

**ASCOTT RESIDENCE TRUST
2017 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
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ASCOTT RESIDENCE TRUST
2017 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT

Summary of Group Results

	2Q 2017 S\$'000	2Q 2016 S\$'000	Better / (Worse) %	YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000	Better / (Worse) %
Revenue	123,619	119,371	4	234,880	224,896	4
Gross Profit	59,014	57,891	2	106,389	106,716	-
Unitholders' Distribution	46,870	35,045	34	71,989	62,364	15
Distribution Per Unit ("DPU") (cents)	1.84	2.13	(14)	3.36	3.88	(13)
DPU (cents) (restated for Rights Issue)	1.84	2.06 ⁽¹⁾	(11)	3.36	3.76 ⁽¹⁾	(11)
<u>For information only</u> DPU (cents) (adjusted for one-off items ⁽²⁾ , Rights Issue and equity placement ⁽³⁾)	2.10	1.95	8	3.74	3.52	6

- (1) DPU has been restated for the Rights Issue, through which 481,688,010 units were issued on 11 April 2017, in accordance with paragraph 46 of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts".
- (2) Unitholders' distribution in 2Q 2017 and YTD Jun 2017 included a realised exchange gain of S\$11.9 million arising from repayment of foreign currency bank loans with the proceeds from the Rights Issue (pending the deployment of the funds for their intended use to part finance the acquisition of Ascott Orchard Singapore) and divestment proceeds. Unitholders' distribution in 2Q 2016 and YTD Jun 16 included a realised exchange gain of S\$3.5 million and S\$6.5 million respectively arising from repayment of foreign currency bank loans.
- (3) On 23 March 2016, 94,787,000 new units were issued on SGX-ST in relation to the equity placement exercise. The gross proceeds from the equity placement exercise of S\$100.0 million were used to fund the acquisition of Sheraton Tribeca New York Hotel in New York, United States of America as announced on 14 March 2016. The acquisition was completed on 29 April 2016 (the "2016 Acquisition"). Accordingly, the YTD Jun 2017 DPU was adjusted to exclude the contribution from the 2016 Acquisition for 1Q 2017.

DISTRIBUTION AND BOOK CLOSURE DATE

Distribution	For 1 January 2017 to 30 June 2017
Distribution Rate	3.356 cents per Unit
Book Closure Date	28 July 2017
Payment Date	25 August 2017

ASCOTT RESIDENCE TRUST

2017 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT

INTRODUCTION

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

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

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

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

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

On 6 March 2017, Ascott Reit announced the launch of an underwritten and renounceable rights issue to raise gross proceeds of approximately S\$442.7 million (the “Rights Issue”). The gross proceeds from the Rights Issue will be used to part finance the remaining purchase price for Ascott Orchard Singapore¹ and the acquisition of two serviced residence properties in Germany, which was completed on 2 May 2017 (the “2017 Acquisitions”).

S\$294.0 million of the proceeds has been used to repay outstanding borrowings, pending the deployment of such funds for their intended use to part finance the acquisition of Ascott Orchard. S\$56.0 million of the proceeds has been used to part finance the acquisition of two serviced residence properties in Germany, S\$3.4 million of the proceeds was used to pay the underwriting commission and S\$1.7 million was used to pay the fees and expenses incurred in connection with the rights issue. Such uses are in accordance with the use of proceeds as disclosed in the announcement dated 6 March 2017 in relation to the Rights Issue. The balance proceeds are S\$87.6 million and further announcements will be made when the proceeds are materially disbursed.

On 26 April 2017, Ascott Reit completed the divestment of 18 rental housing properties in Tokyo, Japan (the “Divestment”). Ascott Reit announced the acquisition of DoubleTree by Hilton Hotel New York – Times Square South, its third property in the US, on 31 May 2017. The acquisition is expected to be completed in August 2017. On 3 July 2017, Ascott Reit announced the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi’an.

As at 30 June 2017, Ascott Reit’s portfolio comprises 73 properties with 11,417 apartment units in 38 cities across 14 countries.

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

¹ Ascott Reit paid S\$20.25 million, being the 5% deposit for the acquisition of Ascott Orchard Singapore on 23 December 2013. The Ascott Orchard acquisition has been approved by the Unitholders during the extraordinary general meeting held on 27 July 2012.

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

	Note	GROUP		Better / (Worse) %	GROUP		Better / (Worse) %
		2Q 2017 S\$'000	2Q 2016 S\$'000		YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000	
Revenue	A.1	123,619	119,371	4	234,880	224,896	4
Direct expenses	A.2	(64,605)	(61,480)	(5)	(128,491)	(118,180)	(9)
Gross Profit	A.1	59,014	57,891	2	106,389	106,716	-
Finance income	A.3	317	500	(37)	568	984	(42)
Other operating income		204	166	23	361	299	21
Finance costs	A.3	(11,220)	(12,223)	8	(23,090)	(24,892)	7
Manager's management fees		(5,682)	(5,688)	-	(10,611)	(10,720)	1
Trustee's fee		(120)	(121)	1	(237)	(235)	-
Professional fees	A.4	(519)	(649)	20	(1,368)	(1,299)	(5)
Audit fees		(614)	(629)	2	(1,200)	(1,256)	4
Foreign exchange gain / (loss)	A.5	17,942	(486)	n.m.	13,141	3,573	268
Other operating expenses	A.6	(1,031)	(242)	(326)	(1,527)	(828)	(84)
Share of results of associate (net of tax)		(27)	5	n.m.	(33)	(17)	(94)
Net income before changes in fair value of financial derivatives, serviced residence properties and assets held for sale		58,264	38,524	51	82,393	72,325	14
Net change in fair value of financial derivatives	A.7	217	(813)	n.m.	222	(918)	n.m.
Net change in fair value of serviced residence properties and assets held for sale	A.8	5,987	36,328	(84)	6,132	36,147	(83)
Profit from divestment	A.9	17,957	-	n.m.	17,957	-	n.m.
Assets written off		-	-	n.m.	(5)	(32)	84
Total return for the period before tax		82,425	74,039	11	106,699	107,522	(1)
Income tax expense	A.10	(8,295)	(17,331)	52	(13,398)	(23,604)	43
Total return for the period after tax		74,130	56,708	31	93,301	83,918	11
Attributable to:							
Unitholders / perpetual securities holders		70,822	55,590		88,477	81,449	
Non-controlling interests		3,308	1,118		4,824	2,469	
Total return for the period		74,130	56,708	31	93,301	83,918	11

