ASCOTT RESIDENCE TRUST

A stapled group comprising:

Ascott Real Estate Investment Trust
(A real estate investment trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Managed by
Ascott Residence Trust Management Limited
(Company Registration No. 200516209Z)

Ascott Business Trust
(A business trust constituted on 9 September 2019 under the laws of the Republic of Singapore)

Managed by
Ascott Business Trust Management Pte. Ltd.
(Company Registration No. 201925299R)

ANNOUNCEMENT

Annual General Meeting to be held on 16 June 2020
Responses to Substantial and Relevant Questions

The Managers of Ascott Residence Trust ("**ART**") would like to thank all Stapled Securityholders who submitted their questions in advance of our Annual General Meeting ("**AGM**") to be held virtually via "live audio-visual webcast and live audio-only stream" at 10:00am on Tuesday, 16 June 2020.

We have grouped the most asked questions into a few key topics below. Questions posed by Securities Investors Association (Singapore) are also included.

A. COVID-19 Updates
B. Capital Management and Distributions
C. Strategy and Outlook
D. Others

Please refer to our responses to these substantial and relevant questions in the following pages. Due to the high volume and overlaps in questions received, we apologise that we are unable to respond to all of them.

The CEO of ART's Managers, Ms Beh Siew Kim will deliver a presentation to Stapled Securityholders at the AGM. Please refer to the AGM presentation slides and all AGM-related documents at: https://investor.ascottresidencetrust.com/agm_egm.html.

Following the conclusion of the AGM, the voting results of the AGM will be uploaded on SGXNet and made available on ART's website. The minutes of the AGM will be published on SGXNet and ART's website on or before 15 July 2020.

By Order of the Boards

ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED
(Company Registration No. 200516209Z)
As manager of Ascott Real Estate Investment Trust

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.
(Company Registration No. 201925299R)
As trustee-manager of Ascott Business Trust

Karen Chan
Company Secretary
15 June 2020

A. COVID-19 Updates	
1.	**What is the impact of COVID-19 on ART in the different countries it operates in? How long do you think it will take for the performance of ART's properties to recover to pre-COVID-19 levels?**
	Given that travel restrictions have been implemented almost globally, lower occupancies and room rates have been observed across the markets that ART has presence in. Properties predominantly catering to the transient segments were the most impacted. Amongst our markets with higher transient demand, Australia, Japan, Europe and the United States of America ("US") have experienced a greater decline in occupancy, while properties catering to the longer-stay segment in countries like China and Vietnam were less impacted. It is difficult to put a time frame as to how long it will take for the performance of ART's properties to recover to pre-COVID-19 levels given the fluid nature of the COVID-19 pandemic. However, barring a second wave of the virus, we are heartened that there are some green shoots of recovery in markets such as China, where lockdown measures have been eased and domestic travel has picked up. We will actively work with both our operators and lessees through this difficult period to provide support and assistance. Despite the near-term headwinds, the Managers remain committed to delivering long-term value to our Stapled Securityholders, and we remain confident that we can navigate the challenges ahead of us.
2.	**What actions are ART taking to mitigate the decline in earnings? What alternative business opportunities are being pursued?**
	The COVID-19 outbreak has impacted the travel industry in unprecedented ways, with lower occupancies and room rates being observed across all our markets. All our operators have taken substantial steps to address the operating and financial impact of the COVID-19 pandemic. To mitigate the decline in occupancies, we have pursued alternative business opportunities such as providing accommodation to those on self-isolation, healthcare personnel, workers looking for alternate work-from-home arrangements as well as workers affected by border shutdowns. For example, our properties in the US housed COVID-19 responders and healthcare personnel, and two of our properties in Singapore were block booked as government quarantine facilities. As international borders remain closed, we are focusing our marketing efforts on driving domestic travel and staycation demand as lockdown measures ease. Comprehensive cost-containment measures have been implemented to manage staff costs and overheads. Discretionary expenditure such as marketing expenses have also been reduced. Support measures by various governments, such as property tax rebates and wage subsidies have been pursued and will help to defray some expenses. ART will continue to monitor the operations closely and adapt its business accordingly.

