset Olympic Tower Property Tianjin	No. 126 Chengdu Dao, Heping District, Tianjin 300051	Leasehold	70 years	46 years	47 years	67,247	70,149	3.1	3.2
Citadines Biyun Shanghai	Nos. 1-3, 9-12, 15-16, Lane 450 Hongfeng Road, Pudong District, Shanghai	Leasehold	70 years	48 years	49 years	67,641	72,485	3.1	3.3
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens, 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021	Leasehold	70 years	50 years	51 years	30,407	29,101	1.4	1.3
Balance carried forward						1,197,673	1,191,929	54.6	54.4

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,197,673	1,191,929	54.6	54.4
People's Republic of China *(continued)*									
Somerset Heping Shenyang	No. 80 Taiyuan North Street, Heping District, Shenyang 110000	Leasehold	40 years	30 years	31 years	83,952	88,734	3.8	4.1
Somerset Grand Central Dalian	Nos. 128-2 Jinma Road, Dalian Development Area, Dalian 116600	Leasehold	50 years	40 years	41 years	111,054	118,580	5.0	5.4
Citadines Gaoxin Xi'an	1-26/F, No. 13 Gaoxin Si Road, Hi-Tech Zone, Xi'an, Shaanxi Province	Leasehold	50 years	39 years	40 years	50,991	58,425	2.3	2.7
Citadines Zhuankou Wuhan	Building C2 and C3, Xiang Long Times Business Center, Plot 3R2, Wuhan Economic and Technological Development Zone, Wuhan, Hubei Province	Leasehold	40 years	27 years	28 years	45,560	49,517	2.1	2.2
Indonesia									
Ascott Jakarta	Jalan Kebon Kacang Raya No 2, Jakarta 10230	Leasehold	26 years	7 years	8 years	63,912	64,324	2.9	2.9
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940	Leasehold	30 years	8 years	9 years	40,394	40,685	1.8	1.9
Balance carried forward						1,593,536	1,612,194	72.5	73.6

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						1,593,536	1,612,194	72.5	73.6
Japan									
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044	Freehold	Not applicable	Not applicable	Not applicable	43,190	40,533	2.0	1.9
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022	Freehold	Not applicable	Not applicable	Not applicable	111,298	97,970	5.1	4.5
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105	Freehold	Not applicable	Not applicable	Not applicable	59,732	48,954	2.7	2.2
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032	Freehold	Not applicable	Not applicable	Not applicable	37,723	34,530	1.7	1.6
Asyl Court Nakano Sakaue Tokyo*	1-14-12 Honcho, Nakano-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	16,480	15,538	0.8	0.7
Gala Hachimanyama I Tokyo*	2-1-18 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	15,748	15,308	0.7	0.7
Gala Hachimanyama II Tokyo*	2-1-2 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,076	2,970	0.1	0.1
Joy City Koishikawa Shokubutsuen Tokyo*	3-35-18 Otsuka, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	9,827	9,220	0.4	0.4
Joy City Kuramae Tokyo*	2-8-1 Kuramae, Taito-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	14,650	13,812	0.7	0.6
Balance carried forward						1,905,260	1,891,029	86.7	86.3

* collectively known as "Zenith Residences"

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

Portfolio Statements

As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,905,260	1,891,029	86.7	86.3
***Japan** (continued)*									
Zesty Akebonobashi Tokyo*	1-17 Tomihisacho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,455	3,257	0.2	0.2
Zesty Gotokuji Tokyo*	6-42-5 Matsubara, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,418	3,200	0.2	0.2
Zesty Higashi Shinjuku Tokyo*	6-15-20 Shinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,213	4,892	0.2	0.2
Zesty Kagurazaka I Tokyo*	2-13 Nishigokencho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,066	4,823	0.2	0.2
Zesty Kagurazaka II Tokyo*	123-3 Yaraicho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,042	4,708	0.2	0.2
Zesty Kasugacho Tokyo*	6-4-15 Kasugacho, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,750	5,421	0.3	0.3
Zesty Koishikawa Tokyo*	5-41-7 Koishikawa, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,284	3,073	0.1	0.1
Zesty Komazawa Daigaku II Tokyo*	2-12-21 Higashigaoka, Meguro-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	8,839	8,345	0.4	0.4
Zesty Nishi Shinjuku III Tokyo*	3-18-14 Nishishinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	8,912	8,333	0.4	0.4
Zesty Sakura Shinmachi Tokyo*	3-11-3 Tsurumaki, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,030	4,800	0.2	0.2
Balance carried forward						1,959,269	1,941,881	89.1	88.7

* collectively known as "Zenith Residences"

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						1,959,269	1,941,881	89.1	88.7
Japan *(continued)*									
Zesty Shin Ekoda Tokyo*	1-2-2 Toyotamakami, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,638	3,430	0.2	0.1
Zesty Shoin Jinja Tokyo*	4-3-3 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,126	3,844	0.2	0.2
Zesty Shoin Jinja II Tokyo*	4-5-4 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,651	4,385	0.2	0.2
Actus Hakata V-Tower	3-15-10 Hakata Ekimae, Hakata-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	44,307	41,083	2.0	1.9
Big Palace Kita 14jo	4-1-6 Kita14jo Nishi, Kita-ku, Sapporo	Freehold	Not applicable	Not applicable	Not applicable	18,556	17,035	0.8	0.8
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	7,300	6,768	0.3	0.3
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	5,457	5,041	0.2	0.2
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	4,578	4,259	0.2	0.2
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	81,426	75,502	3.7	3.5
Balance carried forward						2,133,308	2,103,228	96.9	96.1

* collectively known as "Zenith Residences"

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						2,133,308	2,103,228	96.9	96.1
***Japan** (continued)*									
Citadines Central Shinjuku	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	131,049	111,326	6.0	5.1
S-Residence Hommachi Marks[2]	2-3-6, Tokuicho Chuo-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	18,068	17,035	0.8	0.8
S-Residence Tanimachi 9 chome[2]	4-29, Ikutamamaemachi, Tennoji-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	20,143	18,531	0.9	0.8
S-Residence Midoribashi Serio[2]	3-17-6, Nakamoto, Higashinari-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	16,725	15,654	0.8	0.7
S-Residence Fukushima Luxe[2]	7-22-9, Fukushima, Fukushima-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	37,845	34,990	1.7	1.6
Malaysia									
Somerset Ampang Kuala Lumpur	No. 187 Jalan Ampang, 50450 Kuala Lumpur	Freehold	Not applicable	Not applicable	Not applicable	52,135	56,355	2.4	2.6
The Philippines									
Ascott Makati	4, Ayala Glorietta Centre, Makati City 1224	Leasehold	48 years	28 years	29 years	128,538	118,769	5.8	5.4
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229	Freehold	Not applicable	Not applicable	Not applicable	15,934	15,054	0.7	0.7
Balance carried forward						2,553,745	2,490,942	116.0	113.8

[2] On 31 July 2015, the Group completed the acquisition of one serviced residence property in Australia from related corporations and four rental housing properties in Japan from related corporations and unrelated third parties. The valuations were based on the discounted cash flow approach.

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						2,553,745	2,490,942	116.0	113.8
United States of America									
Element New York Times Square West[3]	311 West 39th Street, between 8th and 9th Avenue, New York, New York, 10018	Leasehold	99 years	96 years	97 years	239,120	246,121	10.9	11.3
Sheraton Tribeca New York Hotel[4]	350 and 370-372 Canal Street (also known as 13-15 Lispenard Street), New York, New York, 10013	Leasehold	99 years	96 years	–	228,425	–	10.4	–
Vietnam									
Somerset Grand Hanoi	No. 49 Hai Ba Trung Street, Hanoi	Leasehold	45 years	21 years	22 years	112,641	109,519	5.1	5.0
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Hanoi	Leasehold	36 years	25 years	26 years	46,776	48,307	2.1	2.2
Somerset West Lake Hanoi	No. 254D Thuy Khue Road, Hanoi	Leasehold	49 years	25 years	26 years	14,257	15,569	0.6	0.7
Somerset Chancellor Court Ho Chi Minh City	Nos. 21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City	Leasehold	48 years	25 years	26 years	60,302	59,845	2.8	2.7
Somerset Ho Chi Minh City	No. 8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City	Leasehold	45 years	23 years	24 years	49,366	44,553	2.2	2.0
Balance carried forward						3,304,632	3,014,856	150.1	137.7

[3] On 19 August 2015, the Group acquired the Element New York Times Square West property from LG-39 Ground Tenant LLC, an unrelated third party. The valuation was based on the discounted cash flow approach.

[4] On 29 April 2016, the Group acquired the Sheraton Tribeca New York Hotel property from FC-Canal Ground Tenant LLC, an unrelated third party. The valuation was based on the discounted cash flow approach.

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

Portfolio Statements

As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						3,304,632	3,014,856	150.1	137.7
France									
Citadines City Centre Lille[1]	Avenue Willy Brandt – Euralille, 59777 Lille	Freehold	Not applicable	Not applicable	Not applicable	15,783	15,422	0.7	0.7
Citadines City Centre Grenoble[1]	9-11 rue de Strasbourg 38000 Grenoble	Freehold	Not applicable	Not applicable	Not applicable	11,079	11,229	0.5	0.5
La Clef Louvre (formerly known as Citadines Suites Louvre Paris)[1]	8 rue de Richelieu, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	47,577	47,793	2.2	2.2
Citadines Trocadéro Paris[1]	29 bis, rue Saint-Didier, 75116 Paris	Freehold	Not applicable	Not applicable	Not applicable	43,601	43,315	2.0	2.0
Citadines Presqu'île Lyon[1]	2 rue Thomassin, 69002 Lyon	Freehold	Not applicable	Not applicable	Not applicable	22,309	20,512	1.0	0.9
Citadines Place d'Italie Paris[1]	18 place d'Italie, 75013 Paris	Freehold	Not applicable	Not applicable	Not applicable	54,179	53,452	2.6	2.5
Citadines Montmartre Paris[1]	16 avenue Rachel, 75018 Paris	Freehold	Not applicable	Not applicable	Not applicable	34,602	35,485	1.6	1.6
Citadines Tour Eiffel Paris[1]	132 boulevard de Grenelle, 75015 Paris	Freehold	Not applicable	Not applicable	Not applicable	68,626	70,520	3.1	3.2
Balance carried forward						3,602,388	3,312,584	163.8	151.3

[1] As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						3,602,388	3,312,584	163.8	151.3
***France** (continued)*									
Citadines Antigone Montpellier[1]	588 boulevard d'Antigone, 34000 Montpellier	Freehold	Not applicable	Not applicable	Not applicable	14,721	13,924	0.7	0.6
Citadines Castellane Marseille[1,5]	60 rue du Rouet, 13006 Marseille	Freehold	20 years	3 years	4 years	11,230	10,032	0.5	0.5
Citadines Austerlitz Paris[1,5]	27 rue Esquirol, 75013 Paris	Freehold	20 years	3 years	4 years	10,016	9,882	0.4	0.4
Citadines République Paris[1,5]	75 bis, avenue Parmentier, 75011 Paris	Freehold	20 years	3 years	4 years	20,943	20,812	0.9	0.9
Citadines Maine Montparnasse Paris[1,5]	67 avenue du Maine, 75014 Paris	Freehold	20 years	3 years	4 years	22,461	23,058	1.0	1.1
Citadines Prado Chanot Marseille[1]	9-11 boulevard de Louvain, 13008 Marseille	Freehold	Not applicable	Not applicable	Not applicable	9,106	8,534	0.4	0.4
Citadines Croisette Cannes[1]	1 rue le Poussin, 06400 Cannes	Freehold	Not applicable	Not applicable	Not applicable	6,677	6,139	0.3	0.3
Citadines Didot Montparnasse Paris[1,5]	94 rue Didot, 75014 Paris	Freehold	18 years	2 years	3 years	20,639	21,126	0.9	1.0
Citadines Les Halles Paris[1]	4 rue des Innocents, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	95,761	92,979	4.4	4.2
Balance carried forward						3,813,942	3,519,070	173.3	160.7

1 As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

5 As at 31 December 2016, these five (2015: five) freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						3,813,942	3,519,070	173.3	160.7
United Kingdom									
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH	Freehold	Not applicable	Not applicable	Not applicable	71,131	80,844	3.2	3.7
Citadines Trafalgar Square London	18-21 Northumberland Avenue, London WC2N 5EA	Freehold	Not applicable	Not applicable	Not applicable	159,033	199,366	7.2	9.1
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL	Freehold	Not applicable	Not applicable	Not applicable	68,449	86,133	3.1	3.9
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF	Freehold	Not applicable	Not applicable	Not applicable	149,691	186,486	6.8	8.5
Belgium									
Citadines Sainte-Catherine Brussels	51 Quai au Bois à Brûler 1000 Brussels	Freehold	Not applicable	Not applicable	Not applicable	29,389	28,530	1.3	1.3
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels	Freehold	Not applicable	Not applicable	Not applicable	27,340	27,049	1.2	1.3
Balance carried forward						4,318,975	4,127,478	196.1	188.5

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

Portfolio Statements
As at 31 December 2016

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Balance brought forward						4,318,975	4,127,478	196.1	188.5
Germany									
Citadines Kurfürstendamm Berlin[1]	Olivaer Platz 1, 10707 Berlin-Wilmersdorf	Freehold	Not applicable	Not applicable	Not applicable	17,665	15,721	0.8	0.7
Citadines Arnulfpark Munich[1]	Arnulfstrasse 51, 80636 München	Freehold	Not applicable	Not applicable	Not applicable	35,057	33,239	1.6	1.5
Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg	Freehold	Not applicable	Not applicable	Not applicable	66,486	61,836	3.0	2.8
Spain									
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	Freehold	Not applicable	Not applicable	Not applicable	66,233	51,437	3.1	2.4
Portfolio of serviced residence properties						4,504,416	4,289,711	204.6	195.9
Other assets and liabilities (net)						(1,822,153)	(1,621,135)	(82.8)	(74.0)
Net assets of Group						2,682,263	2,668,576	121.8	121.9
Perpetual securities						(397,127)	(397,094)	(18.0)	(18.2)
Non-controlling interests						(84,511)	(81,768)	(3.8)	(3.7)
Unitholders' funds						2,200,625	2,189,714	100.0	100.0

[1] As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

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

Portfolio Statements

As at 31 December 2016

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

On 31 December 2016, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Citadines Biyun Shanghai, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Gaoxin Xi'an, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Zenith Residences, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Somerset Ampang Kuala Lumpur, Element New York Times Square West, Sheraton Tribeca New York Hotel, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City and Somerset Ho Chi Minh City were pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

On 31 December 2015, Somerset Liang Court Property Singapore, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Citadines Biyun Shanghai, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Gaoxin Xi'an, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Zenith Residences, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Somerset Ampang Kuala Lumpur, Element New York Times Square West, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City, Somerset Ho Chi Minh City and Citadines Suites Louvre Paris were pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

Portfolio Statements

As at 31 December 2016

Trust

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2016	2015	2016 $'000	2015 $'000	2016 %	2015 %
Serviced residence properties									
Singapore									
Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	60 years	61 years	208,690	207,544	13.4	12.9
Citadines Mount Sophia Property Singapore	8 Wilkie Road, Wilkie Edge, Singapore 228095	Leasehold	96 years	88 years	89 years	131,040	133,002	8.4	8.2
Ascott Raffles Place Singapore	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	874 years – 876 years	875 years – 877 years	213,272	222,545	13.7	13.8
Portfolio of serviced residence properties						553,002	563,091	35.5	34.9
Other assets and liabilities (net)						1,403,962	1,448,530	90.0	89.7
Net assets of Trust						1,956,964	2,011,621	125.5	124.6
Perpetual securities						(397,127)	(397,094)	(25.5)	(24.6)
Unitholders' funds						1,559,837	1,614,527	100.0	100.0

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

Portfolio Statements
As at 31 December 2016

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

On 31 December 2016, Citadines Mount Sophia Property Singapore and Ascott Raffles Place Singapore were pledged as securities to banks for banking facilities granted to the Trust. On 31 December 2015, Somerset Liang Court Property Singapore, Citadines Mount Sophia Property Singapore and Ascott Raffles Place Singapore were pledged as securities to banks for banking facilities granted to the Trust (see Note 15).

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

On 31 December 2015, the Manager engaged independent valuers, CBRE, to carry out valuations of the Group's serviced residences and rental housing properties, except for Somerset Ampang Kuala Lumpur. Somerset Ampang Kuala Lumpur was valued by C H Williams Talhar & Wong Sdn Bhd (as consultant to CBRE).