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

	Note	GROUP		Better / (Worse) %	GROUP		Better / (Worse) %
		2Q 2017 S\$'000	2Q 2016 S\$'000		YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000	
Total return for the period attributable to Unitholders / perpetual securities holders		70,822	55,590		88,477	81,449	
Net effect of non-tax deductible / chargeable items and other adjustments	A.11	(19,165)	(15,758)		(6,967)	(9,511)	
Total amount distributable for the period		51,657	39,832	30	81,510	71,938	13
Amount distributable:							
- Unitholders		46,870	35,045		71,989	62,364	
- Perpetual securities holders		4,787	4,787		9,521	9,574	
		51,657	39,832	30	81,510	71,938	13
Comprises:							
- from operations		3,929	19,462		(4,966)	13,020	
- from unitholders' contributions		42,941	15,583		76,955	49,344	
		46,870	35,045	34	71,989	62,364	15

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

A.1 Revenue and Gross profit

Revenue for 2Q 2017 of S\$123.6 million comprised S\$17.3 million (14% of total revenue) from serviced residences on Master Leases, S\$18.1 million (15%) from serviced residences on management contracts with minimum guaranteed income and S\$88.2 million (71%) from serviced residences on management contracts.

Revenue for 2Q 2017 increased by S\$4.2 million or 4% as compared to 2Q 2016. This was mainly contributed by the additional revenue of S\$3.0 million from the 2016 Acquisition and S\$0.9 million from the 2017 Acquisitions, partially offset by the decrease in revenue of S\$1.4 million from the Divestment. On a same store basis (excluding the 2016 Acquisition, 2017 Acquisitions and the Divestment), revenue increased by S\$1.7 million mainly from Vietnam and Philippines, partially offset by the decrease in revenue from Singapore and United Kingdom (arising from depreciation of GBP against SGD).

The Group achieved a revenue per available unit ("REVPAU") of S\$146 for 2Q 2017, an increase of 3% as compared to 2Q 2016. On a same store basis, excluding the 2016 Acquisition, REVPAU for 2Q 2017 increased by 2% as compared to 2Q 2016.

Gross profit for 2Q 2017 of S\$59.0 million comprised S\$15.6 million (26% of total gross profit) from serviced residences on Master Leases, S\$8.3 million (14%) from serviced residences on management contracts with minimum guaranteed income and S\$35.1 million (60%) from serviced residences on management contracts.

As compared to 2Q 2016, gross profit increased by S\$1.1 million or 2%. On a same store basis, gross profit increased by S\$1.2 million or 2%.

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

A.2 Direct expenses include the following items:

	GROUP		Better / (Worse) %	GROUP		Better / (Worse) %
	2Q 2017 S\$'000	2Q 2016 S\$'000		YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000	
Depreciation and amortisation*	(2,998)	(2,474)	(21)	(6,464)	(5,940)	(9)
Staff costs*	(12,370)	(12,361)	–	(25,102)	(23,815)	(5)

* Depreciation expense was higher in 2Q 2017 and YTD Jun 2017 due to the renovation of properties. Staff costs were higher in YTD Jun 2017 due to the full quarter contribution from the 2016 Acquisition.

A.3 Finance income and finance costs

Finance income was lower in 2Q 2017 due to lower fixed deposit placements as excess cash balances were used for repayment of bank loans.

Finance costs was lower in 2Q 2017 due to refinancing of bank loans at lower interest rates and repayment of bank loans during the quarter with the Rights Issue proceeds and divestment proceeds.

A.4 Professional fees

Professional fees were lower in 2Q 2017 due to reversal of prior year's accrued expenses no longer required.

A.5 Foreign exchange gain / (loss)

The foreign exchange gain recognised in 2Q 2017 mainly comprised realised exchange gain of S\$11.9 million arising from repayment of foreign currency bank loans with the proceeds from the Rights Issue (pending their deployment to part finance the acquisition of Ascott Orchard Singapore) and unrealised exchange gain (mainly arising from EUR denominated shareholders' loans extended to the Group's subsidiaries as a result of the appreciation of EUR against SGD as at balance sheet date).

The foreign exchange loss recognised in 2Q 2016 mainly comprised unrealised exchange loss on USD denominated shareholders' loans extended to the Group's subsidiaries as a result of the depreciation of USD against SGD as at balance sheet date, partially offset by realised exchange gain of S\$3.5 million from repayment of foreign currency bank loans with the divestment proceeds from Fortune Garden Apartments.

A.6 Other operating expenses

Other operating expenses were higher in 2Q 2017 mainly due to higher irrecoverable GST and loss on disposal of plant and equipment.

A.7 Net change in fair value of financial derivatives

This mainly relates to the fair value change of foreign currency forward contracts and the gain recognised on the unwinding of an interest rate swap, upon repayment of the bank loan.