3.	**What percentage of ART's gross profit is from master leases or contracts with minimum guaranteed rents? Has income from the master leases been affected by the pandemic?**
	Our properties operating under master lease arrangements are located in Australia, France, Germany, Japan, South Korea and Singapore, and those under management contracts with minimum guaranteed income are located in the United Kingdom, Belgium and Spain. Under usual business conditions, our master leases and management contracts with minimum guaranteed income have provided stability and resilience to ART's earnings and cashflows. Rentals from our master leases were largely unaffected in 1Q 2020 as the impact of COVID-19 only affected most markets from March 2020. However, with the COVID-19 pandemic proving to be an extraordinary occurrence affecting global travel, both our lessees and operators are feeling the strain. One of our master lessees in Japan, WBF Hotels & Resorts ("WBF") had filed for civil rehabilitation in late April 2020. Some lessees have also requested for rent relief. We are in active discussions with WBF and the other lessees on the options available, and we seek to find a middle ground that is sustainable for both parties. Meanwhile, and more importantly, we are working closely with our lessees and operators to implement cost-containment measures and pursue alternative business opportunities (e.g. catering to accommodation needs of frontline healthcare workers, workers affected by border closures, those requiring self-isolation, etc). Our master leases and management contracts with minimum guaranteed income contributed about 40% to ART's FY 2019 gross profit. On a FY 2019 pro forma basis, including the performance of the Ascendas Hospitality Trust properties, the gross profit contribution from master leases and management contracts with minimum guaranteed income is about 45%.
4.	**Other than your Sponsor, who are the other third-party master lessees? Will ART choose to continue or terminate the master leases with WBF Hotels & Resorts?**
	Of our 35 properties under master leases, 22 are with our Sponsor, The Ascott Limited, and the remaining 13 are with third parties. The third parties include franchisees of Quest Apartment Hotels, Sotetsu Hotels Group, a wholly-owned hotel business group of Japanese conglomerate Sotetsu Holdings, Inc., and Singapore's Park Hotel Group, one of Asia's leading hospitality groups. WBF properties make up less than 2% of ART's portfolio valuation as at 31 December 2019. Rents from WBF have been paid up to May 2020, with an additional two months' rent in security deposits held in escrow. We are currently in discussions with WBF and reviewing all the available options. We have also initiated discussions with several operators, including our Sponsor, to take over the operations of the WBF properties, if necessary. For the time being, as demand for accommodation continues to be soft in Japan, two of our three properties leased to WBF, Hotel WBF Kitasemba East and Hotel WBF Kitasemba West, remain shuttered. The third property, Hotel WBF Hommachi, remains open for operations.

5.	**COVID-19 is likely to affect the way we travel. For instance, social distancing, wearing of masks, etc. How is ART adapting to these changes? What operational changes are being made at the properties?**
	All our operators are focused on and committed to protecting the safety of our guests and employees and have taken substantial steps to address the operating impact of COVID-19. We are taking necessary precautionary measures in accordance with the guidelines from the World Health Organization and public health authorities in the respective countries. Some of the measures at our properties include: • Elevating cleaning protocols with increased sanitisation of high-touch areas within the rooms • Providing guests with ready access to masks and hand sanitisers, as well as partnering with local medical facilities and telemedicine operators to provide efficient medical services • Limiting the number of guests in an enclosed space with floor markings. In lifts, the number of guests is minimised through passenger traffic management and lift programming • Leveraging digital technologies to minimise person-to-person contact, including 3D virtual tours of our properties, self check-in kiosks and service robots to perform a suite of tasks In addition, leveraging our Sponsor's expertise, we are tapping on the work-from-home trend and upgrading the design and improving the overall ergonomics of our serviced residences to create a more productive workspace for our guests.
6.	**Will ART consider taking advantage of the current period of low occupancies to renovate or upgrade ART's properties?**
	As the full impact of the COVID-19 pandemic cannot be ascertained, we will be adopting a prudent stance to preserve cashflow and liquidity. This will include deferring any uncommitted discretionary capital expenditure. We will continue to monitor the situation closely and adjust our strategy when the situation improves.

B. Capital Management and Distributions	
7.	**For your S$250 million 4.68% perpetual securities which is callable on 30 June 2020, it appears that ART would reset the distribution rate. How does ART determine if a perpetual securities issue would be called or reset?**
	As part of active capital management, we seek to diversify the sources of funding to optimise ART's capital structure. Overall and longer-term interests of ART and the macroeconomic environment are taken into account. In arriving at the decision to allow the distribution rate of the S$250 million perpetual securities to be reset on 30 June 2020, the following factors were also considered: • The COVID-19 pandemic has led to softer demand for accommodation, resulting in lower occupancies and room rates across ART's properties. As ART's financial performance is expected to be adversely impacted, we are adopting a prudent stance to preserve cashflow and liquidity.