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations included plant and equipment located in the serviced residences and rental housing properties. The valuations adopted in the portfolio table above were adjusted for values ascribed to plant and equipment.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities			
Total return for the year before income tax		179,515	215,751
Adjustments for:			
Depreciation of plant and equipment		12,941	16,634
Operating lease expense recognised on a straight-line basis		3,208	–
Finance costs		50,045	49,856
Finance income		(1,799)	(1,603)
Foreign exchange loss – unrealised		4,844	10,671
(Gain)/loss on disposal of plant and equipment		(86)	81
Manager's management fees paid/payable in Units		15,892	14,768
Net change in fair value of serviced residence properties and assets held for sale		(29,987)	(84,318)
Net change in fair value of financial derivatives		(322)	675
Profit from divestments		–	(9,924)
Assets written off		543	3,717
Impairment loss/write-off of trade and other receivables		283	22
Share of results of associate (net of tax)		6	(7)
Operating income before working capital changes		235,083	216,323
Changes in working capital:			
Inventories		95	14
Trade and other receivables		617	(13,762)
Trade and other payables		(13,159)	(1,024)
Cash generated from operations		222,636	201,551
Income tax paid		(22,510)	(24,058)
Net cash from operating activities		200,126	177,493
Cash flows from investing activities			
Acquisition of serviced residence properties, net of cash acquired	34	(214,046)	(418,835)
Capital expenditure on serviced residence properties		(40,670)	(35,235)
Proceeds from disposal of assets held for sale		74,512	9,054
Proceeds from divestment of serviced residence properties		–	58,137
Interest received		1,799	1,603
Proceeds from sale of plant and equipment		291	154
Purchase of plant and equipment		(16,694)	(11,546)
Net cash used in investing activities		(194,808)	(396,668)
Balance carried forward		5,318	(219,175)

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

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Balance brought forward		5,318	(219,175)
Cash flows from financing activities			
Distributions to Unitholders		(126,458)	(124,711)
Distributions to perpetual securities holders		(19,253)	(13,366)
Dividends paid to non-controlling interests		(4,345)	(3,382)
Interest paid		(49,272)	(48,628)
Payments for acquisition of ownership interests in subsidiaries with no change in control	34	–	(31,552)
Payment of finance lease		(2,954)	(2,799)
Proceeds from borrowings		689,283	450,702
Proceeds from issue of medium term notes		120,000	280,672
Proceeds from issue of perpetual securities		–	250,000
Payment of transaction costs on issue of perpetual securities		(17)	(2,774)
Proceeds from issue of Units		100,000	–
Payment of transaction costs on issue of Units		(922)	–
Repayment of borrowings		(790,301)	(360,735)
Repayment of medium term notes		–	(150,000)
Net cash (used in)/from financing activities		(84,239)	243,427
Net (decrease)/increase in cash and cash equivalents		(78,921)	24,252
Cash and cash equivalents at 1 January		220,467	192,556
Effect of exchange rate changes on balances held in foreign currency		1,528	3,659
Cash and cash equivalents at 31 December		143,074	220,467

Significant Non-Cash transactions

A total of 13,891,775 (2015: 12,203,288) Units were issued or will be issued as payment of the Manager's management fees amounting to $15,892,000 (2015: $14,768,000) in respect of the year ended 31 December 2016.

During the financial year ended 31 December 2016, Nil (2015: 2,378,952) Units were issued to the Manager as payment of acquisition fee amounting to Nil (2015: $2,903,000) in relation to the completion of the acquisition of serviced residence properties.

Notes to the Financial Statements

Year ended 31 December 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 24 February 2017.

1 General

Ascott Residence Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 19 January 2006 (as amended) (the "Trust Deed") between Ascott Residence Trust Management Limited (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it or through its subsidiaries (collectively, the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") and was included under the Central Provident Fund ("CPF") Investment Scheme on 31 March 2006.

The principal activities of the Trust and its subsidiaries are those relating to investment in real estate and real estate related assets which are income-producing and which are used or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world.

For financial reporting purposes, the Group is regarded as a subsidiary of The Ascott Limited ("TAL"). Accordingly, the ultimate holding company is CapitaLand Limited. The immediate and ultimate holding companies are incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Group and the Group's interest in its associate.

The Group has entered into several service agreements in relation to management of the Trust and its property operations. The fee structures for these services are as follows:

(i) Trustee's fees

Pursuant to Clause 16.2 of the Trust Deed, the Trustee's fee shall not exceed 0.1% per annum of the value of the assets of the Group ("Deposited Property"), subject to a minimum of $10,000 per month, excluding out-of-pocket expenses and goods and services tax which is borne by the Trust. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed. The Trustee's fees are payable monthly in arrears.

(ii) Manager's fees

Management fees

The Manager is entitled under Clauses 15.1.1 and 15.1.2 of the Trust Deed to the following management fees:

(a) a base fee of 0.3% per annum of the property values; and

Notes to the Financial Statements
Year ended 31 December 2016

1 General (continued)

(ii) Manager's fees (continued)

Management fees (continued)

(b) an annual performance fee of:

- base performance fee of 4.0% per annum of the Group's share of gross profit for each financial year; and
- in the event that the Group's share of gross profit increases by more than 6.0% annually, an outperformance fee of 1.0% of the difference between the Group's share of that financial year's gross profit and 106% of the Group's share of the preceding year's gross profit.

The base management fees payable in cash and in the form of Units shall be payable quarterly in arrears. With effect from 1 January 2016, performance fees shall be payable once a year, after the end of the financial year. When management fees are payable in Units, the issue prices will be determined based on the volume weighted average traded price per Unit for all trades done on SGX-ST in the ordinary course of trading for 5 business days immediately preceding the respective date of issue of the new Units, or where the Manager believes such market price is not a fair reflection of the market price of a Unit, such amount as determined by the Trustee at its discretion (after consultation with a stockbroker appointed by the Trustee) upon request by the Manager to review the market price of a Unit, as being the fair market price of a Unit.

Acquisition fee

Pursuant to Clause 15.2.1 of the Trust Deed, the Manager is entitled to receive the following acquisition fees:

(a) an acquisition fee of 1.0% of the Enterprise Value of any real estate or real estate related asset acquired directly or indirectly by the Trust, prorated if applicable to the proportion of the Trust's interest; and

(b) in the event that there is payment to third party agents or brokers in connection with the acquisition, such payment shall be paid out of the Deposited Property, provided that the Manager shall charge an acquisition fee of 0.5% instead of 1.0%.

Where assets acquired by the Trust are shares in a company whose primary purpose is to hold/own real estate (directly or indirectly), Enterprise Value shall mean the sum of the equity value and the total debt attributable to the shares being acquired by the Trust and where the asset acquired by the Trust is a property, Enterprise Value shall mean the value of the property.

The Manager may opt to receive such acquisition fee in the form of cash or Units or a combination of cash and Units as it may determine.

In the event that the Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Units to be issued by the Trust at the market price.

1 **General** (continued)

(ii) Manager's fees (continued)

Divestment fee

The Manager is entitled under Clause 15.2.1 of the Trust Deed to receive a divestment fee of 0.5% of the Enterprise Value of any real estate or real estate related asset disposed directly or indirectly by the Trust, prorated if applicable to the proportion of the Trust's interest.

The divestment fee is payable to the Manager in the form of cash. In the event that the Manager receives a divestment fee in connection with a transaction with a related party, any such divestment fee shall be paid in the form of Units to be issued by the Trust at the market price.

(iii) Fees under serviced residence management agreements

The serviced residence management fee for each property is agreed between the Group and the relevant serviced residence management company as follows:

(a) each property (with the exception of properties located in Belgium, Spain and United Kingdom) is charged:

- basic management fees of between 2.0% and 3.0% per annum of the total revenue of each property; and
- incentive management fees of up to 10.0% per annum of gross operating profit of each property; and

(b) each property located in Belgium, Spain and United Kingdom is charged:

- basic management fees of 3.0% per annum of the total revenue and 6.0% per annum of net operating profit ("NOP") of each property; and
- incentive management fees of 50% of any excess NOP achieved above the NOP hurdle of each property.

Notes to the Financial Statements
Year ended 31 December 2016

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 *"Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants, and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("FRSs").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Trust's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Notes 3.3 and 4 – classification of serviced residence properties
- Note 10 – recognition of deferred tax assets
- Notes 3.1 and 34 – accounting for acquisition of serviced residence properties and subsidiaries

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 33 – determination of fair value of serviced residence properties.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Significant fair value measurements, including Level 3 fair values, will be reported directly to the Chief Executive Officer ("CEO") of the Manager.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as valuation of investment property by external valuers, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

The valuation of significant assets and their financial impact are discussed by the Audit Committee and Board of Directors of the Manager.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 33 – determination of fair value of serviced residence properties.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Property acquisition and business combination

Where a property is acquired through corporate acquisitions or otherwise, the Manager considers whether the acquisition represents an acquisition of a business or an acquisition of an asset. An acquisition is accounted for as a business combination when an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Manager considers whether significant process, such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business. Where an acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as transactions with owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the Statement of Total Return. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Total Return. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(iii) 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 Group's share of the income, expenses and equity movements of the associates, after adjustments to align the accounting policies of the associates with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Accounting for subsidiaries and associate by the Trust

Investments in subsidiaries and associate are stated in the Trust's Statement of Financial Position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the Statement of Total Return, except for differences arising on the translation of financial liabilities designated as hedges of net investment in a foreign operation (see Note 3.2 (iv)) or qualifying cash flow hedges, to the extent such hedges are effective, which are recognised in Unitholders' funds.

Notes to the Financial Statements
Year ended 31 December 2016

3 Significant accounting policies (continued)

3.2 Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates at reporting date.

Foreign currency differences are recognised in Unitholders' funds. However, if the 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 reclassified to total return as part of the profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant portion 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 that are considered to form part of a net investment in a foreign operation are recognised in Unitholders' funds, and are presented in the foreign currency translation reserve.

(iv) Hedge of a net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Trust's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

In the Trust's financial statements, foreign currency differences arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the Statement of Total Return. On consolidation, such differences are recognised in the foreign currency translation reserve in Unitholders' funds, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Statement of Total Return. When the hedged net investment is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the Statement of Total Return as part of the gain or loss on disposal.

3 Significant accounting policies (continued)

3.3 Serviced residence properties

Serviced residence properties comprise serviced residences, rental housing properties and other hospitality assets which are held either to earn rental or for capital appreciation or both. Certain of the Group's investment properties acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Serviced residence properties are accounted for as investment properties and are stated at initial cost on acquisition and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Transaction costs are included in the initial measurement. Fair value is determined in accordance with the Trust Deed, which requires the serviced residence properties to be valued by independent registered valuers in the following events:

- at least once in each period of 12 months following the acquisition of each parcel of real estate property; and
- for acquisition and disposal of real estate property as required by the CIS Code issued by MAS.

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

Any gain or loss on disposal of a serviced residence property (calculated as the difference between net proceeds from disposal and the carrying amount of the property) is recognised in the Statement of Total Return.

3.4 Plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

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

Notes to the Financial Statements
Year ended 31 December 2016

3 Significant accounting policies (continued)

3.4 Plant and equipment (continued)

(iii) Depreciation

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

Depreciation is recognised as an expense in the Statement of Total Return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

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

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

3.5 Financial instruments

(i) Non-derivative financial assets

A financial asset is recognised if the Group becomes a party to the contractual provisions of the financial asset. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

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

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

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the Statement of Cash Flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

3 Significant accounting policies (continued)

3.5 Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through total return) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings, and trade and other payables.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through total return.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total return.

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

Notes to the Financial Statements
Year ended 31 December 2016

3 Significant accounting policies (continued)

3.5 Financial instruments (continued)

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

Cash flow hedges

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

When the hedged item is a non-financial asset, the amount recognised in the hedging reserve is reclassified to the Statement of Total Return in the same period or periods during which the non-financial item affects total return. In other cases as well, the amount recognised in the hedging reserve is transferred to the Statement of Total Return in the same period that the hedged item affects total return. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in the hedging reserve is reclassified to the Statement of Total Return.

Fair value hedges

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

Other non-trading derivatives

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

(iv) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Trust that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the Statement of Total Return.

(v) Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs directly attributable to the issue of Units are recognised as a deduction from Unitholders' funds.

3 Significant accounting policies (continued)

3.5 Financial instruments (continued)

(vi) Perpetual securities

The perpetual securities do not have a maturity date and distribution payment is optional at the discretion of the Trust. As the Trust does not have a contractual obligation to repay the principal nor make any distributions, perpetual securities are classified as Unitholders' funds.

Any distributions made are directly debited from Unitholders' funds. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

3.6 Impairment

(i) Non-derivative financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, and indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

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

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

Notes to the Financial Statements
Year ended 31 December 2016

3 Significant accounting policies (continued)

3.6 Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than serviced residence properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is 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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the Statement of Total Return. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGUs on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Inventories

Inventories comprise principally food and beverage and other serviced residence and rental property related consumable stocks. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

3.8 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probably 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, or components of a disposal group, are remeasured in accordance with applicable FRSs. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment properties, which continue to be measured in accordance with the Group's accounting policies.

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 Significant accounting policies (continued)

3.9 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Statement of Total Return in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11 Leases

(i) When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are apportioned between finance expense and reduction of lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

(ii) When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Total Return on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Total Return as an integral part of the total lease payments made, over the term of the lease. Contingent rentals are charged to the Statement of Total Return in the accounting period in which they are incurred.

(iii) When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in serviced residence properties (see Note 3.3).

3 Significant accounting policies (continued)

3.12 Revenue

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Hospitality income

Hospitality income from serviced residence operations is recognised on an accrual basis, upon rendering of the relevant services. Hospitality income includes fees from usage of the business centres and laundry facilities, recoveries from guests for utilities including telephone charges, income earned from the sales of food and beverages, recoveries of shortfall of net operating profit or earnings before net interest expenses, tax, depreciation and amortisation, service and maintenance fees, recoveries of property taxes and maintenance costs from tenants and fees for managing public areas as well as other miscellaneous income.

(iii) Car park income

For car parks which are leased to an external operator, car park income is recognised on a straight-line basis over the term of the lease. For other car parks, car park income is recognised on an accrual basis.

(iv) Dividend income

Dividend income is recognised in the Statement of Total Return on the date that the Group's or the Trust's right to receive payment is established.

3.13 Expenses

(i) Direct expenses

Direct expenses consist of serviced residence management fees, property taxes, staff costs and other property outgoings in relation to serviced residence properties where such expenses are the responsibility of the Group.

(ii) Trustee's fees

The Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(i).

(iii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(ii).

(iv) Serviced residence management fees

The serviced residence management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(iii).

3 Significant accounting policies (continued)

3.14 Finance income and finance costs

Finance income comprises interest income and is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings, and amortisation of loans and borrowings related costs. Finance costs are recognised in the Statement of Total Return using the effective interest method.

3.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the Statement of Total Return except to the extent that it relates to a business combination, or items recognised directly in Unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements
Year ended 31 December 2016

3 Significant accounting policies (continued)

3.15 Income tax (continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore (the "IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to compliance with the terms and conditions of the tax ruling, the Trust is not subject to tax on the taxable income of the Trust. Instead, the distributions made by the Trust out of such taxable income are distributed free of tax deducted at source to individual Unitholders and qualifying Unitholders. Qualifying Unitholders are companies incorporated and tax resident in Singapore, Singapore branches of foreign companies that have obtained waiver from the IRAS from tax deducted at source in respect of the distributions from the Trust, and bodies of persons registered or constituted in Singapore. This treatment is known as the tax transparency treatment.

The Trustee will deduct tax at the reduced rate of 10% from distributions made out of the Trust's taxable income that is not taxed at the Trust's level to beneficial Unitholders who are qualifying foreign non-individual investors. A qualifying foreign non-individual investor is one who is not a resident of Singapore for income tax purposes, and does not have a permanent establishment in Singapore. Where the non-individual investor carries on any operation in Singapore through a permanent establishment in Singapore, the funds used by that person to acquire the Units cannot be obtained from that operation to qualify for the reduced tax rate.

For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source by the Trustee.

Distribution policy

The Trust will distribute at least 90% of its taxable income, other than gains from the sale of real estate properties that are determined by the IRAS to be trading gains, and net overseas income.

Net overseas income refers to the net profits (excluding any gains from the sale of property or shares, as the case may be) after applicable taxes and adjustment for non-cash items such as depreciation, derived by the Trust from its properties located outside Singapore.