A.8 Net change in fair value of serviced residence properties and assets held for sale

This relates to the surplus on revaluation of serviced residence properties. The surplus mainly resulted from higher valuation of the Group's serviced residence properties in Vietnam and United Kingdom (due to better operating performance), partially offset by lower valuation from properties in Philippines and China. The valuations for the serviced residence properties were carried out on 30 June 2017. Please refer to paragraph 8(c) for more details.

A.9 Profit from divestment

This relates to the profit from divestment of 18 rental housing properties in Tokyo, Japan and the sale of car park units in Fortune Garden Apartments.

A.10 Income tax expense

Taxation for 2Q 2017 was lower by S\$9.0 million as compared to the corresponding period last year. This was mainly due to reversal of deferred tax liability previously provided due to the fair value deficit recognised for certain serviced residence properties.

A.11 Net effect of non-tax deductible / (chargeable) items and other adjustments include the following:

	GROUP			GROUP		
	2Q 2017 S\$'000	2Q 2016 S\$'000	Better / (Worse) %	YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000	Better / (Worse) %
Depreciation and amortisation	2,998	2,474	(21)	6,464	5,940	(9)
Manager's management fee payable / paid partially in units	4,037	4,076	1	7,564	7,731	2
Trustee's fees*	20	14	(43)	34	29	(17)
Unrealised foreign exchange (gain) / loss	(4,777)	3,788	n.m.	125	2,481	95
Net change in fair value of financial derivatives (Note A.7)	(217)	813	n.m.	(222)	918	n.m.
Net change in fair value of serviced residence properties and assets held for sale (Note A.8)	(5,987)	(36,328)	(84)	(6,132)	(36,147)	(83)
Profit from divestment (Note A.9)	(17,957)	–	n.m.	(17,957)	–	n.m.
Operating lease expense recognised on a straight-line basis	893	–	n.m.	1,806	–	n.m.
Assets written off	–	–	n.m.	5	32	84
Deferred tax expense	329	9,532	97	24	9,560	100
Effect of non-controlling interests arising from the above	1,725	(133)	n.m.	1,551	(154)	n.m.

* This relates to the Singapore properties only and is not tax deductible.

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

	Note	GROUP		REIT	
		30/06/17 S\$'000	31/12/16 S\$'000	30/06/17 S\$'000	31/12/16 S\$'000
Non-Current Assets					
Plant and equipment		50,703	51,808	4,057	3,998
Serviced residence properties	B.1	4,357,921	4,504,416	552,943	553,002
Interest in subsidiaries		–	–	333,831	333,396
Interest in associate		3,359	3,505	3,876	3,990
Financial derivatives	B.2	4,018	7,125	1,673	3,709
Deferred tax assets		5,947	5,891	–	–
		4,421,948	4,572,745	896,380	898,095
Current Assets					
Inventories		182	201	–	–
Trade and other receivables	B.3	89,445	68,712	2,341,139	2,293,713
Assets held for sale	B.4	122,943	6,549	–	–
Cash and cash equivalents	B.5	294,532	143,074	114,077	5,778
		507,102	218,536	2,455,216	2,299,491
Total Assets		4,929,050	4,791,281	3,351,596	3,197,586
Non-Current Liabilities					
Interest bearing liabilities	B.7	(1,479,001)	(1,715,659)	(67,034)	(260,323)
Financial derivatives	B.2	(9,968)	(17,745)	(6,917)	(13,935)
Deferred tax liabilities		(93,098)	(94,078)	–	–
		(1,582,067)	(1,827,482)	(73,951)	(274,258)
Current Liabilities					
Trade and other payables	B.6	(147,771)	(132,991)	(919,622)	(930,747)
Liabilities held for sale	B.4	(29,611)	–	–	–
Interest bearing liabilities	B.7	(53,994)	(146,973)	–	(35,513)
Financial derivatives	B.2	(750)	(104)	(750)	(104)
Provision for taxation		(1,452)	(1,468)	–	–
		(233,578)	(281,536)	(920,372)	(966,364)
Total Liabilities		(1,815,645)	(2,109,018)	(994,323)	(1,240,622)
Net Assets		3,113,405	2,682,263	2,357,273	1,956,964
Represented by:					
Unitholders' funds	1(d)(i)	2,628,020	2,200,625	1,960,199	1,559,837
Perpetual securities holders	1(d)(i)	397,074	397,127	397,074	397,127
Non-controlling interests	1(d)(i)	88,311	84,511	–	–
Total Equity		3,113,405	2,682,263	2,357,273	1,956,964

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

B.1 Serviced residence properties

The decrease in the Group's serviced residence properties as at 30 June 2017 was mainly due to the reclassification of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an from "Serviced residence properties" to "Assets held for sale" under Current Assets (pursuant to the announcement for the divestment of these properties on 3 July 2017), divestment of eighteen rental housing properties in Tokyo, Japan on 26 April 2017 and foreign currency translation differences arising from translating the Group's serviced residence properties as a result of the weakening of foreign currencies, particularly AUD and USD against SGD.

These decreases are offset by the acquisition of two serviced residence properties in Germany on 2 May 2017.

B.2 Financial derivatives

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

B.3 Trade and other receivables

The increase in the trade and other receivables as at 30 June 2017 was mainly due to the deposit of S\$14.7 million paid for the acquisition of DoubleTree by Hilton Hotel New York – Times Square South (as announced on 31 May 2017), higher trade receivables and prepaid expenses.

B.4 Assets held for sale and Liabilities held for sale

The assets and liabilities held for sale as at 30 June 2017 relates to the assets and liabilities of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an which have been reclassified from the respective balance sheet captions to "Assets held for Sale" and "Liabilities held for Sale" (pursuant to the announcement for the divestment of these properties on 3 July 2017).