	• Drawing down on debt to redeem the perpetual securities will increase ART's leverage and reduce the debt headroom available for acquisition opportunities during a market recovery. Furthermore, ART's property valuations could come under pressure on the back of the softer operating performance, potentially increasing ART's leverage further. • Current market conditions are not favourable for the issuance of perpetual securities. We continue to maintain flexibility with the option to exercise the right to redeem the perpetual securities on any distribution payment date (semi-annually) when market conditions normalise.
8.	**What is ART's dividend policy for this financial year? Should Stapled Securityholders expect a distribution top-up at the end of the year? Given the uncertainties around COVID-19, can you offer a rough guidance on distributions?**
	ART's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties by ART which are determined to be trading gains) and net overseas income, with the actual level of distribution to be determined at the Managers' discretion. Distributions are generally paid within 35 market days after the relevant record date. The COVID-19 pandemic is an extraordinary occurrence which has impacted the hospitality sector in unprecedented ways, placing a strain on the performance of our properties. We expect ART's financial performance to be adversely impacted and we may review the distributions, including distribution top-up (if any), to Stapled Securityholders at a level determined to be prudent. The full impact of the COVID-19 pandemic cannot be ascertained at this point and we will actively work with both our operators and lessees through this difficult period to provide support and assistance. Despite the near-term headwinds, we remain committed to delivering long-term value to our Stapled Securityholders, and are confident that we can navigate the challenges ahead of us.
9.	**In view of the COVID-19 situation, we understand that there is likely a need for ART to conserve cash. Will you consider introducing a distribution reinvestment plan, which allows Stapled Securityholders to opt to receive distributions in stapled securities instead of cash?**
	We have considered offering a distribution reinvestment plan to our Stapled Securityholders. However, given the low expected take-up rate and the cost of implementation, we believe that a distribution reinvestment plan would not be the most prudent option at this juncture, as it is not likely to conserve cash for ART in a meaningful way. We believe that we have sufficient liquidity to weather the downturn, and we will review the option of introducing a distribution reinvestment plan at an appropriate time.

10.	**With the increased aggregate leverage of 50%, how would ART be utilising the higher aggregate leverage? Would it be used as a buffer during this challenging time or would ART be adjusting its acquisition pace and strategy to take advantage of the greater headroom available?**
	The higher aggregate leverage limit provides us with greater flexibility, especially during challenging times like these, to manage our capital structure while having continued access to different funding channels, including borrowing from banks, issuing bonds and raising equity. On a long-term basis, our comfortable gearing level is about 40%, in line with our prudent capital management. However, should an attractive investment opportunity arise which requires us to temporarily increase our gearing above 40%, we will take a balanced view in assessing the merits and risks of the opportunity. As at 31 March 2020, our gearing remains low at 35.4%. Should we choose to acquire, our current debt headroom (approximately S$2.1 billion and S$1.25 billion before reaching the 50% and 45% gearing limits respectively) offers us the ability to draw down on debt for acquisition without a need to raise equity. However, any decisions to acquire during this period will also have to take into consideration the longer-term impact of COVID-19, the expected timing of improvement in market conditions and cash preservation in view of the uncertain outlook.
11.	**Now that the stapled group consists of a business trust (“BT”) and a real estate investment trust (“REIT”), can you clarify if the BT would be managed like the REIT where there are rules on aggregate leverage and a minimum distribution of 90% of the REIT income (to benefit from tax transparency)?**
	The rules on tax transparency only apply to the Singapore assets of the REIT and the Monetary Authority of Singapore’s Property Funds Appendix requirements on aggregate leverage only apply to the REIT. However, on a stapled group basis, we remain guided by such rules.
12.	**Does ART intend to raise equity through rights issues or placements in the next 12 months, to mitigate the decline in operating cashflow?**
	We believe that we have sufficient liquidity and do not intend to raise equity at this juncture. As at 31 March 2020, ART has about S$300 million in cash and S$425 million in credit facilities available (of which about S$200 million is committed). In a worst-case, zero-revenue scenario, our cash and committed credit facilities are sufficient to cover approximately two years’ fixed costs. In addition, we expect to receive about S$163 million in proceeds from the divestment of partial gross floor area of Somerset Liang Court Singapore in July 2020. Should there be a need to raise equity, it would be in anticipation of and for the purpose of, including but not limited to, acquiring new properties, capital expenditures or repayment of existing debt, and Stapled Securityholders will be duly informed.