Distributions are made on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions declared within 60 days of the end of each distribution period. Distributions, when paid, will be in Singapore dollars.

3 Significant accounting policies (continued)

3.16 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return attributable to Unitholders of the Group by the weighted average number of units outstanding during the period. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of units outstanding for the effects of all dilutive potential units.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Manager's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance costs, trust expenses and income tax expense.

Segment capital expenditure is the total costs incurred on serviced residence properties, and plant and equipment during the year.

3.18 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Trust in future financial periods, the Manager has assessed the transition options and the potential impact on its financial statements. The Group does not plan to adopt these standards early.

Notes to the Financial Statements
Year ended 31 December 2016

3 Significant accounting policies (continued)

3.18 New standards and interpretations not adopted (continued)

Applicable to 2017 financial statements

Revision to RAP 7

RAP 7 was revised in June 2016 to take into account, amongst others, the changes made to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments*: *Disclosures* in relation to the offsetting of financial assets and liabilities; and new standards issued after 2012 including FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interest in Other Entities* and FRS 113 *Fair Value Measurement*. RAP 7 (Revised June 2016) is applicable to unit trusts with annual periods beginning on or after 1 July 2016. Certain additional disclosures would be required by the RAP 7 (Revised June 2016).

Applicable to 2018 financial statements

Summary of the requirements	Potential impact on the financial statements
FRS 115 *Revenue from Contracts with Customers*	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018.

3 Significant accounting policies (continued)

3.18 New standards and interpretations not adopted (continued)

***Applicable to 2018 financial statements** (continued)*

Summary of the requirements	Potential impact on the financial statements
FRS 109 ***Financial Instruments***	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening Unitholders' funds. **Classification and measurement** – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. **Impairment** – The Group plans to apply the simplified approach and record 12-month expected impairment losses on all trade receivables. On adoption of FRS 109, the Group does not expect a significant increase in impairment loss allowance. **Hedge accounting** – The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

Notes to the Financial Statements
Year ended 31 December 2016

3 Significant accounting policies (continued)

3.18 New standards and interpretations not adopted (continued)

Applicable to 2019 financial statements

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has certain serviced residence properties where there are operating leases for the land and building. The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition option and practical expedients in 2017.

4 Serviced residence properties

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	4,289,711	3,724,036	563,091	558,693
Acquisition of serviced residence properties and subsidiaries (Note 34)	211,857	461,618	–	–
Capital expenditure	40,670	38,138	284	157
Divestments of serviced residence properties	–	(48,175)	–	–
Net change in fair value of serviced residence properties	33,133	78,460	(10,758)	4,241
Assets written off	(543)	(3,717)	–	–
Transfer from plant and equipment (Note 5)	3,481	683	385	–
Translation difference	(73,893)	38,668	–	–
At 31 December	4,504,416	4,289,711	553,002	563,091

Certain serviced residence properties of the Group with an aggregate carrying value of $2,459,831,000 (2015: $2,456,330,000) are pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

The Group assessed the classification of its serviced residence properties as investment properties or property, plant and equipment based on its business model, taking into consideration the quantum of other income derived from ancillary services rendered relative to total revenue and employment of external property managers to operate the serviced residence properties, amongst other factors.

The Group held interest in five (2015: five) serviced residence properties in France under finance lease arrangements. Under each of these finance lease arrangements, the Group may acquire legal title to the relevant property by exercising its option to purchase the property (a) prior to the expiry of the finance lease by, among others, providing six months' notice to the finance company and making prepayment for the outstanding rentals due to the finance company, or (b) at the expiry of the finance lease by making a nominal payment of $1 to the finance company. Upon the exercise of the option by serving the six months' notice, the legal title will, in accordance with the finance lease arrangements, be delivered to the Group. At 31 December 2016, the carrying value of these serviced residence properties was $85,289,000 (2015: $84,910,000).

The serviced residence properties of the Trust with an aggregate carrying value of $344,312,000 (2015: $563,091,000) are pledged as securities to banks for banking facilities granted to the Trust (see Note 15).

During the year, the Group carried out asset enhancement initiatives on certain serviced residence properties. As a result of such asset enhancement initiatives, assets no longer in use amounting to $543,000 (2015: $3,717,000) were written off.

Notes to the Financial Statements
Year ended 31 December 2016

5 Plant and equipment

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group					
Cost					
At 1 January 2015	8,476	319	79,999	543	89,337
Acquisition of serviced residence properties and subsidiaries (Note 34)	–	–	2,802	–	2,802
Additions	284	94	6,916	4,252	11,546
Divestments of serviced residence properties	–	–	(78)	–	(78)
Disposals	(1)	(26)	(2,001)	–	(2,028)
Written off	(15)	–	(170)	–	(185)
Transfer to serviced residence properties (Note 4)	–	–	(509)	(174)	(683)
Translation difference	240	8	2,169	21	2,438
At 31 December 2015	8,984	395	89,128	4,642	103,149
Cost					
At 1 January 2016	8,984	395	89,128	4,642	103,149
Acquisition of serviced residence properties and subsidiaries (Note 34)	–	–	2,189	–	2,189
Additions	336	166	14,213	1,979	16,694
Disposals	(18)	(177)	(4,628)	(7)	(4,830)
Transfer to serviced residence properties (Note 4)	–	–	(1,815)	(1,666)	(3,481)
Reclassifications	–	–	2,658	(2,658)	–
Translation difference	(92)	(24)	(6,657)	(189)	(6,962)
At 31 December 2016	9,210	360	95,088	2,101	106,759

5 Plant and equipment (continued)

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group					
Accumulated depreciation					
At 1 January 2015	5,771	84	29,382	–	35,237
Charge for the year	734	140	15,760	–	16,634
Divestments of serviced residence properties	–	–	(40)	–	(40)
Disposals	–	(18)	(1,775)	–	(1,793)
Written off	(15)	–	(170)	–	(185)
Translation difference	82	(4)	712	–	790
At 31 December 2015	6,572	202	43,869	–	50,643
At 1 January 2016	6,572	202	43,869	–	50,643
Charge for the year	433	127	12,381	–	12,941
Disposals	(12)	(172)	(4,441)	–	(4,625)
Translation difference	(42)	(14)	(3,952)	–	(4,008)
At 31 December 2016	6,951	143	47,857	–	54,951
Carrying amounts					
At 1 January 2015	2,705	235	50,617	543	54,100
At 31 December 2015	2,412	193	45,259	4,642	52,506
At 31 December 2016	2,259	217	47,231	2,101	51,808

Notes to the Financial Statements
Year ended 31 December 2016

5 Plant and equipment (continued)

	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Trust			
Cost			
At 1 January 2015	16,745	–	16,745
Additions	871	385	1,256
Disposals	(255)	–	(255)
At 31 December 2015	17,361	385	17,746
At 1 January 2016	17,361	385	17,746
Additions	1,255	–	1,255
Disposals	(499)	–	(499)
Transfer to serviced residence properties (Note 4)	–	(385)	(385)
At 31 December 2016	18,117	–	18,117
Accumulated depreciation			
At 1 January 2015	10,438	–	10,438
Charge for the year	2,571	–	2,571
Disposals	(172)	–	(172)
At 31 December 2015	12,837	–	12,837
At 1 January 2016	12,837	–	12,837
Charge for the year	1,757	–	1,757
Disposals	(475)	–	(475)
At 31 December 2016	14,119	–	14,119
Carrying amounts			
At 1 January 2015	6,307	–	6,307
At 31 December 2015	4,524	385	4,909
At 31 December 2016	3,998	–	3,998

6 Subsidiaries

	Trust	
	2016 $'000	2015 $'000
Unquoted equity shares, at cost	355,922	355,498
Allowance for impairment loss	(22,526)	(7,963)
	333,396	347,535

The Trust recognised an impairment loss of $14,563,000 (2015: $3,715,000) on its investment in certain subsidiaries due to lower valuations of the properties held by these subsidiaries. The Trust assessed the recoverable amount of its investment in subsidiaries based on their fair value less costs to sell. The recoverable amounts for the relevant subsidiaries were determined based on the fair value of their net assets as at the reporting date, taking into consideration the fair values of the underlying properties held by the subsidiaries, where applicable. This fair value measurement is categorised under Level 3 in the fair value hierarchy.

(a) Details of the significant subsidiaries directly held by the Trust are as follows:

Name of subsidiaries	Principal place of business/Country of incorporation	Effective equity interest held by the Group	
		2016 %	2015 %
Somerset FG Pte. Ltd.	China/Singapore	100	100
Ascott REIT MTN Pte. Ltd.	Singapore	100	100
Ascott REIT MTN (Euro) Pte. Ltd.	Singapore	100	100

(b) Other significant subsidiaries in the Group are as follows:

Name of subsidiaries	Principal place of business/Country of incorporation	Effective equity interest held by the Group	
		2016 %	2015 %
Ascott REIT Seven Campbelltown Trust[a]	Australia	100	100
Ascott REIT Eight Mascot Trust[a]	Australia	100	100
Ascott REIT Nine SOP Trust[a]	Australia	100	100
Citadines Melbourne on Bourke Unit Trust[a]	Australia	100	100
Citadines St Georges Terrace (Perth) Unit Trust[a]	Australia	100	100
Citadines (Xi'an) Property Co., Ltd.[a]	China	100	100
Gain Mark Properties (Shanghai) Ltd.[a]	China	100	100
Guangzhou Hai Yi Property Development Company[a]	China	100	100
Shanghai Xin Wei Property Development Co., Ltd.[a]	China	100	100
Somerset Heping (Shenyang) Property Co., Ltd.[a]	China	100	100

Notes to the Financial Statements
Year ended 31 December 2016

6 Subsidiaries (continued)

Name of subsidiaries	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2016 %	2015 %
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
PT Bumi Perkasa Andhika[a]	Indonesia	100	100
PT Ciputra Liang Court[a]	Indonesia	57	57
ARC-CapitaLand Three TMK[a]	Japan	100	100
ARC-CapitaLand Four TMK[a]	Japan	100	100
Ascott REIT Six TMK[a]	Japan	100	100
Citadines Kyoto Gojo TMK[a]	Japan	100	100
Citadines Shinjuku TMK[a]	Japan	100	100
Infini Garden TMK[a]	Japan	100	100
Somerset Azabu East TMK[a]	Japan	100	100
Somerset Roppongi TMK[a]	Japan	100	100
Zenith Residences Tokyo Tokutei Mokuteki Kaisha[a]	Japan	100	100
Ascott REIT (Jersey) Limited[b]	Jersey	100	100
Somerset Ampang (Malaysia) Sdn. Bhd.[a]	Malaysia	100	100
Ascott Hospitality Holdings Philippines, Inc[a]	Philippines	100	100
Ascott Makati, Inc[a]	Philippines	100	100
SQ Resources, Inc[a]	Philippines	63	63
SN Resources, Inc[a]	Philippines	97	97
SM Ascott LLC[a]	United States of America	100	100
Tribeca Ascott LLC[a,c]	United States of America	100	–
Hanoi Tower Center Company Ltd[a]	Vietnam	76	76
Mekong-Hacota Joint Venture Company Ltd[a]	Vietnam	65	66
Saigon Office and Serviced Apartment Co. Limited[a]	Vietnam	67	67
Somerset Hoa Binh Joint Venture Company Limited[a]	Vietnam	90	90
West Lake Development Company Limited[a]	Vietnam	70	70

All significant subsidiaries are audited by KPMG LLP Singapore except for the following:

[a] Audited by other member firms of KPMG International.

[b] Not required to be audited by laws of country of incorporation.

[c] The subsidiary is wholly-owned by Tribeca Hotel REIT LLC, which itself is 100% owned by the Trust. These two subsidiaries were established in the United States of America. See Note 34.

7 Non-controlling interests

The following subsidiaries have material non-controlling interests ("NCI") and operate serviced residence properties.

Name	Principal place of business/Country of incorporation	Ownership interests held by NCI 2016 %	Ownership interests held by NCI 2015 %
PT Ciputra Liang Court	Indonesia	42.6	42.6
Hanoi Tower Center Company Ltd	Vietnam	24.0	24.0
Mekong-Hacota Joint Venture Company Ltd	Vietnam	35.3	34.4
Saigon Office and Serviced Apartment Co. Limited	Vietnam	33.0	33.0
Somerset Hoa Binh Joint Venture Company Limited	Vietnam	10.0	10.0
West Lake Development Company Limited	Vietnam	30.0	30.0

7 Non-controlling interests (continued)

The following summarises the financial information of each of the Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with FRSs, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	PT Ciputra Liang Court $'000	Hanoi Tower Center Company Ltd $'000	Mekong-Hacota Joint Venture Company Ltd $'000	Saigon Office and Serviced Apartment Co. Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2016								
Revenue	7,456	15,536	6,103	9,253	6,434	2,477		
Profit/(loss)	1,209	9,263	716	4,914	495	(745)		
Attributable to NCI:								
- Profit	301	2,223	247	1,622	50	(224)	233	4,452
Non-current assets	46,140	115,794	50,140	63,566	46,522	15,654		
Current assets	4,048	5,207	657	10,928	2,851	555		
Non-current liabilities	–	(14,279)	(8,188)	(13,191)	–	–		
Current liabilities	(4,157)	(9,149)	(1,141)	(2,628)	(14,989)	(5,810)		
Net assets	46,031	97,573	41,468	58,675	34,384	10,399		
Net assets attributable to NCI	19,596	23,418	14,650	19,363	3,438	3,120	926	84,511
Cash flows from operating activities	3,079	8,670	2,012	5,060	2,617	682		
Cash flows used in investing activities	(62)	(1,191)	(6,676)	(8)	(92)	(50)		
Cash flows (used in)/from financing activities	(4,413)	(11,806)	2,379	(3,865)	(2,401)	(1,700)		
Net (decrease)/increase in cash and cash equivalents	(1,396)	(4,327)	(2,285)	1,187	124	(1,068)		
Dividends paid to NCI	(1,823)	(935)	(302)	(916)	(59)	(38)		

7 Non-controlling interests (continued)

	Citadines Shinjuku TMK [1] $'000	PT Ciputra Liang Court $'000	Hanoi Tower Center Company Ltd $'000	Mekong-Hacota Joint Venture Company Ltd $'000	Saigon Office and Serviced Apartment Co. Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2015									
Revenue	5,092	7,149	15,060	6,446	8,957	6,684	2,739		
Profit/(loss)	17,489 [2]	(651)	8,765	1,943	6,584	230	(944)		
Attributable to NCI:									
- Profit	6,995	(277)	2,104	653	2,173	23	(283)	2,419	13,807
Non-current assets	–	41,735	112,019	45,045	63,011	48,229	16,977		
Current assets	–	10,233	10,100	2,848	9,955	2,501	1,565		
Non-current liabilities	–	–	(5,118)	–	(13,857)	–	–		
Current liabilities	–	(7,413)	(24,883)	(6,261)	(2,606)	(16,250)	(7,258)		
Net assets	–	44,555	92,118	41,632	56,503	34,480	11,284		
Net assets attributable to NCI	–	18,967	22,108	14,338	18,646	3,448	3,385	876	81,768
Cash flows from operating activities	2,090	1,148	7,511	2,102	4,743	2,733	933		
Cash flows used in investing activities	(32)	(1,483)	(388)	(1,895)	–	(14)	(14)		
Cash flows used in financing activities	(1,861)	(138)	(7,405)	(928)	(4,781)	(4,615)	(1,311)		
Net increase/(decrease) in cash and cash equivalents	197	(473)	(282)	(721)	(38)	(1,896)	(392)		
Dividends paid to NCI	–	–	(1,426)	(250)	(1,225)	(126)	(81)		

1 The remaining 40% interest in Citadines Shinjuku TMK was acquired by the Group on 31 July 2015. See Note 34.

2 Included in the profit for Citadines Shinjuku TMK is an amount of $15.3 million relating to revaluation gain from a serviced residence property.

Notes to the Financial Statements
Year ended 31 December 2016

8 Associate

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest in an associate	3,505	3,479	3,990	3,958

Details of the associate are as follows:

Company name	East Australia Trading Company Limited
Nature of relationship with the Group	Investment holding company held by the Group
Principal place of business/Country of incorporation	Hong Kong
Ownership interest/Voting rights held	40% (2015: 40%)

The associate is immaterial to the Group.

A member firm of KPMG International is the auditor of the associate.

In 2016 and 2015, the Group did not receive any dividends from the associate.