As at 31 December 2016, the assets held for sale pertain to the five remaining strata units in Fortune Garden Apartments, all of which sale and purchase agreements have been signed. Titles for all the strata units have been transferred as at 30 June 2017.

B.5 Cash and cash equivalents

The increase in the Group's cash and cash equivalents as at 30 June 2017 was mainly due to net proceeds from the Rights Issue and proceeds from divestment of serviced residence properties, partially offset by the payment for the two serviced residence properties in Germany and repayment of bank loans.

B.6 Trade and other payables

The increase in the trade and other payables as at 30 June 2017 was mainly due to the deposit received for the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an, and higher trade payables.

B.7 Interest bearing liabilities

	GROUP		REIT	
	30/06/17	31/12/16	30/06/17	31/12/16
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less or on demand				
- Secured	54,006	111,609	-	-
- Unsecured	-	35,647	-	35,647
Less: Unamortised transaction costs	(12)	(283)	-	(134)
	53,994	146,973	-	35,513
Amount repayable after one year				
- Secured	706,975	925,112	70,437	236,395
- Unsecured	784,940	804,613	-	27,590
Less: Unamortised transaction costs	(12,914)	(14,066)	(3,403)	(3,662)
	1,479,001	1,715,659	67,034	260,323
Total	1,532,995	1,862,632	67,034	295,836

Details of collateral

The borrowings of the Group are generally secured by:

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

Capital management

As at 30 June 2017, the Group's gearing was 32.4%, well below the 45 percent gearing limit allowable under the property funds appendix issued by the Monetary Authority of Singapore. The average cost of debts was 2.4 percent per annum, with an interest cover of 4.4 times. S\$1,333.5 million or 85% of the Group's borrowings are on fixed interest rates, of which S\$3.5 million is due in the next 12 months.

Out of the Group's total borrowings, 3 percent falls due in 2017, 12 percent falls due in 2018, 5 percent falls due in 2019, 18 percent falls due in 2020 and the balance falls due after 2020.

The Manager adopts a proactive capital management strategy and has substantially completed the refinancing of the loan facilities due in 2017.

1(c) Consolidated Statement of Cash Flows

	GROUP		GROUP	
	2Q 2017 S\$'000	2Q 2016 S\$'000	YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000
Operating Activities				
Total return for the period before tax	82,425	74,039	106,699	107,522
<u>Adjustments for:</u>				
Depreciation and amortisation	2,998	2,474	6,464	5,940
Loss / (gain) on disposal of plant and equipment	178	(17)	196	2
Assets written off	–	–	5	32
Operating lease expense recognised on a straight-line basis	893	–	1,806	–
Finance costs	11,220	12,223	23,090	24,892
Finance income	(317)	(500)	(568)	(984)
Provision for doubtful debts addition / (reversal)	17	100	(1)	119
Manager's management fees payable / paid partially in units	4,037	4,076	7,564	7,731
Unrealised foreign exchange (gain) / loss	(4,777)	3,788	125	2,481
Net change in fair value of serviced residence properties and assets held for sale	(5,987)	(36,328)	(6,132)	(36,147)
Net change in fair value of financial derivatives	(217)	813	(222)	918
Profit from divestment	(17,957)	–	(17,957)	–
Share of results of associate	27	(5)	33	17
Operating profit before working capital changes	72,540	60,663	121,102	112,523
Changes in working capital	(24,631)	(14,372)	(23,757)	(35,424)
Cash generated from operations	47,909	46,291	97,345	77,099
Income tax paid	(4,156)	(5,592)	(9,407)	(11,292)
Cash flows from operating activities	43,753	40,699	87,938	65,807
Investing Activities				
Acquisition of plant and equipment	(5,187)	(9,419)	(7,884)	(14,245)
Acquisition of serviced residence properties, net of cash acquired	(98,508)	(191,799)	(98,508)	(214,046)
Capital expenditure on serviced residence properties	(1,953)	(6,284)	(4,767)	(7,289)
Deposit paid for acquisition of a serviced residence property	(14,675)	–	(14,675)	–
Deposit received for divestment of subsidiaries	9,901	–	9,901	–
Proceeds on disposal of assets held for sale	1,485	23,633	6,706	28,959
Proceeds from divestment of serviced residence properties	147,198	–	147,198	–
Interest received	317	500	568	984
Proceeds from sale of plant and equipment	5	101	25	132
Cash flows used in investing activities	38,583	(183,268)	38,564	(205,505)
Balance carried forward	82,336	(142,569)	126,502	(139,698)

1(c) Consolidated Statement of Cash Flows

	GROUP		GROUP	
	2Q 2017 S\$'000	2Q 2016 S\$'000	YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000
Balance brought forward	82,336	(142,569)	126,502	(139,698)
Financing Activities				
Distribution to Unitholders	–	(24,604)	(72,620)	(88,691)
Distribution to perpetual securities holders	(9,574)	(9,626)	(9,574)	(9,626)
Dividend paid to non-controlling interests	(1,622)	(2,286)	(1,622)	(2,286)
Interest paid	(11,151)	(11,083)	(21,958)	(22,159)
Payment of finance lease	(807)	(739)	(1,519)	(1,469)
Proceeds from bank borrowings	87	291,742	149,802	559,683
Proceeds from issue of medium term notes	–	–	–	120,000
Proceeds from issue of new units	442,671	–	442,671	100,000
Payment of issue expenses on issue of new units	(4,840)	(157)	(4,840)	(922)
Payment of transaction costs on issue of perpetual securities	–	–	–	(17)
Repayment of bank borrowings	(362,150)	(121,087)	(454,694)	(560,035)
Cash flows (used in) / from financing activities	52,614	122,160	25,646	94,478
Increase / (decrease) in cash and cash equivalents	134,950	(20,409)	152,148	(45,220)
Cash and cash equivalents at beginning of the period	159,518	199,123	143,074	220,467
Effect of exchange rate changes on balances held in foreign currencies	64	1,807	(690)	5,274
Cash and cash equivalents at end of the period	294,532	180,521	294,532	180,521