C. Strategy and Outlook	
13.	**Would ART be re-evaluating the business model to finetune the various aspects of its growth strategy, including asset allocation by geography (Asia Pacific/Europe/Americas), operating model (master leases / management contracts and long stay / short stay) and market segment (luxury / midscale / economy)?**
	Our strategy remains unchanged. ART’s objective is to invest primarily in income-producing real estate and real estate-related assets which are used or predominantly used as serviced residences, hotels, rental housing properties and other hospitality assets in any country in the world. Our diversified portfolio offers resilience at different points of the market cycle and enables us to deliver sustainable returns to our Stapled Securityholders. As at 31 March 2020, about 68% of ART’s assets are in Asia Pacific, 20% in Europe and 12% in The Americas. We will continue to maintain a predominantly Asia Pacific-centric asset allocation as we believe in the growth potential of the Asia Pacific region. COVID-19 has demonstrated the resilience of the long-stay operating model, and we believe that our portfolio, which largely comprises serviced residences and limited-service properties, is well-positioned to ride the recovery. We also favour the rental housing asset class due to its long length of stay of one to two years, which offers resilience in uncertain times. According to STR, the midscale accommodation segment, which most of our properties are in, is expected to lead the recovery, as evidenced in China. In addition, having a balance of stable and growth income through our mix of contract types has enabled us to enjoy earnings upside in market upturns while having protection to the downside during market downturns.
14.	**Has ART re-evaluated the optimal capital structure given the capital-intensive nature of the business and the increased volatility due to the pandemic and the global economic conditions?**
	We adopt an active capital management strategy and seek to diversify the sources of funding to optimise the capital structure of ART. The most appropriate fund-raising mechanism is decided upon based on the longer-term interests of ART, funding requirements, as well as other factors such as the macroeconomic environment and investor appetite. A prudent and disciplined approach is also taken to stagger debt maturity and hedge the exposure to interest rates. ART has sufficient liquidity with about S$900 million in available funds, including S$300 million in cash and S$425 million in credit facilities available as at 31 March 2020, and proceeds from divestment of partial gross floor area of Somerset Liang Court Singapore of approximately S$163 million to be received in July 2020. As at 31 March 2020, gearing remains low at 35.4%. 81% of ART’s total debt is on fixed interest rates and only 16% of total debt is due to mature in 2020. About 70% of total asset value remains unencumbered. As such, we believe that our current capital structure is robust and will enable us to weather the downturn.
15.	**In the 1Q 2020 Business Updates, it was mentioned that the portfolio was operating above breakeven occupancy. How is breakeven defined?**
	Breakeven occupancy is defined as the occupancy at which our portfolio of properties under management contracts would have zero gross profit.

16.	**Does ART expect the properties under management contracts to be loss-making in 2Q 2020?**
	ART's properties under management contracts are mainly located in Asia Pacific, with key markets being Australia, China, Japan, Singapore and Vietnam. Our three properties in the US are also under management contracts. In our 1Q 2020 Business Updates announcement, we have shared that properties catering predominantly to the transient segments in countries such as Australia, Japan, Europe and the US, have been the most impacted by COVID-19. On the other hand, our properties catering to the longer-stay segment in China and Vietnam have been impacted to a lesser extent. Where possible, alternative sources of business have been pursued to mitigate the fall in demand. As most travel restrictions were implemented from March 2020, we expect 2Q 2020 to remain challenging. However, in recent weeks, some governments have begun to ease movement restrictions and there are early signs of normalcy returning. STR has reported an increase in China hotel occupancies from 14% in February to about 50% in May. In Australia and Japan, domestic travel campaigns have been rolled out to encourage locals to travel, and in Australia and Singapore, international borders are set to gradually reopen with the formation of travel bubbles. These developments are positive for the tourism and hospitality sectors. We will provide more details in our 2Q 2020 financial results announcement.
17.	**Does ART expect to close any of the properties permanently, post COVID-19?**
	While COVID-19 has had an unprecedented impact on the travel industry, we remain positive on the longer-term prospects of the hospitality sector. Historically, tourism has shown unparalleled ability to recover from crisis and has proven to be a key driver of international recovery. As disclosed in our 1Q 2020 Business Updates, operations at 18 of our properties were temporarily suspended as of 30 April 2020. Since then, three of the properties that were closed due to low occupancies have reopened for operations. We expect to progressively reopen the rest of the other properties as demand for accommodation picks up.
18.	**What is ART's view on the tourism and hospitality sectors going forward? What is the outlook for ART? Apart from COVID-19, what are some factors which may affect this outlook in the next 3 to 6 months?**
	In the short-term, we expect ART's financial performance to be adversely impacted. The COVID-19 pandemic has led to the implementation of travel and movement restrictions, resulting in lower occupancies and room rates across all our markets. Domestic demand may be the first to recover, as countries start to ease movement restrictions within their shores. Barring a resurgence of the virus, we may also start to see some early signs of resumption of international travel as countries are starting to reopen their borders for essential travel through special arrangements. However, despite the green shoots seen in certain regions of the world, it is still too early to say that a full recovery is underway. We will actively work with both our operators and lessees to tide over this difficult period. Apart from COVID-19, other factors which could affect the outlook of ART in the next 3 to 6 months include trade and geopolitical tensions, which could manifest in the form of bans or restrictions being placed on certain countries. This could restrict the flow of travellers when borders are reopened and impede a recovery. Despite near-term headwinds, we remain positive on the longer-term prospects of the hospitality sector. Historically, tourism has shown an unparalleled ability to recover from a crisis and has