The following table summarises the financial information for the Group's interest in the associate, based on the amounts reported in the Group's consolidated financial statements:

	2016 $'000	2015 $'000
(Loss)/Profit after taxation	(6)	7

9 Financial derivatives

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial derivative assets				
Non-current				
Interest rate swaps	3,661	–	245	–
Cross currency interest rate swaps	3,464	–	3,464	–
	7,125	–	3,709	–
Financial derivative liabilities				
Non-current				
Interest rate swaps	(7,185)	(7,115)	(3,375)	(3,900)
Cross currency interest rate swaps	(10,560)	(3,198)	(10,560)	(3,198)
	(17,745)	(10,313)	(13,935)	(7,098)
Current				
Interest rate swaps	(104)	(900)	(104)	(823)
Forward exchange contracts	–	(322)	–	(322)
	(104)	(1,222)	(104)	(1,145)

During the year, the Group entered into cross currency interest rate swaps to:

(i) swap fixed rate SGD loans of $120.0 million for fixed rate EUR obligations. The SGD loans, which together with the cross currency interest rate swaps arrangement, have been used to hedge the Group's foreign exchange risk on the net investment in the subsidiaries in Europe.

(ii) swap floating rate USD loan of $72.5 million for fixed rate JPY obligations. The USD loan, which together with the cross currency interest rate swap arrangement, have been used to hedge the Group's foreign exchange risk on the net investment in the subsidiaries in Japan.

The hedge relationships for which hedge accounting have been adopted are effective in the financial year ended 31 December 2016. As at 31 December 2016, the Group held cross currency interest rate swaps with a notional principal amount of $392.5 million (2015: $200.0 million) maturing between 2022 to 2024.

As at 31 December 2015, the Group held forward exchange contracts with a total notional principal amount of $38.4 million to hedge the foreign currency income from the overseas assets. These contracts were settled within one year.

Notes to the Financial Statements
Year ended 31 December 2016

10 Deferred tax

Movements in deferred tax assets and liabilities (prior to offsetting of balances) are as follows:

	At 1 January 2015 $'000	Credited/ (charged) to Statement of Total Return (Note 26) $'000	Acquisition of subsidiaries (Note 34) $'000	Translation differences $'000	At 31 December 2015 $'000	Credited/ (charged) to Statement of Total Return (Note 26) $'000	Translation differences $'000	At 31 December 2016 $'000
Group								
Deferred tax assets								
Unutilised capital allowances	146	101	–	(23)	224	(89)	(5)	130
Unutilised tax losses	2,557	190	–	(138)	2,609	1,922	(50)	4,481
Provisions and accruals	195	(75)	–	5	125	32	(5)	152
Unrealised foreign exchange loss – trade	484	528	–	13	1,025	148	(45)	1,128
	3,382	744	–	(143)	3,983	2,013	(105)	5,891
Deferred tax liabilities								
Serviced residence properties	(65,312)	(12,823)	–	1,260	(76,875)	(6,389)	836	(82,428)
Unrealised foreign exchange gain – trade	–	(316)	–	–	(316)	314	2	–
Provisions	(1,976)	55	–	149	(1,772)	78	(27)	(1,721)
Plant and equipment	(9,956)	(296)	–	378	(9,874)	(628)	573	(9,929)
Unremitted interests	–	–	(14)	–	(14)	15	(1)	–
	(77,244)	(13,380)	(14)	1,787	(88,851)	(6,610)	1,383	(94,078)
Net deferred tax (liabilities)/assets	(73,862)	(12,636)	(14)	1,644	(84,868)	(4,597)	1,278	(88,187)

10 Deferred tax (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the Statements of Financial Position as follows:

	Group		Trust	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Deferred tax assets	5,891	3,983	–	–
Deferred tax liabilities	(94,078)	(88,851)	–	–

As at 31 December 2016, deferred tax liabilities amounting to $599,000 (2015: $450,000) had not been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group		Trust	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Tax losses	53,758	54,339	–	–
Deductible temporary differences	3,667	2,899	–	–
	57,425	57,238	–	–

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. The deductible temporary differences do not expire under the current tax legislation.

Unrecognised tax losses brought forward of the Group amounting to $7,229,000 (2015: $3,795,000) expired during the year. In addition, $7,677,000 (2015: $8,777,000) of the losses brought forward were utilised to set off against current year's taxable profit. In 2015, unrecognised tax losses arising from the acquisition of subsidiaries amounted to $693,000. The remaining balance of $39,433,000 (2015: $44,486,000) and unrecognised tax losses arising during the year of $14,325,000 (2015: $9,160,000) have been carried forward. Tax losses that have been carried forward and are subject to expiration as follows:

	Group		Trust	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Expiry dates				
- Within 1 to 5 years	46,831	42,733	–	–
- After 5 years	6,927	11,606	–	–
	53,758	54,339	–	–

Notes to the Financial Statements

Year ended 31 December 2016

11 Deposits

The deposits as at 31 December 2015 relates to the 5% deposit paid upon the execution of the sale and purchase agreement with related corporations for the acquisition of Ascott Orchard Singapore upon the satisfaction of conditions precedent in 2017.

As at 31 December 2016, the deposits of $20,250,000 were reclassified to trade and other receivables (Note 12) as current assets as the acquisition of Ascott Orchard Singapore is expected to be completed in 2017.

12 Trade and other receivables

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables	18,808	16,817	1,133	1,028
Impairment loss	(128)	(148)	–	–
	18,680	16,669	1,133	1,028
Non-trade amounts due from subsidiaries	–	–	2,320,925	2,327,461
Impairment loss	–	–	(51,463)	(59,514)
	–	–	2,269,462	2,267,947
Amounts due from related parties:				
- trade	1,173	1,079	13	–
- non-trade	6,427	8,807	–	–
Deposits	22,781	2,192	20,319	39
Other receivables	10,335	11,842	2,684	1,001
Impairment loss	(106)	(312)	–	–
	10,229	11,530	2,684	1,001
	59,290	40,277	2,293,611	2,270,015
Prepayments	9,422	9,430	102	96
	68,712	49,707	2,293,713	2,270,111

Concentration of credit risk relating to trade receivables is limited due to the Group's varied tenants and a credit policy of collecting rental deposits on certain leases. These tenants are from a wide range of nationalities and are engaged in a wide spectrum of business activities. The Group's historical experience in the collection of accounts receivables falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

12 Trade and other receivables (continued)

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date by geographic region was:

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore	24,149	2,067	2,293,611	2,270,015
Australia	1,359	991	–	–
China	10,067	13,511	–	–
Europe (excluding United Kingdom)	4,284	3,426	–	–
Indonesia	2,580	5,266	–	–
Japan	3,509	2,327	–	–
Malaysia	564	409	–	–
Philippines	5,305	4,270	–	–
United Kingdom	2,718	2,923	–	–
United States of America	3,492	3,460	–	–
Vietnam	1,263	1,627	–	–
	59,290	40,277	2,293,611	2,270,015

Non-trade amounts due from subsidiaries and related parties are unsecured, interest-free and repayable on demand.

Impairment losses

The ageing of trade and other receivables (excluding prepayments) at the reporting date is as follows:

	Gross 2016 $'000	Impairment losses 2016 $'000	Gross 2015 $'000	Impairment losses 2015 $'000
Group				
Not past due	52,472	–	33,673	–
Past due 0 - 30 days	4,647	–	3,944	–
Past due 30 - 60 days	1,662	–	1,861	–
Past due more than 60 days	743	(234)	1,259	(460)
	59,524	(234)	40,737	(460)
Trust				
Not past due	2,293,301	–	2,269,803	–
Past due 0 - 30 days	192	–	173	–
Past due 30 - 60 days	79	–	38	–
Past due more than 60 days	51,502	(51,463)	59,515	(59,514)
	2,345,074	(51,463)	2,329,529	(59,514)

Notes to the Financial Statements

Year ended 31 December 2016

12 Trade and other receivables (continued)

The movement in impairment losses in respect of trade and other receivables during the year is as follows:

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 January	460	444	59,514	55,512
Impairment losses recognised/(reversed)	124	7	(8,051)	4,002
Utilised during the year	(305)	(7)	–	–
Translation difference	(45)	16	–	–
At 31 December	234	460	51,463	59,514

Based on historical default rates, the Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables and other receivables not past due. These receivables relate to customers that have a good credit record with the Group.

The non-trade amounts due from subsidiaries are written down to their respective recoverable amounts, taking into consideration the fair values of the underlying properties held by the subsidiaries, where applicable.

13 Assets held for sale

The Group announced on 18 October 2013 that it had launched the strata sale of the 81 individual units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing). In view of the Group's commitment to the strata sale plan, the plant and equipment and serviced residence property pertaining to these 81 units were classified as assets held for sale in the consolidated Statement of Financial Position as at 31 December 2013 until completion of the strata sale.

During the year ended 31 December 2016, 62 units (2015: eight units) were disposed at net proceeds of $74.5 million (2015: $9.1 million), recognising an uplift in fair value of $4.3 million (2015: $0.3 million) over the previous independent valuation at 31 December 2015.

As at 31 December 2016, the fair value less cost to sell of the five unsold units (2015: 67 unsold units) amounted to $6.5 million (2015: $84.2 million). The fair value was estimated by the Manager based on the contracted sale price (2015: based on independent valuation undertaken by CBRE).

An aggregate fair value loss of $3.1 million (2015: fair value gain of $5.9 million) was recognised as net change in fair value of serviced residence properties and assets held for sale within the Statement of Total Return during the year ended 31 December 2016. Such fair value loss comprises translation loss of $4.1 million, decrease in fair value of the five unsold units of $3.3 million and uplift in fair value on those 62 units disposed during the year of $4.3 million.

14 Cash and cash equivalents

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at bank and in hand	119,268	123,694	3,148	4,913
Fixed deposits with financial institutions	23,806	96,773	2,630	33,237
	143,074	220,467	5,778	38,150

As at 31 December 2016, the interest rates per annum for cash and cash equivalents for the Group and the Trust ranged from 0% to 5.0% (2015: 0% to 7.5%) and 0% to 0.8% (2015: 0% to 1.3%) respectively.

15 Financial liabilities

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current liabilities				
Secured bank loans	910,681	806,687	234,052	175,897
Unsecured bank loans	26,271	103,167	26,271	103,167
Medium term notes	775,409	640,635	–	–
Finance lease liabilities	3,298	6,284	–	–
	1,715,659	1,556,773	260,323	279,064
Current liabilities				
Intra-group financial guarantees	–	–	1,285	1,306
Secured bank loans	108,389	254,060	–	199,627
Unsecured bank loans	35,513	1,452	35,513	1,452
Finance lease liabilities	3,071	2,892	–	–
	146,973	258,404	36,798	202,385
	1,862,632	1,815,177	297,121	481,449

Notes to the Financial Statements
Year ended 31 December 2016

15 Financial liabilities (continued)

Finance lease liabilities

The Group had obligations under finance leases that are payable as follows:

	31 December 2016		
	Principal $'000	**Interest $'000**	**Payments $'000**
Repayable:			
Within 1 year	3,071	56	3,127
After 1 year but within 5 years	3,298	18	3,316
	6,369	74	6,443

	31 December 2015		
	Principal $'000	**Interest $'000**	**Payments $'000**
Repayable:			
Within 1 year	2,892	94	2,986
After 1 year but within 5 years	6,284	74	6,358
	9,176	168	9,344

(a) The Group's secured bank loans are secured on the following:

- serviced residence properties with an aggregate carrying value of $2,459,831,000 (2015: $2,456,330,000);
- pledge of shares of certain subsidiaries;
- assignment of rental proceeds from the properties;
- assignment of insurance policies on the properties; and
- corporate guarantee from the Trust.

The Trust's secured bank loans are secured on the following:

- serviced residence properties with an aggregate carrying value of $344,312,000 (2015: $563,091,000);
- pledge of shares of certain subsidiaries;
- assignment of rental proceeds from the properties; and
- assignment of insurance policies on the properties.

15 Financial liabilities (continued)

(b) On 9 September 2009, a subsidiary, Ascott REIT MTN Pte. Ltd., launched a $1.0 billion Multi-currency Medium Term Note Programme ("MTN Programme"). Under this MTN Programme, Ascott REIT MTN Pte. Ltd. may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed or floating interest rate notes with aggregate principal amounts of $1.0 billion.

On 30 November 2011, a subsidiary, Ascott REIT MTN (Euro) Pte. Ltd., established a US$2.0 billion Euro-Medium Term Note Programme ("EMTN Programme"). Under this EMTN Programme, Ascott REIT MTN (Euro) Pte. Ltd. may, subject to any applicable legal or regulatory restrictions, from time to time issue fixed or floating interest rate notes in series or tranches in Euro, Sterling Pound, US Dollar, Singapore Dollar, Chinese Renminbi or any other currency agreed between Ascott REIT MTN (Euro) Pte. Ltd. and the relevant dealer of the programme.

As at 31 December 2016, notes issued by the Group are as follows:

- under the MTN Programme:

  (i) $420.0 million (2015: $300.0 million) of fixed rate notes maturing between 2018 to 2024; and

  (ii) JPY19.3 billion (2015: JPY19.3 billion) of fixed rate notes maturing between 2018 to 2022.

- under the EMTN Programme:

  (i) EUR80.0 million (2015: EUR80.0 million) of fixed rate notes maturing in 2024.

(c) The weighted average effective interest rates per annum relating to bank loans and medium term notes at the reporting date for the Group and Trust are 2.22% (2015: 2.78%) and 1.77% (2015: 2.72%) respectively.

Included in the Group's and the Trust's bank loans and medium term notes is an amount of $14,349,000 (2015: $12,800,000) and $3,796,000 (2015: $3,383,000) respectively, relating to unamortised transaction costs. Transaction costs amortised during the year by the Group and the Trust of $4,168,000 (2015: $2,957,000) and $1,227,000 (2015: $1,257,000) respectively, were recognised as finance costs in the Statement of Total Return.

Notes to the Financial Statements
Year ended 31 December 2016

15 Financial liabilities (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group					
2016					
Medium term notes	EUR	2.75	2024	121,409	120,875
Medium term notes	SGD	4.00 – 4.30	2018 – 2024	420,000	418,920
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	235,614	235,614
Secured floating rate loans	EUR	0.99 – 1.30	2021	95,472	94,486
Secured floating rate loans	GBP	1.68 – 2.28	2018 – 2021	68,418	67,896
Secured floating rate loans	JPY	0.24 – 6.36	2017 – 2022	338,770	336,164
Secured floating rate loan	MYR	3.86	2021	9,896	9,830
Secured floating rate loans	RMB	4.66 – 5.23	2017 – 2026	89,956	89,946
Secured floating rate loans	USD	1.79 – 4.53	2017 – 2023	427,840	420,748
Unsecured floating rate loans	JPY	1.75 – 1.80	2017 – 2022	63,237	61,784
Finance leases	EUR	1.25	2018 – 2019	6,369	6,369
				1,876,981	1,862,632
2015					
Medium term notes	EUR	2.75	2024	119,780	119,186
Medium term notes	SGD	4.21 – 4.30	2018 – 2022	300,000	299,306
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	222,143	222,143
Secured fixed rate loan	USD	3.75	2016	9,895	9,893
Secured floating rate loans	EUR	1.05 – 1.99	2016 – 2021	298,608	297,237
Secured floating rate loans	GBP	1.85 – 2.49	2016 – 2021	96,546	95,732
Secured floating rate loans	JPY	0.35 – 6.97	2017 – 2021	333,308	329,922
Secured floating rate loan	MYR	4.85	2021	11,632	11,551
Secured floating rate loans	RMB	4.66 – 6.33	2017 – 2026	104,449	104,430
Secured floating rate loans	USD	1.86 – 4.18	2016 – 2022	216,585	211,982
Unsecured floating rate loan	AUD	4.09	2016	472	442
Unsecured floating rate loans	EUR	1.75 – 1.79	2016 – 2017	7,820	7,701
Unsecured floating rate loan	GBP	2.33	2017	30,164	29,937
Unsecured floating rate loans	JPY	1.83 – 1.88	2017 – 2022	59,622	58,820
Unsecured floating rate loan	USD	2.12	2017	7,777	7,719
Finance leases	EUR	1.25	2018 – 2019	9,176	9,176
				1,827,977	1,815,177

15 Financial liabilities (continued)

Terms and debt repayment schedule (continued)

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Trust					
2016					
Secured floating rate loans	EUR	0.99 – 1.30	2021	95,472	94,486
Secured floating rate loans	GBP	1.68 – 2.28	2018 – 2021	68,418	67,896
Unsecured floating rate loans	JPY	1.75 – 1.80	2017 – 2022	63,237	61,784
Secured floating rate loan	USD	1.79	2023	72,505	71,670
				299,632	295,836
2015					
Secured floating rate loans	EUR	1.05 – 1.80	2016 – 2021	281,125	279,792
Secured floating rate loans	GBP	1.85 – 2.49	2016 – 2021	96,546	95,732
Unsecured floating rate loan	AUD	4.09	2016	472	442
Unsecured floating rate loans	EUR	1.75 – 1.79	2016 – 2017	7,820	7,701
Unsecured floating rate loan	GBP	2.33	2017	30,164	29,937
Unsecured floating rate loans	JPY	1.83 – 1.88	2017 – 2022	59,622	58,820
Unsecured floating rate loan	USD	2.12	2017	7,777	7,719
				483,526	480,143

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Trust to banks in respect of various banking facilities amounting to $50,119,000 (2015: $71,354,000) granted to subsidiaries which expire in 2017, 2020, 2021 and 2022. The earliest period that the guarantees could be called is within one year (2015: one year) from the reporting date.