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

	Note	GROUP		GROUP	
		2Q 2017 S\$'000	2Q 2016 S\$'000	YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000
Unitholders' Contribution					
Balance as at beginning of period		1,396,946	1,484,598	1,451,627	1,428,452
New units issued / to be issued ⁽¹⁾					
- equity placement on 23 March 2016		–	–	–	100,000
- Rights Issue on 11 April 2017		442,671	–	442,671	–
- payment of manager's management fees in units		4,037	7,708	7,535	11,703
Issue expenses		(4,840)	–	(4,840)	(1,435)
Distribution to Unitholders		–	(24,604)	(58,179)	(71,018)
Balance as at end of period		1,838,814	1,467,702	1,838,814	1,467,702
Operations					
Balance as at beginning of period		896,612	808,355	898,132	805,254
Total return for the period attributable to Unitholders / perpetual securities holders		70,822	55,590	88,477	81,449
Total return attributable to perpetual securities holders		(4,787)	(4,787)	(9,521)	(9,574)
Change in ownership interests in subsidiaries with no change in control		–	(10)	–	(193)
Transfer between reserves		(191)	164	(191)	49
Distribution to Unitholders		–	–	(14,441)	(17,673)
Balance as at end of period		962,456	859,312	962,456	859,312
Foreign Currency Translation Reserve					
Balance as at beginning of period		(155,022)	(79,127)	(153,410)	(36,260)
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(15,445)	(55,816)	(17,057)	(98,683)
Balance as at end of period		(170,467)	(134,943)	(170,467)	(134,943)
Capital Reserve					
Balance as at beginning of period		1,957	2,123	1,957	2,008
Transfer between reserves		191	(164)	191	(49)
Balance as at end of period		2,148	1,959	2,148	1,959
Hedging Reserve					
Balance as at beginning of period		(2,777)	(13,188)	2,319	(9,740)
Effective portion of change in fair values of cash flow hedges		(2,154)	(3,463)	(7,250)	(6,911)
Balance as at end of period		(4,931)	(16,651)	(4,931)	(16,651)
Unitholders' Funds	1(b)(i)	2,628,020	2,177,379	2,628,020	2,177,379

(1) These include the units to be issued as partial satisfaction of the portion of the management fees (comprising base fee and performance fee). With effect from 1 January 2016, to be compliant with Monetary Authority of Singapore's new regulations, the REIT Manager's performance management fee will only be paid once a year, after the end of the financial year.

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

	Note	GROUP		GROUP	
		2Q 2017 S\$'000	2Q 2016 S\$'000	YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000
<u>Perpetual Securities</u>					
Balance as at beginning of period		401,861	401,881	397,127	397,094
Issue expenses		–	33	–	33
Total return attributable to perpetual securities holders		4,787	4,787	9,521	9,574
Distribution to perpetual securities holders		(9,574)	(9,626)	(9,574)	(9,626)
Balance as at end of period	1(b)(i)	397,074	397,075	397,074	397,075
<u>Non-controlling Interests</u>					
Balance as at beginning of period		84,727	83,175	84,511	81,768
Total return for the period		3,308	1,118	4,824	2,469
Dividend paid to non-controlling interests		(1,622)	(2,286)	(1,622)	(2,286)
Acquisition of subsidiaries		3,099	–	3,099	–
Change in ownership interests in subsidiaries with no change in control		–	–	–	183
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(1,201)	(1,316)	(2,501)	(1,443)
Balance as at end of period	1(b)(i)	88,311	80,691	88,311	80,691
Equity	1(b)(i)	3,113,405	2,655,145	3,113,405	2,655,145

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

	Note	REIT		REIT	
		2Q 2017 S\$'000	2Q 2016 S\$'000	YTD Jun 2017 S\$'000	YTD Jun 2016 S\$'000
Unitholders' Contribution					
Balance as at beginning of period		1,396,946	1,484,598	1,451,627	1,428,452
New units issued / to be issued ⁽¹⁾					
- equity placement on 23 March 2016		–	–	–	100,000
- Rights Issue on 11 April 2017		442,671	–	442,671	–
- payment of manager's management fees in units		4,037	7,708	7,535	11,703
Issue expenses		(4,840)	–	(4,840)	(1,435)
Distribution to Unitholders		–	(24,604)	(58,179)	(71,018)
Balance as at end of period		1,838,814	1,467,702	1,838,814	1,467,702
Operations					
Balance as at beginning of period		85,716	133,930	112,094	192,507
Total return for the period attributable to Unitholders / perpetual securities holders		44,058	(20,659)	36,855	(56,776)
Total return attributable to perpetual securities holders		(4,787)	(4,787)	(9,521)	(9,574)
Distribution to Unitholders		–	–	(14,441)	(17,673)
Balance as at end of period		124,987	108,484	124,987	108,484
Hedging Reserve					
Balance as at beginning of period		(3,364)	(5,290)	(3,884)	(6,432)
Effective portion of change in fair values of cash flow hedges		(238)	(55)	282	1,087
Balance as at end of period		(3,602)	(5,345)	(3,602)	(5,345)
Unitholders' Funds	1(b)(i)	1,960,199	1,570,841	1,960,199	1,570,841
Perpetual Securities					
Balance as at beginning of period		401,861	401,881	397,127	397,094
Issue expenses		–	33	–	33
Total return attributable to perpetual securities holders		4,787	4,787	9,521	9,574
Distribution to perpetual securities holders		(9,574)	(9,626)	(9,574)	(9,626)
Balance as at end of period	1(b)(i)	397,074	397,075	397,074	397,075
Equity	1(b)(i)	2,357,273	1,967,916	2,357,273	1,967,916

(1) Refer to footnote on page 12.