	proven to be a key driver of international recovery. Accommodative government and monetary policies will also support the recovery from the pandemic and provide a welcomed boost to the tourism sector. Given ART's strong financial position and resilient portfolio, we are confident that ART will be able to navigate the challenges ahead.
19.	**What is ART's cash and liquidity position expected to look like in the next 12 months?**
	ART has sufficient liquidity with about S$900 million in available funds, including S$300 million in cash and S$425 million in credit facilities available as at 31 March 2020, and proceeds from divestment of partial gross floor area of Somerset Liang Court Singapore of approximately S$163 million to be received in July 2020. ART also has robust financing flexibility, given its diversified sources of funding, well-staggered debt maturity, low gearing of 35.4% and healthy interest cover of 5.1 times as at 31 March 2020. In a worst-case, zero-revenue scenario, our cash and committed credit facilities are sufficient to cover approximately two years' fixed costs. With a strong balance sheet and cashflow position, we are confident of weathering the downturn.
20.	**Given the stress in the system, what are the prospects for ART to acquire prime assets that may be available on an opportunistic basis? In evaluating opportunities for acquisition, which markets do you favour and what are your investment criteria?**
	As at 31 March 2020, our gearing remains low at 35.4%. Should we choose to acquire, our current debt headroom (approximately S$2.1 billion and S$1.25 billion before reaching the 50% and 45% gearing limits respectively) offers us the ability to draw down on debt for acquisition without a need to raise equity. Few transactions have taken place during this period, and we have not seen a significant change in transaction prices. We believe the COVID-19 pandemic would have to be long-drawn for distressed transactions to appear. In terms of strategy, we focus on investment opportunities in key gateway cities of developed markets, such as Japan, Europe, Singapore and the US. We would like to maintain a predominantly Asia Pacific-centric asset allocation as we believe in the growth potential of the Asia Pacific region. Yield accretion is key, and other investment criteria include the location and quality of the asset, as well as the potential for value creation. Whilst our investment sourcing activities have not ceased, any decisions to acquire will also have to take into consideration the longer-term impact of COVID-19, the expected timing of improvement in market conditions and cash preservation in view of the uncertain outlook.

D. Others	
21.	**CD-ROMs are still being mailed to Stapled Securityholders by default despite this matter being raised at past AGMs. As part of sustainability and being green, can ART do away with the mailing of CD-ROMs?”**
	While the Companies Act was amended to liberalise the electronic transmission of annual reports which allows a Company to send a weblink to the annual report to all its shareholders on the basis that there is implied consent from all its shareholders to receive the annual report electronically, the Business Trusts Act has not been similarly amended. The Code on Collective Investment Schemes which governs REITs has been amended to allow for electronic transmission of annual reports. Since ART is a stapled trust which comprises a REIT and a Business Trust, it would need to comply with the Business Trusts Act, and would not be able to rely on the same provisions which companies rely on to obtain implied consent for the electronic transmission of annual report. As such, to comply with the Business Trusts Act, CD-ROMs have been mailed to Stapled Securityholders.