At the reporting date, the Trust does not consider it probable that a claim will be made against the Trust under the guarantees.

Notes to the Financial Statements
Year ended 31 December 2016

16 Trade and other payables

	Group		Trust	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Trade payables and accrued operating expenses	60,853	60,960	13,161	13,152
Amounts due to:				
- associate (non-trade)	2,083	2,076	–	–
- subsidiaries (non-trade)				
- interest-free	–	–	132,266	82,619
- interest-bearing	–	–	777,023	641,923
- related parties				
- trade	6,632	8,823	771	522
- non-trade	5,923	7,393	–	–
- the Manager	3,449	5,588	3,449	5,446
- the Trustee	121	118	121	118
- non-controlling interests (non-trade)	1,131	1,332	–	–
Interest payable	8,372	6,033	1,562	1,456
Rental deposits and advance rental	44,427	44,130	1,109	1,455
	132,991	136,453	929,462	746,691

Non-trade amounts due to subsidiaries are unsecured and repayable on demand. The interest-bearing amounts due to subsidiaries bore interest rates ranging from 1.17% to 4.30% (2015: 1.17% to 4.30%) per annum. Non-trade amounts due to associate and related parties are unsecured, interest-free and repayable on demand.

17 Unitholders' funds

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.

Capital reserve

The subsidiaries incorporated in China are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of China, to a general reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The capital reserve of the subsidiary can be used to make good previous years' losses, if any, and may be converted to paid-in capital of the subsidiary in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

17 Unitholders’ funds (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to forecast hedged transactions.

Capital management

The Manager reviews the Group’s and the Trust’s capital structure regularly, which the Group defines as total Unitholders’ funds (excluding non-controlling interests) and the level of distribution to Unitholders. The Group uses a combination of debt and equity to fund acquisition and asset enhancement projects.

The objectives of the Manager are to:

a. maintain a strong balance sheet by adopting and maintaining a target gearing range;

b. secure diversified funding sources from financial institutions and/or capital markets;

c. adopt a proactive interest rate management strategy to manage risks related to interest rate fluctuations; and

d. manage the foreign currency exposure of income and capital values of overseas assets through hedging, where appropriate.

The Manager seeks to maintain a combination of debt and equity in order to balance the cost of capital and the returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted complies with the requirements.

The Group is subject to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that with effect from 1 January 2016, the total borrowings and deferred payments (the “Aggregate Leverage”) of a property fund should not exceed 45.0% of the fund’s Deposited Property. Prior to 1 January 2016, the Aggregate Leverage of a property fund should not exceed 35.0% of the fund’s Deposited Property. The Aggregate Leverage of a property fund may exceed 35.0% of the fund’s Deposited Property (to a maximum of 45.0%) only if a credit rating of the property fund from Fitch Inc., Moody’s or Standard and Poor’s is obtained and disclosed to the public.

As at the reporting date, the Group has a credit rating of Baa3 (2015: Baa3) from Moody’s. The Aggregate Leverage of the Group as at 31 December 2016 was 39.8% (2015: 39.3%) of the Group’s Deposited Property. This complied with the Aggregate Leverage limit.

There were no changes in the Group’s approach to capital management during the year.

18 Units in issue and perpetual securities

(a) Units in issue

	Group and Trust	
	2016 Number of Units '000	**2015 Number of Units '000**
At 1 January	1,548,736	1,535,023
Issue of new Units:		
- Equity placement	94,787	–
- As Manager's management fees paid in Units	9,948	11,334
- As Manager's acquisition fees paid in Units	–	2,379
At 31 December	1,653,471	1,548,736

During the financial year ended 31 December 2016, the Trust issued Units as follows:

(a) On 23 March 2016, the Trust issued 94,787,000 Units at an issue price of $1.055 per Unit amounting to $100,000,000 by way of an equity placement to institutional and other investors.

(b) 9,947,694 Units were issued at issue prices ranging from $1.1162 to $1.1458 per Unit, amounting to $11,233,000 as payment of the Manager's management fees for the period from 1 October 2015 to 30 September 2016.

During the financial year ended 31 December 2015, the Trust issued Units as follows:

(a) 11,334,276 Units were issued at issue prices ranging from $1.2136 to $1.2860 per Unit, amounting to $14,265,000 as payment of the Manager's management fees for the period from 1 October 2014 to 30 September 2015.

(b) On 14 October 2015, the Trust issued 2,378,952 Units at an issue price of $1.2202 per Unit as payment of the acquisition fee in relation to the completion of the acquisition (directly or indirectly through the acquisition of shareholding interests) of four rental housing properties in Japan, the remaining 40% interest in two serviced residence properties in Japan and one serviced residence property in Australia.

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the Units held;

- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;

18 Units in issue and perpetual securities (continued)

(a) Units in issue (continued)

- Attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and

- One vote per Unit.

The restrictions of a Unitholder include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and

- A Unitholder has no right to request the Manager to redeem his Units while the Units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Units in the Trust. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

(b) Perpetual securities

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

On 27 October 2014, the Trust issued $150.0 million of fixed rate perpetual securities with an initial distribution rate of 5.0% per annum with the first distribution rate reset falling on 27 October 2019 and subsequent resets occurring every five years thereafter.

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

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank pari passu with the holders of preferred units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.

- The Trust shall not declare or pay any distributions to the Unitholders, or make redemptions, unless the Trust declares or pays any distributions to the holders of the perpetual securities.

These perpetual securities are classified as equity instruments and recorded within the Statements of Movements in Unitholders' Funds. The $397,127,000 (2015: $397,094,000) presented on the Statements of Financial Position represents the $400,000,000 (2015: $400,000,000) perpetual securities net of issue costs and include total return attributable to perpetual securities holders from issue date.

Notes to the Financial Statements
Year ended 31 December 2016

19 Gross revenue

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross rental income	455,480	399,210	33,009	35,090
Hospitality income	18,349	20,511	121	101
Car park income	1,761	1,393	–	–
	475,590	421,114	33,130	35,191

20 Direct expenses

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Operations and maintenance expenses	46,359	42,684	3,493	3,292
Staff costs	57,635	47,730	3,461	3,417
Serviced residence management fees	25,791	28,216	2,035	2,133
Property tax	22,525	17,001	1,662	1,865
Depreciation of plant and equipment	12,941	16,634	1,757	2,571
Marketing and selling expenses	24,122	15,353	582	688
Administrative and general expenses	28,709	23,520	1,450	1,052
Operating lease expense	17,816	5,035	–	–
Other direct expenses	17,532	20,371	904	2,068
	253,430	216,544	15,344	17,086

Included in the Group's and Trust's staff costs are contributions to defined contribution plans of $5,854,000 (2015: $5,636,000) and $436,000 (2015: $419,000) respectively.

21 Finance income and costs

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Finance income				
Bank deposits	1,799	1,603	62	178
Finance costs				
Amortisation of transaction costs	(4,168)	(2,957)	(1,227)	(1,257)
Interest on bank loans and interest rate swaps	(52,151)	(46,707)	(8,968)	(14,168)
Cross currency interest rate swaps*	7,234	502	7,234	502
Interest on amounts due to subsidiaries	–	–	(23,644)	(16,911)
Others	(960)	(694)	(783)	(441)
	(50,045)	(49,856)	(27,388)	(32,275)

* Interest income arising from cross currency interest rate swaps are classified within finance costs as these financial derivatives were entered into by the Group as cash flow hedging instruments for certain bank loans.

22 Manager's management fees

Manager's management fees of the Group and the Trust include base management fees of $13,513,000 (2015: $12,032,000) and performance fees of $8,665,000 (2015: $7,788,000).

The total units issued/to be issued for Manager's management fees amounted to 13,891,775 (2015: 12,203,288) Units, amounting to $15,892,000 (2015: $14,768,000).

23 Professional fees

Professional fees of the Group and the Trust include valuation fees of $850,000 (2015: $836,000).

24 Net income/(loss)

The following items have been included in arriving at net income/(loss) for the year:

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-audit fees paid to*:				
- auditors of the Trust	–	12	–	12
- other auditors	59	50	–	–
(Gain)/loss on disposal of plant and equipment	(86)	81	11	82
Impairment of subsidiaries	–	–	14,563	3,715
Impairment loss on trade and other receivables recognised/(reversed)	124	7	(8,051)	4,002
Write-off of trade and other receivables	159	15	–	–

* Total non-audit fees amounted to $59,000. In 2015, total non-audit fees amounted to $213,000, of which $81,000 has been capitalised as capital expenditure and $70,000 has been included in issue expenses (see Note 28).

25 Profit from divestments

	Group	
	2016 $'000	2015 $'000
Gain on divestment	–	12,128
Divestment expenses	–	(2,204)
Profit from divestments	–	9,924

In 2015, profit from divestments relate to the divestment of six rental housing properties in the regional cities of Japan and a serviced residence property in the Philippines.

26 Income tax expense/(credit)

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current tax expense/(credit)				
Current year	20,054	21,076	–	–
Under/(over) provided in prior years	288	(670)	–	(2)
Withholding tax	6,812	3,719	–	–
	27,154	24,125	–	(2)
Deferred tax expense				
Origination and reversal of temporary differences	4,939	12,583	–	–
(Over)/under provided in prior years	(342)	53	–	–
	4,597	12,636	–	–
Income tax expense/(credit)	31,751	36,761	–	(2)
Reconciliation of effective tax rate				
Total return before income tax	179,515	215,751	(30,468)	51,195
Income tax using the Singapore tax rate of 17% (2015: 17%)	30,518	36,678	(5,180)	8,703
Effect of different tax rates in foreign jurisdictions	28,713	35,299	–	–
Tax rebate/relief/exemption	(11)	(36)	(10,247)	(11,091)
Income not subject to tax	(63,417)	(63,097)	(89)	(5,791)
Tax benefits not recognised	3,624	3,026	–	–
Expenses not deductible for tax purposes	29,222	27,524	17,058	10,053
Utilisation of previously unrecognised tax losses	(2,114)	(3,861)	–	–
Tax transparency	(1,542)	(1,874)	(1,542)	(1,874)
Over provision in prior years	(54)	(617)	–	(2)
Withholding tax	6,812	3,719	–	–
	31,751	36,761	–	(2)

No income tax effects have been recognised for those items recognised directly in Unitholders' funds.

27 Earnings per Unit

Basic earnings per Unit

The calculation of basic earnings per Unit for the Group and Trust was based on the total return for the year attributable to Unitholders and a weighted average number of Units outstanding:

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Total return attributable to Unitholders/ perpetual securities holders	143,312	165,183	(30,468)	51,197
Less: Total return attributable to perpetual securities holders	(19,253)	(13,430)	(19,253)	(13,430)
Total return attributable to Unitholders	124,059	151,753	(49,721)	37,767

	Group and Trust	
	2016 Number of Units '000	2015 Number of Units '000
Issued Units at the beginning of the year	1,548,736	1,535,023
Effect of issue of new Units:		
- As equity placement	73,551	–
- As Manager's management fees paid in Units	5,939	5,872
- As Manager's acquisition fees paid in Units	–	515
Weighted average number of Units outstanding during the year	1,628,226	1,541,410

27 Earnings per Unit (continued)

Diluted earnings per Unit

The calculation of diluted earnings per Unit for the Group and Trust was based on the total return for the year attributable to Unitholders and a weighted average number of Units outstanding after adjustment for the effects of all dilutive potential Units.

Prior to 1 January 2016, the Manager's management fees (comprising base and performance fees) are issued within 60 days from the end of each quarter. With effect from 1 January 2016, due to revision of the CIS Code, performance fee (including performance fee payable in Units) shall be paid once a year, after the end of the financial year.

	Group and Trust	
	2016 Number of Units '000	**2015 Number of Units '000**
Weighted average number of Units used in calculation of basic earnings per Unit	1,628,226	1,541,410
Weighted average number of unissued Units from base and performance fees	11,496	–
Weighted average number of Units outstanding (diluted) during the year	1,639,722	1,541,410

28 Issue expenses

	Group and Trust	
	2016 $'000	**2015 $'000**
Underwriting fees and selling commissions	650	2,068
Professional fees	159	180
Other expenses	80	73
	889	2,321
These expenses were deducted/(credited) directly against:		
Unitholders' funds	922	–
Perpetual securities	(33)*	2,321
	889	2,321

* Reversal of over provision of expenses for the issuance of perpetual securities in 2015.

In 2015, issue expenses included non-audit fees paid to auditors of the Group and the Trust of $70,000 for services performed in connection with the issuance of perpetual securities.

Notes to the Financial Statements

Year ended 31 December 2016

29 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. There were no changes in the Group's approach to financial risk management during the year.

Risk management framework

The Manager has overall responsibility for the establishment and oversight of the Group's risk management framework.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the serviced residence management companies before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

As at 31 December 2016 and 31 December 2015, 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.

29 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Typically, the Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 December 2016, the Group has unutilised credit facilities of approximately $528.7 million (2015: $282.6 million) expiring between March 2017 and November 2023 (2015: February 2016 and June 2022), that can be drawn down to meet short-term financing needs.

In addition, the Group has put in place a $1.0 billion MTN Programme, under which notes of $655.6 million (2015: $522.1 million) have been issued as at 31 December 2016. In 2011, the Group established a US$2.0 billion EMTN Programme, under which notes of $121.4 million (2015: $119.8 million) have been issued as at 31 December 2016.

Notes to the Financial Statements

Year ended 31 December 2016

29 Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Cash flows: Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Group					
2016					
Non-derivative financial liabilities					
Floating rate loans	1,080,854	(1,164,500)	(163,781)	(869,896)	(130,823)
Fixed rate notes	775,409	(910,987)	(24,816)	(326,515)	(559,656)
Finance lease liabilities	6,369	(6,443)	(3,127)	(3,316)	–
Trade and other payables*	126,289	(126,289)	(126,289)	–	–
	1,988,921	(2,208,219)	(318,013)	(1,199,727)	(690,479)
Derivative financial instruments					
Interest rate swaps					
- assets	(3,661)	4,541	(737)	5,278	–
- liabilities	7,289	(7,763)	(2,957)	(4,806)	–
Cross currency interest rate swaps					
- assets	(3,464)	16,930	1,463	8,896	6,571
- liabilities	10,560	44,110	6,891	27,654	9,565
	10,724	57,818	4,660	37,022	16,136
	1,999,645	(2,150,401)	(313,353)	(1,162,705)	(674,343)
2015					
Non-derivative financial liabilities					
Floating rate loans	1,155,473	(1,243,723)	(266,800)	(636,010)	(340,913)
Fixed rate notes/loans	650,528	(769,308)	(29,716)	(304,791)	(434,801)
Finance lease liabilities	9,176	(9,344)	(2,986)	(6,358)	–
Trade and other payables*	130,152	(130,152)	(130,152)	–	–
	1,945,329	(2,152,527)	(429,654)	(947,159)	(775,714)
Derivative financial instruments					
Interest rate swaps					
- liabilities	8,015	(11,588)	(5,330)	(5,716)	(542)
Forward exchange contracts	322	(322)	(322)	–	–
Cross currency interest rate swaps					
- liabilities	3,198	32,635	4,671	18,647	9,317
	11,535	20,725	(981)	12,931	8,775
	1,956,864	(2,131,802)	(430,635)	(934,228)	(766,939)

* Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

29 Financial instruments (continued)

Liquidity risk (continued)

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Trust					
2016					
Non-derivative financial liabilities					
Floating rate loans	295,836	(319,650)	(40,280)	(176,555)	(102,815)
Trade and other payables^	928,998	(928,998)	(928,998)	–	–
	1,224,834	(1,248,648)	(969,278)	(176,555)	(102,815)
Derivative financial instruments					
Interest rate swaps					
- assets	(245)	242	43	199	–
- liabilities	3,479	(3,629)	(1,847)	(1,782)	–
Cross currency interest rate swaps					
- assets	(3,464)	16,930	1,463	8,896	6,571
- liabilities	10,560	44,110	6,891	27,654	9,565
	10,330	57,653	6,550	34,967	16,136
	1,235,164	(1,190,995)	(962,728)	(141,588)	(86,679)
2015					
Non-derivative financial liabilities					
Floating rate loans	480,143	(503,439)	(207,281)	(128,371)	(167,787)
Trade and other payables^	745,819	(745,819)	(745,819)	–	–
	1,225,962	(1,249,258)	(953,100)	(128,371)	(167,787)
Derivative financial instruments					
Interest rate swaps					
- liabilities	4,723	(5,292)	(2,908)	(2,384)	–
Forward exchange contracts	322	(322)	(322)	–	–
Cross currency interest rate swaps					
- liabilities	3,198	32,635	4,671	18,647	9,317
	8,243	27,021	1,441	16,263	9,317
	1,234,205	(1,222,237)	(951,659)	(112,108)	(158,470)

^ Excluding advance rental and liability for employee benefits.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements
Year ended 31 December 2016

29 Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

Foreign currency risk

The Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk are Singapore Dollar, Australian Dollar, Chinese Renminbi, Euro, Sterling Pound, Hong Kong Dollar, Indonesian Rupiah, Japanese Yen, Malaysian Ringgit, Philippine Peso, US Dollar and Vietnamese Dong.