1(d)(ii) **Details of any change in the units**

	REIT			
	2Q 2017 '000	2Q 2016 '000	YTD Jun 2017 '000	YTD Jun 2016 '000
Balance as at beginning of period	1,660,993	1,647,101	1,653,471	1,548,736
Issue of new units:				
- equity placement on 23 March 2016	–	–	–	94,787
- Rights Issue on 11 April 2017	481,688	–	481,688	–
- partial payment of manager's management fees in units ⁽¹⁾	2,158	2,119	9,680	5,697
Balance as at end of period	2,144,839	1,649,220	2,144,839	1,649,220

Note 1: For YTD Jun 2017, it relates to payment of the base fee for 4Q 2016 and 1Q 2017 and performance fee for FY 2016. For YTD Jun 2016, it relates to payment of both base fee and performance fee for 4Q 2015 and payment of base fee for 1Q 2016.

2. **Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by our auditors.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2016.

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

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2017. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

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

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

	GROUP			
	2Q 2017	2Q 2016	YTD Jun 2017	YTD Jun 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Total return for the period attributable to Unitholders / perpetual securities holders	70,822	55,590	88,477	81,449
Less: Total return for the period attributable to perpetual securities holders	(4,787)	(4,787)	(9,521)	(9,574)
Total return for the period attributable to Unitholders	66,035	50,803	78,956	71,875

	2Q 2017	2Q 2016	YTD Jun 2017	YTD Jun 2016
Earnings per Unit (EPU)				
Weighted average number of units for the period ('000)				
– Basic	2,141,143	1,698,050 ⁽³⁾	1,925,588	1,652,606 ⁽³⁾
– Diluted ⁽¹⁾	2,146,244	1,703,625 ⁽³⁾	1,933,051	1,659,637 ⁽³⁾
EPU (cents) (based on the weighted average number of units for the period)				
– Basic ⁽²⁾	3.08	2.99 ⁽³⁾	4.10	4.35 ⁽³⁾
– Diluted	3.08	2.98 ⁽³⁾	4.08	4.33 ⁽³⁾

Note 1: Prior to 1 January 2016, the Manager's management fees (comprising base fees and performance fees) are issued within 60 days from the end of the quarter. With effect from 1 January 2016, due to a new requirement of the Monetary Authority of Singapore, the Units in connection with the performance fees will be issued once a year, after the end of the financial year.

Note 2: The computation of EPU included the net change in fair value of serviced residence properties and assets held for sale, net of tax and non-controlling interests. Excluding these effects, the EPU for 2Q 2017 and 2Q 2016 would be 2.89 cents and 1.44 cents respectively, and the EPU for YTD Jun 2017 and YTD Jun 2016 would be 3.88 cents and 2.76 cents respectively.

Note 3: The figures have been restated for the effect of the Rights Issue. The basic EPU for 2Q 2016 and YTD Jun 2016, previously announced, were 3.08 cents and 4.48 cents respectively. The diluted EPU for 2Q 2016 and YTD Jun 2016, previously announced, were 3.07 cents and 4.46 cents respectively.

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

Distribution per Unit (DPU)	2Q 2017	2Q 2016	YTD Jun 2017	YTD Jun 2016
Number of units on issue at end of period ('000)	2,144,839	1,649,220	2,144,839	1,649,220
DPU (cents)	1.84	2.13	3.36	3.88
DPU (cents) (restated for Rights Issue)	1.84	2.06	3.36	3.76

7. **Net asset value (“NAV”) Per Unit / Net Tangible Assets (“NTA”) Per Unit**

	GROUP		REIT	
	30/06/17	31/12/16	30/06/17	31/12/16
NAV / NTA per Unit ⁽¹⁾ (S\$)	1.23	1.33	0.91	0.94
Adjusted NAV / NTA per Unit (excluding the distributable income to Unitholders) (S\$)	1.19	1.29	0.88	0.90

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

8. **Group Performance Review**

8(a) **Revenue and Gross Profit Analysis – 2Q 2017 vs. 2Q 2016 (Local Currency (“LC”))**

		Revenue¹				Gross Profit¹				REVPAU Analysis²		
		2Q 2017	2Q 2016	Better/ (Worse)		2Q 2017	2Q 2016	Better/ (Worse)		2Q 2017	2Q 2016	Better/ (Worse)
		LC'm	LC'm	LC'm	%	LC'm	LC'm	LC'm	%	LC/day		%
Master Leases												
Australia	AUD	1.8	1.8	–	–	1.7	1.7	–	–	–	–	–
France	EUR	5.8	5.8	–	–	5.3	5.3	–	–	–	–	–
Germany	EUR	2.0	1.5	0.5	33	1.9	1.3	0.6	46	–	–	–
Japan	JPY	133.3	133.3	–	–	104.2	104.2	–	–	–	–	–
Singapore	S\$	1.8	1.8	–	–	1.6	1.6	–	–	–	–	–
Management contracts with minimum guaranteed income												
Belgium	EUR	2.0	1.5	0.5	33	0.6	0.3	0.3	100	65	48	35
Spain	EUR	1.6	1.4	0.2	14	0.9	0.7	0.2	29	118	112	5
United Kingdom	GBP	7.1	6.8	0.3	4	3.4	3.3	0.1	3	123	118	4
Management contracts												
Australia	AUD	6.5	6.5	–	–	2.5	2.6	(0.1)	(4)	139	140	(1)
China	RMB	76.5	76.4	0.1	–	30.3	23.7	6.6	28	413	408	1
Indonesia	USD	2.9	3.1	(0.2)	(6)	1.0	1.1	(0.1)	(9)	74	81	(9)
Japan	JPY	1,068.2	1,224.3	(156.1)	(13)	566.5	689.8	(123.3)	(18)	12,289	13,113	(6)
Malaysia	MYR	3.9	4.6	(0.7)	(15)	1.1	1.5	(0.4)	(27)	207	246	(16)
Philippines	PHP	216.4	168.3	48.1	29	70.6	52.1	18.5	36	4,285	3,459	24
Singapore	S\$	6.1	6.4	(0.3)	(5)	2.4	2.9	(0.5)	(17)	191	200	(5)
United States of America	USD	17.1	15.3	1.8	12	4.9	5.4	(0.5)	(9)	237	247	(4)
Vietnam	VND ¹	182.7	150.3	32.4	22	101.1	83.6	17.5	21	1,708	1,388	23

¹ Revenue and Gross Profit figures are stated in millions, except for VND which are stated in billions.

² REVPAU for Japan refers to serviced residences and excludes rental housing. REVPAU for VND are stated in thousands.

8(a) **Revenue and Gross Profit Analysis – 2Q 2017 vs. 2Q 2016 (S\$)**

	Revenue				Gross Profit				REVPAU Analysis¹		
	2Q 2017	2Q 2016	Better/ (Worse)	%	2Q 2017	2Q 2016	Better/ (Worse)	%	2Q 2017	2Q 2016	Better/ (Worse)
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%	S\$/day	S\$/day	%
Master Leases											
Australia	1.9	1.8	0.1	6	1.8	1.7	0.1	6	–	–	–
France	8.8	8.8	–	–	8.0	8.1	(0.1)	(1)	–	–	–
Germany	3.1	2.3	0.8	35	2.9	2.0	0.9	45	–	–	–
Japan	1.7	1.6	0.1	6	1.3	1.3	–	–	–	–	–
Singapore	1.8	1.8	–	–	1.6	1.6	–	–	–	–	–
Sub-total	17.3	16.3	1.0	6	15.6	14.7	0.9	6	–	–	–
Management contracts with minimum guaranteed income											
Belgium	3.1	2.4	0.7	29	1.0	0.5	0.5	100	99	73	36
Spain	2.4	2.2	0.2	9	1.4	1.1	0.3	27	179	172	4
United Kingdom	12.6	13.6	(1.0)	(7)	5.9	6.5	(0.6)	(9)	218	233	(6)
Sub-total	18.1	18.2	(0.1)	(1)	8.3	8.1	0.2	3	176	177	(1)
Management contracts											
Australia	6.8	6.6	0.2	3	2.6	2.7	(0.1)	(4)	146	142	3
China	15.5	15.9	(0.4)	(3)	6.1	4.9	1.2	25	84	85	(1)
Indonesia	4.1	4.2	(0.1)	(2)	1.4	1.5	(0.1)	(7)	104	110	(6)
Japan	13.3	15.1	(1.8)	(12)	7.1	8.5	(1.4)	(17)	154	161	(4)
Malaysia	1.2	1.6	(0.4)	(25)	0.4	0.5	(0.1)	(20)	66	84	(21)
Philippines	6.0	4.9	1.1	22	2.0	1.5	0.5	33	119	101	18
Singapore	6.1	6.4	(0.3)	(5)	2.4	2.9	(0.5)	(17)	191	200	(5)
United States of America	24.0	21.0	3.0	14	6.9	7.5	(0.6)	(8)	332	340	(2)
Vietnam	11.2	9.2	2.0	22	6.2	5.1	1.1	22	104	85	22
Sub-total	88.2	84.9	3.3	4	35.1	35.1	–	–	141	136	4
Group	123.6	119.4	4.2	4	59.0	57.9	1.1	2	146	142	3

¹ REVPAU for Japan refers to serviced residences and excludes rental housing.

Group

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

Analysis By Country

A. Master Leases

Australia

Both revenue and gross profit remained at the same level as 2Q 2016.

In SGD terms, both revenue and gross profit increased by S\$0.1 million due to appreciation of AUD against SGD.

France

Revenue and gross profit remained at the same level as 2Q 2016.

In SGD terms, revenue remained at the same level and gross profit decreased by S\$0.1 million or 1% due to depreciation of EUR against SGD.

Germany

Revenue and gross profit increased by EUR 0.5 million or 33% and EUR 0.6 million or 46% respectively as compared to 2Q 2016, mainly due to the 2017 Acquisitions. On a same store basis, revenue decreased by EUR 0.1 million or 7% as compared to 2Q 2016. Gross profit remained at the same level as 2Q 2016.

In SGD terms, revenue increased by S\$0.8 million or 35% and gross profit increased by S\$0.9 million or 45%.

Japan

Revenue and gross profit remained at the same level as 2Q 2016.

In SGD terms, revenue increased by S\$0.1 million or 6% and gross profit remained at the same level as 2Q 2016 due to appreciation of JPY against SGD.

Singapore

Both revenue and gross profit remained at the same level as 2Q 2016.

B. Management contracts with minimum guaranteed income

Belgium

Revenue increased by EUR 0.5 million or 33% in 2Q 2017 as revenue was lower in 2Q 2016 due to weaker demand post terrorist attacks in March 2016. REVPAU increased by 36% from EUR 48 in 2Q 2016 to EUR 65 in 2Q 2017.

Gross profit increased by EUR 0.3 million or 100% due to higher revenue.