In order to manage the foreign currency risk, the Manager adopts foreign currency risk management strategies that include:

- entering into foreign currency forward contracts to hedge the foreign currency income from the overseas assets;

- the use of certain foreign currency denominated borrowings to match the capital values of the overseas assets as a natural hedge, whenever possible; and

- the use of certain foreign currency denominated borrowings, which include bank loans and medium term notes, and cross currency interest rate swaps to hedge against the currency risk arising from the Group's net investments in certain subsidiaries in Europe and Japan. As at the reporting date, the carrying amount of these EUR, GBP, JPY and USD denominated borrowings was $500,891,000 (2015: $649,098,000) and the fair value of the borrowings was $503,843,000 (2015: $652,517,000). As at the reporting date, the fair value of the cross currency interest rate swaps was $7,096,000 (2015: $3,198,000). The net investment hedges were effective during the year.

29 Financial instruments (continued)

Foreign currency risk (continued)

The Group's and Trust's exposures to foreign currencies risk were as follows based on notional amounts:

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Indonesian Rupiah $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Philippine Peso $'000	US Dollar $'000	Vietnamese Dong $'000	Total foreign currencies $'000
Group													
31 December 2016													
Loan receivables –													
intra-group and associate	29,500	142,026	–	278,959	98,625	–	–	–	20,749	–	73,532	–	643,391
Trade and other receivables*	23,866	1,358	10,067	3,398	3,604	–	2,222	3,510	564	5,371	4,067	1,263	59,290
Intra-group receivables	471,116	265,121	111,847	551,380	359,087	(26)	2,318	364,065	9,417	3,602	721,736	–	2,859,663
Cash and cash equivalents	3,392	3,362	20,403	8,266	16,426	2	2,632	40,107	776	9,176	20,787	17,745	143,074
Loan payables – intra-group	(29,500)	(142,026)	–	(278,959)	(98,625)	–	–	–	(20,749)	–	(69,542)	–	(639,401)
Trade and other payables^	(11,774)	(4,818)	(33,752)	(11,037)	(9,711)	(14,250)	(3,406)	(11,009)	(1,140)	(5,663)	(927)	(6,810)	(114,297)
Intra-group payables	(471,116)	(265,121)	(111,847)	(551,380)	(359,087)	26	(2,318)	(364,065)	(9,417)	(3,602)	(721,736)	–	(2,859,663)
Financial liabilities	(415,123)	–	(89,691)	(222,716)	(68,418)	–	–	(635,016)	(9,830)	–	(421,838)	–	(1,862,632)
Gross currency exposure	(399,639)	(98)	(92,973)	(222,089)	(58,099)	(14,248)	1,448	(602,408)	(9,630)	8,884	(393,921)	12,198	(1,770,575)
Add/(less): Net exposure denominated in the respective entities' functional currencies	322,979	158,058	83,341	418,426	105,652	(141)	2,318	398,461	39,796	(8,473)	329,382	(12,198)	1,837,601
Add: Loan designated for net investment hedge	–	–	–	216,881	12,135	–	–	202,804	–	–	72,505	–	504,325
Add/(less): Loan receivables/ payables – quasi-equity	29,500	(142,026)	–	(278,959)	(98,625)	–	–	–	(20,749)	–	(30,780)	–	(541,639)
Net exposure	(47,160)	15,934	(9,632)	134,259	(38,937)	(14,389)	3,766	(1,143)	9,417	411	(22,814)	–	29,712

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

29 Financial instruments (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Indonesian Rupiah $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Philippine Peso $'000	US Dollar $'000	Vietnamese Dong $'000	Total foreign currencies $'000
Group													
31 December 2015													
Loan receivables –													
intra-group and associate	29,500	142,341	–	275,217	117,757	–	–	–	21,603	–	72,939	–	659,357
Trade and other receivables*	2,073	991	13,511	2,525	3,824	–	4,078	2,321	409	4,336	4,579	1,630	40,277
Intra-group receivables	479,531	266,560	20,339	566,073	429,443	(3)	2,252	335,570	9,927	4,097	565,975	–	2,679,764
Cash and cash equivalents	32,083	10,397	23,426	7,320	18,858	10	2,903	57,986	1,886	22,305	19,145	24,148	220,467
Loan payables – intra-group	(29,500)	(142,341)	–	(275,217)	(117,757)	–	–	–	(21,603)	–	(68,981)	–	(655,399)
Trade and other payables^	(11,665)	(5,465)	(33,790)	(14,257)	(11,269)	(14,143)	(2,908)	(15,068)	(1,280)	(4,983)	3,573	(7,001)	(118,256)
Intra-group payables	(479,531)	(266,560)	(20,339)	(566,073)	(429,443)	3	(2,252)	(335,570)	(9,927)	(4,097)	(565,975)	–	(2,679,764)
Financial liabilities	(295,329)	(472)	(104,430)	(435,346)	(126,710)	–	–	(611,687)	(11,551)	–	(229,652)	–	(1,815,177)
Gross currency exposure	(272,838)	5,451	(101,283)	(439,758)	(115,297)	(14,133)	4,073	(566,448)	(10,536)	21,658	(198,397)	18,777	(1,668,731)
Add/(less): Net exposure denominated in the respective entities' functional currencies	185,308	152,264	76,637	439,841	125,102	(173)	2,252	384,205	42,053	(20,944)	200,630	(18,777)	1,568,398
Add: Loan designated for net investment hedge	–	–	–	408,724	60,276	–	–	183,159	–	–	–	–	652,159
Add/(less): Loan receivables/ payables – quasi-equity	29,500	(142,341)	–	(275,217)	(117,757)	–	–	–	(21,603)	–	(30,532)	–	(557,950)
Net exposure	(58,030)	15,374	(24,646)	133,590	(47,676)	(14,306)	6,325	916	9,914	714	(28,299)	–	(6,124)

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' statements of financial position measured in the respective functional currencies, translated into Singapore dollars at the exchange rate at the reporting date for presentation purposes.

29 Financial instruments (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Philippine Peso $'000	US Dollar $'000	Total foreign currencies $'000
Trust										
31 December 2016										
Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	3,990	3,990
Trade and other receivables*	23,865	–	–	–	–	–	–	–	284	24,149
Intra-group receivables	416,628	250,538	19,027	416,252	310,812	(34)	238,143	3,191	614,905	2,269,462
Cash and cash equivalents	3,372	1,634	–	57	28	–	621	–	66	5,778
Trade and other payables^	(8,418)	–	(9,588)	(1,341)	(63)	–	(24)	–	(276)	(19,710)
Intra-group payables	(413,158)	(12,474)	–	(121,528)	–	–	(279,997)	–	(82,131)	(909,288)
Financial liabilities	3,796	–	–	(95,472)	(68,418)	–	(63,237)	–	(72,505)	(295,836)
Gross currency exposure	26,085	239,698	9,439	197,968	242,359	(34)	(104,494)	3,191	464,333	1,078,545
Less: Net exposure denominated in the respective entities' functional currencies	(26,085)	–	–	–	–	–	–	–	–	(26,085)
Less: Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	(3,990)	(3,990)
Net exposure	–	239,698	9,439	197,968	242,359	(34)	(104,494)	3,191	460,343	1,048,470

* Excluding prepayments and intra-group receivables.

^ Excluding advance rental, liability for employee benefits and intra-group payables.

Notes to the Financial Statements
Year ended 31 December 2016

29 Financial instruments (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Philippine Peso $'000	US Dollar $'000	Total foreign currencies $'000
Trust										
31 December 2015										
Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	3,958	3,958
Trade and other receivables*	2,068	–	–	–	–	–	–	–	–	2,068
Intra-group receivables	479,492	250,481	20,339	431,358	374,765	(34)	226,616	3,338	481,592	2,267,947
Cash and cash equivalents	32,054	182	–	255	2,293	–	2,130	–	1,236	38,150
Trade and other payables^	(9,564)	(2)	(10,249)	(1,263)	(159)	–	(12)	–	(28)	(21,277)
Intra-group payables	(253,410)	(3,508)	–	(119,897)	–	–	(246,186)	–	(101,541)	(724,542)
Financial liabilities	3,383	(472)	–	(288,945)	(126,710)	–	(59,622)	–	(7,777)	(480,143)
Gross currency exposure	254,023	246,681	10,090	21,508	250,189	(34)	(77,074)	3,338	377,440	1,086,161
Less: Net exposure denominated in the respective entities' functional currencies	(254,023)	–	–	–	–	–	–	–	–	(254,023)
Less: Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	(3,958)	(3,958)
Net exposure	–	246,681	10,090	21,508	250,189	(34)	(77,074)	3,338	373,482	828,180

* Excluding prepayments and intra-group receivables.

^ Excluding advance rental, liability for employee benefits and intra-group payables.

29 Financial instruments (continued)

Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's Statement of Total Return and Unitholders' funds in response to a 10% increase in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities. The sensitivity analysis includes balances in group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	31 December 2016		31 December 2015	
	Statement of Total Return $'000	Unitholders' funds $'000	Statement of Total Return $'000	Unitholders' funds $'000
Group				
Singapore Dollar[1]	(4,716)	–	(5,803)	–
Australian Dollar[2]	1,593	–	1,537	–
Chinese Renminbi[2]	(963)	–	(2,465)	–
Euro[2]	13,426	–	13,359	–
Sterling Pound[2]	(3,894)	–	(4,768)	–
Hong Kong Dollar[2]	(1,439)	–	(1,431)	–
Indonesian Rupiah[3]	377	–	633	–
Japanese Yen[4]	(114)	–	92	–
Malaysian Ringgit[2]	942	–	991	–
Philippine Peso[2]	41	–	71	–
US Dollar[5]	(2,281)	–	(2,830)	–
Trust				
Australian Dollar[2]	23,970	–	24,668	–
Chinese Renminbi[2]	944	–	1,009	–
Euro[2]	19,797	–	2,151	–
Sterling Pound[2]	24,236	–	25,019	–
Hong Kong Dollar[2]	(3)	–	(3)	–
Japanese Yen[2]	(10,449)	–	(7,707)	–
Philippine Peso[2]	319	–	334	–
US Dollar[2]	46,034	–	37,348	–

1 as compared to functional currencies of Chinese Renminbi and US Dollar.

2 as compared to functional currency of Singapore Dollar.

3 as compared to functional currencies of Singapore Dollar and US Dollar.

4 as compared to functional currencies of Singapore Dollar and Chinese Renminbi.

5 as compared to functional currencies of Singapore Dollar, Chinese Renminbi, Philippine Peso, Hong Kong Dollar and Vietnamese Dong.

A decrease in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements
Year ended 31 December 2016

29 Financial instruments (continued)

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Generally, the interest rate exposure is managed through the use of interest rate swaps and/or fixed rate borrowings.

The Group classifies these interest rate swaps as cash flow hedges which were effective during the year.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group Carrying amount		Trust Carrying amount	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Fixed rate instruments				
Financial liabilities	(775,409)	(650,528)	–	–
Variable rate instruments				
Financial liabilities	(1,087,223)	(1,164,649)	(295,836)	(480,143)

The Group enters into interest rate swaps to manage its exposure to interest rate movements on its variable rate financial liabilities. As at 31 December 2016, the Group and Trust held interest rate swaps with a total notional principal amount of $770.3 million (2015: $787.2 million) and $266.0 million (2015: $400.5 million) respectively, to provide fixed rate funding.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect the Statement of Total Return.

29 Financial instruments (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis point ("bp") in interest rate at the reporting date would increase/(decrease) Unitholders' funds and Statement of Total Return by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Statement of Total Return		**Unitholders' funds**	
	100 bp increase $'000	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
Group				
31 December 2016				
Variable rate financial liabilities	(11,000)	11,000	–	–
Interest rate swaps	7,703	(7,703)	2,240	(2,240)
Cash flow sensitivity (net)	(3,297)	3,297	2,240	(2,240)
31 December 2015				
Variable rate financial liabilities	(11,762)	11,762	–	–
Interest rate swaps	7,872	(7,872)	2,233	(2,233)
Cash flow sensitivity (net)	(3,890)	3,890	2,233	(2,233)
Trust				
31 December 2016				
Variable rate financial liabilities	(2,996)	2,996	–	–
Interest rate swaps	2,660	(2,660)	665	(665)
Cash flow sensitivity (net)	(336)	336	665	(665)
31 December 2015				
Variable rate financial liabilities	(4,835)	4,835	–	–
Interest rate swaps	4,005	(4,005)	1,006	(1,006)
Cash flow sensitivity (net)	(830)	830	1,006	(1,006)

Notes to the Financial Statements
Year ended 31 December 2016

29 Financial instruments (continued)

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's Statement of Financial Position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statement of Financial Position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the Statement of Financial Position.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("ISDA") Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

29 Financial instruments (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

	Gross amount of recognised financial assets/ (liabilities) $'000	Gross amount of recognised financial assets/ (liabilities) offset in the Statement of Financial Position $'000	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position $'000	Related amount not offset in the Statement of Financial Position $'000	Net amount $'000
Group					
31 December 2016					
Financial assets					
Interest rate swaps	3,661	–	3,661	–	3,661
Cross currency interest rate swaps	3,464	–	3,464	–	3,464
Trade and other receivables	11,992	(11,992)	–	–	–
Financial liabilities					
Interest rate swaps	(7,289)	–	(7,289)	–	(7,289)
Cross currency interest rate swaps	(10,560)	–	(10,560)	–	(10,560)
Trade and other payables	(14,075)	11,992	(2,083)	–	(2,083)
31 December 2015					
Financial assets					
Trade and other receivables	11,896	(11,896)	–	–	–
Financial liabilities					
Interest rate swaps	(8,015)	–	(8,015)	–	(8,015)
Cross currency interest rate swaps	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	(322)	–	(322)	–	(322)
Trade and other payables	(13,972)	11,896	(2,076)	–	(2,076)
Trust					
31 December 2016					
Financial assets					
Interest rate swaps	245	–	245	–	245
Cross currency interest rate swaps	3,464	–	3,464	–	3,464
Financial liabilities					
Interest rate swaps	(3,479)	–	(3,479)	–	(3,479)
Cross currency interest rate swaps	(10,560)	–	(10,560)	–	(10,560)
31 December 2015					
Financial liabilities					
Interest rate swaps	(4,723)	–	(4,723)	–	(4,723)
Cross currency interest rate swaps	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	(322)	–	(322)	–	(322)

29 Financial instruments (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement (continued)

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, forward exchange contracts and interest rate swaps – fair value; and
- trade and other receivables and trade and other payables – amortised cost.

30 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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. Related parties may be individuals or other entities. The Manager is a subsidiary of TAL.

In the normal course of the operations of the Trust, the Manager's management fees and the Trustee's fees have been paid or are payable to the Manager and Trustee respectively.

During the financial year, other than those disclosed elsewhere in the financial statements, there were the following significant related party transactions, which were carried out in the normal course of business on arm's length commercial terms:

	Group		Trust	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Acquisition fees paid/payable to the Manager	2,133	5,121	–	1,141
Divestment fees paid/payable to the Manager	559	347	–	–
Rental income received/receivable from related corporations	(526)	(430)	(13)	(30)
Rental income received/receivable from master lease arrangements with related corporations	(42,939)	(44,407)	(7,987)	(9,298)
Serviced residence properties management fees paid/payable to related corporations	23,522	26,815	2,035	2,133
Service fee paid/payable to related corporations	16,392	13,815	1,846	1,979

31 Financial ratios

	Group	
	2016 %	2015 %
Ratio of expenses to average net asset value[1]		
- including performance component of Manager's management fees	1.09	1.03
- excluding performance component of Manager's management fees	0.77	0.72
Portfolio turnover rate[2]	2.80	2.67

Notes:

[1] The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, borrowing costs and foreign exchange gains/(losses).

[2] The annualised ratio is computed based on the lesser of purchases or sales of underlying serviced residence properties of the Group expressed as a percentage of weighted average net asset value.

32 Operating segments

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of the different economic environments in which they operate in. For each of the reportable segments, the CEO of the Manager reviews internal management reports on a monthly basis, at minimum, for strategic decision making, performance assessment and resource allocation purpose.

Performance measurement based on segment gross profit and non-financial assets as well as financial assets attributable to each segment is used as the Manager believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance costs, corporate assets and expenses, and income tax expense. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Information regarding the Group's reportable segments is presented in the following tables.

Notes to the Financial Statements

Year ended 31 December 2016

32 Operating segments (continued)

Information about reportable segments

Geographical segments

The Group's business is investing in serviced residence properties.

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2016								
Gross rental income	33,009	34,279	9,358	61,085	32,469	8,398	16,628	195,226
Other income	121	1,213	675	1,933	2,544	832	605	7,923
Gross revenue	33,130	35,492	10,033	63,018	35,013	9,230	17,233	203,149
Direct expenses	(15,392)	(16,854)	(7,954)	(44,115)	(2,803)	(821)	(10,461)	(98,400)
Segment gross profit	17,738	18,638	2,079	18,903	32,210	8,409	6,772	104,749
Net change in fair value of serviced residence properties and assets held for sale	(10,758)	7,656	40	6,361	(1,771)	6,579	(1,525)	6,582

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2016									
Gross rental income	60,171	6,208	19,796	7,237	49,523	79,217	38,102	260,254	455,480
Other income	6,800	48	1,571	390	963	715	1,700	12,187	20,110
Gross revenue	66,971	6,256	21,367	7,627	50,486	79,932	39,802	272,441	475,590
Direct expenses	(28,059)	(4,212)	(15,329)	(4,201)	(26,775)	(58,592)	(17,862)	(155,030)	(253,430)
Segment gross profit	38,912	2,044	6,038	3,426	23,711	21,340	21,940	117,411	222,160
Net change in fair value of serviced residence properties and assets held for sale	33,428	(2,117)	4,075	14,251	(16,533)	(8,608)	(1,091)	23,405	29,987
Finance income									1,799
Finance costs									(50,045)
Unallocated net expense									(24,386)
Reportable segment profit before income tax									179,515
Income tax expense									(31,751)
Total return for the year									147,764

Notes to the Financial Statements
Year ended 31 December 2016

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2015								
Gross rental income	35,090	21,417	11,881	66,650	32,671	8,029	16,840	192,578
Other income	101	693	878	3,242	2,370	1,000	747	9,031
Gross revenue	35,191	22,110	12,759	69,892	35,041	9,029	17,587	201,609
Direct expenses	(17,139)	(9,084)	(9,400)	(51,152)	(2,630)	(1,332)	(11,203)	(101,940)
Segment gross profit	18,052	13,026	3,359	18,740	32,411	7,697	6,384	99,669
Net change in fair value of serviced residence properties and assets held for sale	4,241	(10,871)	2,904	(23,767)	19,964	281	(1,722)	(8,970)

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2015									
Gross rental income	52,540	6,798	25,104	6,917	56,334	21,388	37,551	206,632	399,210
Other income	5,895	54	3,021	377	1,037	154	2,335	12,873	21,904
Gross revenue	58,435	6,852	28,125	7,294	57,371	21,542	39,886	219,505	421,114
Direct expenses	(24,202)	(5,106)	(18,641)	(3,950)	(30,713)	(13,490)	(18,502)	(114,604)	(216,544)
Segment gross profit	34,233	1,746	9,484	3,344	26,658	8,052	21,384	104,901	204,570
Net change in fair value of serviced residence properties and assets held for sale	55,322	827	(2,061)	2,700	21,418	10,587	4,495	93,288	84,318
Finance income									1,603
Finance costs									(49,856)
Unallocated net expense									(24,884)
Reportable segment profit before income tax									215,751
Income tax expense									(36,761)
Total return for the year									178,990

Notes to the Financial Statements
Year ended 31 December 2016

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
2016								
Assets and liabilities								
Reportable segment assets	590,739	300,886	58,284	688,901	518,808	122,806	113,906	2,394,330
Reportable segment liabilities	132,826	5,880	45,037	183,465	398,363	90,525	9,688	865,784
Other Segmental Information								
Capital expenditure:								
- plant and equipment	1,255	838	108	1,541	–	–	181	3,923
- serviced residence properties	284	9	354	4,548	–	370	146	5,711
Depreciation	1,757	804	522	3,900	–	–	744	7,727
2015								
Assets and liabilities								
Reportable segment assets	628,564	287,538	58,206	805,398	510,044	113,825	123,564	2,527,139
Reportable segment liabilities	136,644	5,787	52,609	193,713	477,942	97,149	11,184	975,028
Other Segmental Information								
Capital expenditure:								
- plant and equipment	1,256	92	181	2,325	–	–	485	4,339
- serviced residence properties	157	13,264	583	12,402	–	278	1,458	28,142
Depreciation	2,571	356	577	5,021	–	–	798	9,323

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
2016									
Assets and liabilities									
Reportable segment assets	808,289	53,912	171,297	69,399	480,662	501,102	312,290	2,396,951	4,791,281
Reportable segment liabilities	729,187	10,739	18,459	53,019	102,637	275,943	53,250	1,243,234	2,109,018
Other Segmental Information									
Capital expenditure:									
- plant and equipment	146	187	2,341	1,778	4,772	1,062	2,485	12,771	16,694
- serviced residence properties	585	5	11,394	38	56	16,472	6,409	34,959	40,670
Depreciation	522	126	661	186	2,181	483	1,055	5,214	12,941
2015									
Assets and liabilities									
Reportable segment assets	750,485	59,112	170,924	55,491	586,044	262,826	312,585	2,197,467	4,724,606
Reportable segment liabilities	637,191	12,696	17,444	46,552	168,739	140,628	57,752	1,081,002	2,056,030
Other Segmental Information									
Capital expenditure:									
- plant and equipment	514	118	4,313	83	1,174	47	958	7,207	11,546
- serviced residence properties	2,278	–	82	60	254	5,049	2,273	9,996	38,138
Depreciation	451	891	1,317	154	2,451	61	1,986	7,311	16,634

Major customers

Revenue from related corporations accounted for approximately $42,939,000 (2015: $44,407,000) of the gross revenue of the Group. Such revenue is attributable to the France segment, Germany segment and Singapore segment.

33 Fair value of assets and liabilities

(a) Determining fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods and processes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Serviced residence properties

The Group's serviced residence property portfolio is valued by independent valuers every six months. Independent valuations are also carried out on occurrence of acquisitions. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion. The valuers have considered the discounted cash flow method in arriving at the open market value as at the reporting date. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of serviced residence properties include market-corroborated discount rate and terminal capitalisation rate.

The valuation of the Group's serviced residence property portfolio is discussed with the Audit Committee and Board of Directors in accordance with the Group's reporting policies.

(ii) Assets held for sale

On 31 December 2016, the Group's assets held for sale are estimated by the Manager based on the contracted sale price of the remaining units.

On 31 December 2015, the Group's assets held for sale are valued by an independent external valuer. The valuer has considered the direct comparison and income capitalisation approaches in arriving at the open market value as at the reporting date. In determining the fair value, the valuer used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of assets held for sale include market-corroborated capitalisation rate.

(iii) Financial derivatives

The fair values of cross currency interest rate swaps, forward exchange contracts 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.

33 Fair value of assets and liabilities (continued)

(a) Determining fair value (continued)

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, 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.

(v) Intra-group financial guarantees

The value of financial guarantees provided by the Trust to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

(vi) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

Notes to the Financial Statements
Year ended 31 December 2016

33 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			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2016										
Financial assets measured at fair value										
Interest rate swaps	9	–	3,661	–	–	3,661	–	3,661	–	3,661
Cross currency interest rate swaps	9	–	3,464	–	–	3,464	–	3,464	–	3,464
		–	7,125	–	–	7,125				
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	59,290	–	59,290				
Cash and cash equivalents	14	–	–	143,074	–	143,074				
		–	–	202,364	–	202,364				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(7,289)	–	–	(7,289)	–	(7,289)	–	(7,289)
Cross currency interest rate swaps	9	–	(10,560)	–	–	(10,560)	–	(10,560)	–	(10,560)
		–	(17,849)	–	–	(17,849)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(1,019,070)	(1,019,070)				
Unsecured bank loans	15	–	–	–	(61,784)	(61,784)				
Medium term notes	15	–	–	–	(775,409)	(775,409)	–	(786,055)	–	(786,055)
Finance lease liabilities	15	–	–	–	(6,369)	(6,369)				
Trade and other payables^	16	–	–	–	(114,297)	(114,297)				
		–	–	–	(1,976,929)	(1,976,929)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2015										
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	40,277	–	40,277				
Cash and cash equivalents	14	–	–	220,467	–	220,467				
		–	–	260,744	–	260,744				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(8,015)	–	–	(8,015)	–	(8,015)	–	(8,015)
Cross currency interest rate swaps	9	–	(3,198)	–	–	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	9	(322)	–	–	–	(322)	–	(322)	–	(322)
		(322)	(11,213)	–	–	(11,535)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(1,060,747)	(1,060,747)				
Unsecured bank loans	15	–	–	–	(104,619)	(104,619)				
Medium term notes	15	–	–	–	(640,635)	(640,635)	–	(650,301)	–	(650,301)
Finance lease liabilities	15	–	–	–	(9,176)	(9,176)				
Trade and other payables^	16	–	–	–	(118,256)	(118,256)				
		–	–	–	(1,933,433)	(1,933,433)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

Notes to the Financial Statements
Year ended 31 December 2016

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2016										
Financial assets measured at fair value										
Interest rate swaps	9	–	245	–	–	245	–	245	–	245
Cross currency interest rate swaps	9	3,464	–	–	–	3,464	–	3,464	–	3,464
		3,464	245	–	–	3,709				
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	2,293,611	–	2,293,611				
Cash and cash equivalents	14	–	–	5,778	–	5,778				
		–	–	2,299,389	–	2,299,389				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(3,479)	–	–	(3,479)	–	(3,479)	–	(3,479)
Cross currency interest rate swaps	9	(10,560)	–	–	–	(10,560)	–	(10,560)	–	(10,560)
		(10,560)	(3,479)	–	–	(14,039)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(234,052)	(234,052)				
Unsecured bank loans	15	–	–	–	(61,784)	(61,784)				
Intra-group financial guarantees	15	–	–	–	(1,285)	(1,285)				
Trade and other payables^	16	–	–	–	(928,998)	(928,998)				
		–	–	–	(1,226,119)	(1,226,119)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2015										
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	2,270,015	–	2,270,015				
Cash and cash equivalents	14	–	–	38,150	–	38,150				
		–	–	2,308,165	–	2,308,165				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(4,723)	–	–	(4,723)	–	(4,723)	–	(4,723)
Cross currency interest rate swaps	9	(3,198)	–	–	–	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	9	(322)	–	–	–	(322)	–	(322)	–	(322)
		(3,520)	(4,723)	–	–	(8,243)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(375,524)	(375,524)				
Unsecured bank loans	15	–	–	–	(104,619)	(104,619)				
Intra-group financial guarantees	15	–	–	–	(1,306)	(1,306)				
Trade and other payables^	16	–	–	–	(745,819)	(745,819)				
		–	–	–	(1,227,268)	(1,227,268)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

Notes to the Financial Statements
Year ended 31 December 2016

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

The following table shows the carrying amounts and fair values of significant non-financial assets, including their values in the fair value hierarchy.

		Fair value			
	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
31 December 2016					
Serviced residence properties	4	–	–	4,504,416	4,504,416
Assets held for sale	13	–	–	6,549	6,549
		–	–	4,510,965	4,510,965
31 December 2015					
Serviced residence properties	4	–	–	4,289,711	4,289,711
Assets held for sale	13	–	–	84,207	84,207
		–	–	4,373,918	4,373,918
Trust					
31 December 2016					
Serviced residence properties	4	–	–	553,002	553,002
31 December 2015					
Serviced residence properties	4	–	–	563,091	563,091

(c) Level 3 fair value measurements

(i) Reconciliation of Level 3 fair value

The following table presents the reconciliation from the beginning balances to the ending balances for Level 3 fair values.

	Group $'000	Trust $'000
Serviced residence properties		
Balance at 1 January 2016	4,289,711	563,091
Acquisition of serviced residence properties and subsidiaries	211,857	–
Capital expenditure	40,670	284
Transfer from plant and equipment	3,481	385
Translation difference	(73,893)	–
Balance at 31 December 2016	4,471,826	563,760
Gains and losses for the year		
Net change in fair value recognised in Statement of Total Return	33,133	(10,758)
Assets written off	(543)	–
Balance at 31 December 2016	4,504,416	553,002

33 Fair value of assets and liabilities (continued)

(c) Level 3 fair value measurements (continued)

(i) Reconciliation of Level 3 fair value (continued)

	Group $'000	Trust $'000
Serviced residence properties		
Balance at 1 January 2015	3,724,036	558,693
Acquisition of serviced residence properties and subsidiaries	461,618	–
Capital expenditure	38,138	157
Divestment of serviced residence properties	(48,175)	–
Transfer from plant and equipment	683	–
Translation difference	38,668	–
Balance at 31 December 2015	4,214,968	558,850
Gains and losses for the year		
Net change in fair value recognised in Statement of Total Return	78,460	4,241
Assets written off	(3,717)	–
Balance at 31 December 2015	4,289,711	563,091

	Group	
	2016 $'000	2015 $'000
Assets held for sale		
Balance at 1 January	84,207	87,403
Disposal of assets held for sale	(74,512)	(9,054)
Balance at 31 December	9,695	78,349
Gains and losses for the year		
Net change in fair value recognised in Statement of Total Return	(3,146)	5,858
Balance at 31 December	6,549	84,207

Notes to the Financial Statements

Year ended 31 December 2016

33 Fair value of assets and liabilities (continued)

(c) Level 3 fair value measurements (continued)

(ii) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Serviced residence properties	*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.	**Group** • Discount rate: South East Asia and Australia: 6.75% - 13.75% (2015: 6.75% - 13.75%) North Asia: 3.80% - 7.75% (2015: 3.90% - 7.50%) Europe and United States of America: 7.75% - 9.75% (2015: 8.25% - 10.50%) • Terminal capitalisation rate: South East Asia and Australia: 4.00% - 9.50% (2015: 4.00% - 9.50%) North Asia: 4.10% - 6.00% (2015: 4.13% - 6.10%) Europe and United States of America: 5.25% - 7.25% (2015: 5.00% - 7.50%) **Trust** • Discount rate: Singapore: 6.75% - 7.50% (2015: 6.75% - 7.50%) • Terminal capitalisation rate: Singapore: 4.00% - 4.35% (2015: 4.00% - 4.50%)	The estimated fair value would increase (decrease) if: • the discount rate were lower (higher); or • the terminal capitalisation rate were lower (higher).

33 Fair value of assets and liabilities (continued)

(c) Level 3 fair value measurements (continued)

(ii) Valuation techniques and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Assets held for sale	The fair values are based on contracted sale price of the remaining units. (*2015: Direct comparison and income capitalisation approaches:* The direct comparison approach is used by making reference to comparable sales and asking prices of similar properties in the relevant market, with adjustments made to differentiate the comparables in terms of location, area, quality and other relevant matters. The income capitalisation approach is used by capitalising the income potential.)	Not applicable (2015: Capitalisation rate: 3.50% Direct comparison – price/sqm: $9,069/sqm)	Not applicable (2015: The estimated fair value would increase (decrease) if the capitalisation rate were lower (higher).)
Cross currency interest rate swaps, forward exchange contracts and interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Financial instruments not measured at fair value for which fair values are disclosed

Type	Valuation technique	Significant unobservable inputs
Medium term notes	Discounted cash flows	Not applicable

Sensitivity analysis for key unobservable inputs

The significant unobservable inputs used in the fair value measurement of the Group's serviced residence properties and assets held for sale 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.

Notes to the Financial Statements

Year ended 31 December 2016

33 Fair value of assets and liabilities (continued)

(c) Level 3 fair value measurements (continued)

(iii) Transfer between Level 1 and 2

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and 2 of the fair value hierarchy.

34 Acquisition of serviced residence properties and non-controlling interests, net of cash movements

Acquisition of serviced residence properties and subsidiaries

On 29 April 2016, the Group acquired the property, Sheraton Tribeca New York Hotel, from an unrelated third party.

From the acquisition date to 31 December 2016, Sheraton Tribeca New York Hotel contributed profit after tax of $1,654,000. If the acquisition had occurred on 1 January 2016, the Manager estimates that the contribution to the Group in terms of revenue and loss after tax would have been $10,476,000 and $317,000 respectively. In determining this amount, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

On 31 July 2015, the Group acquired the following subsidiaries and property interests from related corporations:

- a 100% interest in Citadines Melbourne on Bourke Unit Trust and Citadines Melbourne on Bourke Pty Ltd, which owns the leasehold interest in the property, Citadines on Bourke Melbourne, from Citadines Melbourne on Bourke (BVI) Limited.
- the land on which the property, Citadines on Bourke Melbourne, is located from Citadines Melbourne on Bourke Land Pty Ltd.
- a 100% interest in ARC-CapitaLand Four TMK from CapitaLand Singapore Management Limited (as trustee of both GPH Investments Pte Ltd and CRL Investment Pte Ltd) and ArcResidential Japan Investments Limited. Both GPH Investments Pte Ltd and ArcResidential Japan Investments Limited are unrelated third parties. ARC-CapitaLand Four TMK holds the trust beneficial interests in respect of the four rental housing properties.

On 19 August 2015, the Group acquired the property, Element New York Times Square West, from an unrelated third party.

From the respective acquisition dates to 31 December 2015, the serviced residence properties and subsidiaries contributed loss after tax of $1,511,000, mainly arising from a loss on revaluation of these serviced residence properties. If the acquisitions had occurred on 1 January 2015, the Manager estimates that the contribution to the Group in terms of revenue and profit after tax would have been $44,965,000 and $11,517,000 respectively. In determining this amount, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

34 Acquisition of serviced residence properties and non-controlling interests, net of cash movements (continued)

Acquisition of serviced residence properties and subsidiaries (continued)

The cash flows and net assets and liabilities of serviced residence properties and subsidiaries acquired are provided below:

	Recognised values on acquisition	
	2016 $'000	**2015 $'000**
Serviced residence properties	211,857	461,618
Plant and equipment	2,189	2,802
Inventories	–	14
Trade and other receivables	–	1,411
Cash and cash equivalents	–	15,352
Trade and other payables	–	(4,415)
Financial liabilities	–	(42,540)
Current tax liabilities	–	(41)
Deferred tax liabilities	–	(14)
Net identifiable assets and liabilities acquired	214,046	434,187
Total consideration	(214,046)	(434,187)
Cash of subsidiaries acquired	–	15,352
Cash outflow on acquisition of serviced residence properties	(214,046)	(418,835)

Acquisition of serviced residence properties and subsidiaries are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements relating to the acquisitions. The acquisitions during 2016 and 2015 were accounted for as acquisitions of serviced residence properties based on the assessment by the Manager.

Acquisition of ownership interests in subsidiaries with no change in control

On 31 July 2015, the Group acquired from related corporations:

- an additional 40% interest in Citadines Kyoto Gojo TMK through the acquisition of 25% of the common shares and 40% of the preference shares of Citadines Kyoto Gojo TMK for $10,091,000 in cash, increasing its ownership interest from 60% to 100%. The carrying amount of the net assets of Citadines Kyoto Gojo TMK in the Group's financial statements on the date of acquisition was $25,227,000.

- an additional 40% interest in Citadines Shinjuku TMK through the acquisition of 100% of the issued shares in Citadines Shinjuku (S) Pte Ltd and Citadines Shinjuku Tokyo Godo Kaisha (which in aggregate directly own 25% of the common shares and 40% of the preference shares of Citadines Shinjuku TMK) for $21,278,000 in cash, increasing its ownership interest from 60% to 100%. The carrying amount of the net assets of Citadines Shinjuku TMK in the Group's financial statements on the date of acquisition was $53,208,000.

Notes to the Financial Statements
Year ended 31 December 2016

34 Acquisition of serviced residence properties and non-controlling interests, net of cash movements (continued)

Acquisition of ownership interests in subsidiaries with no change in control (continued)

The following summarises the effect of the change in the Group's ownership interest in Citadines Kyoto Gojo TMK and Citadines Shinjuku TMK:

	$'000
Consideration paid for acquisition of non-controlling interests	(31,369)
Transaction costs	(183)
	(31,552)
Decrease in equity attributable to non-controlling interests	31,374
Decrease in equity attributable to Unitholders	(178)

35 Commitments

As at the reporting date, the Group and the Trust had the following commitments:

(a) Capital commitments

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Capital expenditure commitments:				
- contracted but not provided for	5,719	32,835	372	497

(b) Operating leases as lessor

The Group leases out some of its serviced residence properties on long term arrangements. The leases have tenure ranging from four to 19 years, with options to renew for some of the leases. The operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within 1 year	58,609	58,332	5,303	7,150
After 1 year but within 5 years	76,586	100,579	–	5,303
After 5 years	51,143	61,882	–	–
	186,338	220,793	5,303	12,453

35 Commitments (continued)

(c) Operating leases as lessee

The Group leases the land on which three (2015: two) of the serviced residence properties are constructed. The leases have an initial tenure ranging from 24 to 25 years. The operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Future minimum lease payments for the Group on non-cancellable operating leases are as follows:

	Group	
	2016 $'000	**2015 $'000**
Within 1 year	17,224	9,590
After 1 year but within 5 years	69,887	39,601
After 5 years	346,881	194,470
	433,992	243,661

(d) DBS Trustee Limited, as trustee of the Trust, entered into a sale and purchase agreement for the acquisition of Ascott Orchard Singapore at a consideration of $405.0 million. A deposit of $20.3 million was made on 31 December 2013 and the remaining $384.7 million is expected to be paid in 2017 upon completion of the acquisition.

36 Subsequent events

On 24 January 2017, the Manager declared a distribution of 4.392 cents per Unit amounting to $72,627,000 in respect of the period from 1 July 2016 to 31 December 2016.

On 7 February 2017, the Trust issued 7,522,632 Units at an issue price of $1.1396 per Unit to the Manager. These Units were issued to the Manager as payment of the base fee component of the Management Fees (as defined in the Trust Deed) for the period from 1 October 2016 to 31 December 2016 and the performance fee component of the Management Fees for the period from 1 January 2016 to 31 December 2016. The balance of the Management Fees of $3,450,000 (excluding applicable goods and services tax) was paid in cash.

Additional Information

Interested Person (as defined in the listing manual) and Interested Party (as defined in the Property Funds Appendix) Transactions

The transactions entered into during the financial year are as follow:

Name of Interested Persons	Aggregate value[1] of all interested person/party transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to rule 920) S$'000	Aggregate value[1] of all interested person/party transactions during the financial year under review under Unitholder's mandate pursuant to rule 920 (excluding transactions less than S$100,000) S$'000
CapitaLand Limited & its subsidiaries or associates		
Serviced residence management fees	33,968	–
Manager's management fees	22,131	–
Acquisition fees	2,133	–
Asset management fees	979	–
Divestment fee	559	–
Project management fee	155	–
Rental Income	724	–
DBS Trustee Limited		
Trustee's fee	476	–
Total	61,125	–

1 The aggregate value is for the contract period.

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 (comprising direct expenses and all fees paid to the Manager and interested parties) incurred by Ascott Reit in FY 2016 was S$276.6 million. This translates to 12.6% of the property fund's net asset value as at 31 December 2016. Taxation incurred was S$31.8 million.

Manager's Management Fees Paid in Units

A summary of Units issued for payment of the Manager's management fees (part payment) in respect of the financial year are as follows:

For Period	Issue Date	Units	Issue Price[1] S$	Total Value S$'000
Manager's Management Fees				
1 January 2016 to 31 March 2016	28 April 2016	2,119,147	1.1268	2,388
1 April 2016 to 30 June 2016	3 August 2016	2,114,450	1.1371	2,404
1 July 2016 to 30 September 2016	27 October 2016	2,135,546	1.1458	2,447
1 October 2016 to 31 December 2016	7 February 2017	7,522,632	1.1396	8,573
				15,812

1 Based on the volume weighted average traded price per Unit for all trades done on the SGX-ST in the ordinary course of trading for 5 business days immediately preceding the date of issue of the new Units.

Statistics of Unitholdings

As at 23 February 2017

Issue and Fully Paid Units

1,660,993,138 (Voting rights: 1 vote per Unit)
Market Capitalisation of S$1,943,361,971 based on market closing Unit price of S$1.17 on 23 February 2017

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	63	0.43	1,066	0.00
100 - 1,000	913	6.22	805,120	0.05
1,001 - 10,000	8,756	59.63	47,388,628	2.85
10,001 - 1,000,000	4,912	33.45	236,184,140	14.22
1,000,001 and above	41	0.28	1,376,614,184	82.88
Total	**14,685**	**100.00**	**1,660,993,138**	**100.00**

Location of Unitholders

Country	No. of Unitholders	%	No. of Units	%
Singapore	14,220	96.83	1,649,123,709	99.29
Malaysia	282	1.92	6,803,120	0.41
Others	183	1.25	5,066,309	0.30
Total	**14,685**	**100.00**	**1,660,993,138**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	The Ascott Limited	369,110,400	22.22
2	Somerset Capital Pte Ltd	243,517,200	14.66
3	Citibank Nominees Singapore Pte Ltd	235,798,882	14.20
4	Ascott Residence Trust Management Limited	120,948,742	7.28
5	DBS Nominees (Private) Limited	114,015,293	6.86
6	HSBC (Singapore) Nominees Pte Ltd	59,674,527	3.59
7	Raffles Nominees (Pte) Limited	57,985,159	3.49
8	DB Nominees (Singapore) Pte Ltd	23,010,749	1.39
9	DBSN Services Pte. Ltd.	22,834,106	1.37
10	OCBC Securities Private Limited	17,256,380	1.04
11	NTUC Fairprice Co-Operative Ltd	13,800,000	0.83
12	United Overseas Bank Nominees (Private) Limited	9,932,790	0.60
13	DBS Vickers Securities (Singapore) Pte Ltd	9,654,900	0.58
14	UOB Kay Hian Private Limited	8,567,800	0.52
15	Ko Woon Hong	6,468,000	0.39
16	BNP Paribas Nominees Singapore Pte Ltd	5,865,200	0.35
17	Toh Lam Tiong	5,000,000	0.30
18	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,609,184	0.28
19	Phillip Securities Pte Ltd	4,535,713	0.27
20	OCBC Nominees Singapore Private Limited	4,405,295	0.27
	Total	**1,336,990,320**	**80.49**

Statistics of Unitholdings

As at 23 February 2017

Directors' Interests in Units and Convertible Securities as at 21 January 2017

Based on the Register of Directors' Unitholdings, save for those disclosed below, none of the Directors holds any interest in Units and convertible securities issued by Ascott Reit.

	No. of Units		Contingent Awards of Units[1] under the Manager's	
Name of Director	Direct Interest	Deemed Interest	Performance Unit Plan	Restricted Unit Plan
Tan Beng Hai, Bob	9,514	–	–	–
Lim Ming Yan	263,509	–	–	–
Tay Boon Hwee, Ronald	–	–	0 to 275,212[2]	0 to 172,459[2,3]
Zulkifli Bin Baharudin	33,299	–	–	–
Sim Juat Quee Michael Gabriel	–	–	–	–
Elaine Carole Young	–	–	–	–
Lee Chee Koon	36,000	–	–	–

1 This refers to the number of Units which are the subject of contingent awards granted but not released under the Manager's Performamce Unit Plan (PUP) and Restricted Unit Plan (RUP). The final number of Units that will be released could range from 0% to a maximum of 200% of the baseline award under the PUP and from 0% to a maximum of 150% of the baseline award under the RUP.

2 The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the respective performance periods for PUP and RUP.

3 On the final vesting, an additional number of Units of a total value equal to the value of the accumulated distributions which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of RUP, will also be released.

Statistics of Unitholdings

As at 23 February 2017

Substantial Unitholders' Unitholdings as at 23 February 2017

Based on the information available to the Manager, as at 23 February 2017, the unitholdings of Substantial Unitholders of Ascott Reit are as follows:

	Direct Interest		Deemed Interest	
Name of Substantial Unitholder	**No. of Units**	**%**	**No. of Units**	**%**
Temasek Holdings (Private) Limited (THPL)	–	–	752,129,560[1]	45.28
CapitaLand Limited (CL)	–	–	733,576,342[2]	44.16
The Ascott Limited (Ascott)	369,110,400	22.22	364,465,942[3]	21.94
Somerset Capital Pte Ltd (SCPL)	243,517,200	14.66	–	–
Ascott Residence Trust Management Limited (ARTML)	120,948,742	7.28	–	–

1 THPL is deemed to have an interest in the unitholdings in which CL Group and its other subsidiaries and associated companies have direct or deemed interests pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. THPL is wholly owned by the Minister for Finance.

2 CL is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, Ascott, SCPL and ARTML.

3 Ascott is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, SCPL and ARTML.

Public Float

Based on the information available to the Manager, as at 23 February 2017, approximately 54% of the Units were held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

This page has been intentionally left blank.

Corporate Information

ASCOTT RESIDENCE TRUST

REGISTERED ADDRESS
DBS Trustee Limited
12 Marina Boulevard
Marina Bay Financial Centre
Singapore 018982
Tel: +65 6878 8888
Fax: +65 6878 3977
Email: ask-us@ascottreit.com
Website: www.ascottreit.com

TRUSTEE
DBS Trustee Limited
12 Marina Boulevard Level 44
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: +65 6878 8888
Fax: +65 6878 3977

AUDITORS
KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Tel: +65 6213 3388
Fax: +65 6225 0984
Partner-in-charge:
Tan Kar Yee Linda
(Since financial year ended
31 December 2016)

UNIT REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

For updates or change of mailing address, please contact:
The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Tel: +65 6535 7511
Fax: +65 6535 0775
Email: asksgx@sgx.com
Website: https://www1.cdp.sgx.com

THE MANAGER

REGISTERED ADDRESS
Ascott Residence Trust Management Limited
168 Robinson Road
#30-01 Capital Tower
Singapore 068912
Tel: +65 6713 2888
Fax: +65 6713 2121

BOARD OF DIRECTORS
Tan Beng Hai, Bob
Chairman & Non-Executive Independent Director

Lim Ming Yan
Deputy Chairman & Non-Executive Non-Independent Director

Tay Boon Hwee, Ronald
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

AUDIT COMMITTEE
Sim Juat Quee Michael Gabriel
Chairman

Zulkifli Bin Baharudin
Elaine Carole Young

CORPORATE DISCLOSURE COMMITTEE
Tan Beng Hai, Bob
Chairman

Tay Boon Hwee, Ronald
Lee Chee Koon

EXECUTIVE COMMITTEE
Lim Ming Yan
Chairman

Tay Boon Hwee, Ronald
Lee Chee Koon

COMPANY SECRETARIES
Karen Chan
Karen Chang

Counter Name: Ascott Reit
Stock Code: A68U

This Annual Report to Unitholders may contain forward-looking statements. Forward-looking statement is subject to inherent uncertainties and is based on numerous assumptions. Actual performance, outcomes and results may differ materially from those expressed in forward-looking statements. Representative examples of factors which may cause the actual performance, outcomes and results to differ materially from those in the forward-looking statements include (without limitation) changes in general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate investment opportunities, competition from other companies, shifts in customers' demands, changes in operating conditions, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current views of management on future events.

Ascott Residence Trust Management Limited
As Manager of Ascott Residence Trust
Company Registration No. 200516209Z

168 Robinson Road
#30-01 Capital Tower
Singapore 068912
Tel: +65 6713 2888
Fax: +65 6713 2121
Email: ask-us@ascottreit.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C020316

This report is printed using soy-based ink on FSC mix uncoated paper which is part produced using hydroelectric power.