In SGD terms, revenue and gross profit increased by S\$0.7 million or 29% and S\$0.5 million or 100% respectively as compared to 2Q 2016 due to stronger underlying performance, partially offset by depreciation of EUR against SGD.

Spain

Revenue increased by EUR 0.2 million or 14% as compared to 2Q 2016 due to higher leisure demand and retail income. REVPAU increased by 5% from EUR 112 in 2Q 2016 to EUR 118 in 2Q 2017.

Gross profit increased by EUR 0.2 million or 29% due to higher revenue.

In SGD terms, revenue and gross profit increased by S\$0.2 million or 9% and S\$0.3 million or 27% respectively due to depreciation of EUR against SGD.

United Kingdom

Revenue increased by GBP 0.3 million or 4% as compared to 2Q 2016 due to higher leisure demand. REVPAU increased by 4% from GBP 118 in 2Q 2016 to GBP 123 in 2Q 2017.

Gross profit increased by GBP 0.1 million or 3% due to higher revenue.

In SGD terms, revenue and gross profit decreased by S\$1.0 million or 7% and S\$0.6 million or 9% respectively due to depreciation of GBP against SGD, partially offset by stronger underlying performance.

C. Management contracts

Australia

Revenue remained at the same level as 2Q 2016. REVPAU decreased by 1% from AUD 140 in 2Q 2016 to AUD 139 in 2Q 2017. Gross profit decreased by AUD 0.1 million or 4% due to higher operating costs.

In SGD terms, revenue increased by S\$0.2 million or 3% due to appreciation of AUD against SGD. Gross profit, in SGD terms, decreased by S\$0.1 million or 4%.

China

Revenue increased by RMB 0.1 million as compared to 2Q 2016 mainly due to higher revenue from the refurbished apartments at Somerset Xu Hui Shanghai, partially offset by weaker demand from project groups in the regional cities. REVENUE increased by 1% from RMB 408 in 2Q 2016 to RMB 413 in 2Q 2017. Gross profit increased by RMB 6.6 million or 28% due to lower business tax, property tax refund and depreciation expense.

In SGD terms, revenue decreased by S\$0.4 million or 3% due to depreciation of RMB against SGD, partially mitigated by stronger underlying performance. Gross profit, in SGD terms, increased by S\$1.2 million or 25%.

Indonesia

Revenue decreased by USD 0.2 million or 6% as compared to 2Q 2016 due to weaker corporate demand. REVENUE decreased by 9% from USD 81 in 2Q 2016 to USD 74 in 2Q 2017. Gross profit decreased by USD 0.1 million or 9% due to lower revenue.

In SGD terms, revenue decreased by S\$0.1 million or 2% as compared to 2Q 2016 due to weaker underlying performance, partially mitigated by appreciation of USD against SGD. Gross profit, in SGD terms, decreased by S\$0.1 million or 7%.

Japan

Revenue and gross profit decreased by JPY 156.1 million or 13% and JPY 123.3 million or 18% respectively, as compared to 2Q 2016 mainly due to the divestment of 18 rental housing properties in Tokyo, Japan on 26 April 2017.

On a same store basis, revenue decreased by JPY 48.0 million or 4% due to lower average daily rates achieved arising from keen competition and new supply. REVENUE decreased by 6% from JPY 13,113 in 2Q 2016 to JPY 12,289 in 2Q 2017. Gross profit decreased by JPY 30.7 million or 5% as compared to 2Q 2016 due to lower revenue.

In SGD terms, revenue and gross profit decreased by S\$1.8 million or 12% and S\$1.4 million or 17% respectively due to weaker underlying performance, mitigated by appreciation of JPY against SGD.

Malaysia

Revenue decreased by MYR 0.7 million or 15% as compared to 2Q 2016 due to weaker market demand. REVENUE decreased by 16% from MYR 246 in 2Q 2016 to MYR 207 in 2Q 2017. Gross profit decreased by MYR 0.4 million or 27% due to lower revenue.

In SGD terms, revenue and gross profit decreased by S\$0.4 million or 25% and S\$0.1 million or 20% respectively due to weaker underlying performance and depreciation of MYR against SGD.

The Philippines

Revenue increased by PHP 48.1 million or 29% as compared to 2Q 2016 due to renovation of Ascott Makati in 2Q 2016. REVENUE increased by 24% from PHP 3,459 in 2Q 2016 to PHP 4,285 in 2Q 2017. Gross profit increased by PHP 18.5 million or 36% due to higher revenue, partially offset by higher depreciation expense (arising from the renovation of Ascott Makati).

In SGD terms, revenue and gross profit increased by S\$1.1 million or 22% and S\$0.5 million or 33% respectively due to stronger underlying performance, partially offset by depreciation of PHP against SGD.

Singapore

Revenue decreased by S\$0.3 million or 5% as compared to 2Q 2016 due to weaker market demand. REVENUE decreased by 5% from S\$200 in 2Q 2016 to S\$191 in 2Q 2017.

Gross profit decreased by S\$0.5 million or 17% due to lower revenue and property tax refund in 2Q'16 (due to one-off refund in respect of prior periods as a result of lower property value assessed by the Inland Revenue Authority of Singapore).

The United States of America

Revenue increased by USD 1.8 million or 12% as compared to 2Q 2016, mainly due to the full quarter contribution from Sheraton Tribeca New York Hotel which was acquired on 29 April 2016. REVPAU decreased by 4% due to lower REVPAU from Sheraton Tribeca New York Hotel. Gross profit decreased by USD 0.5 million or 9% due to recognition of operating lease expense on a straight-line basis. Excluding this straight-line recognition of operating lease expense, gross profit increased by USD 0.1 million or 2%.

Excluding the contribution from Sheraton Tribeca New York Hotel and straight-line recognition of operating lease expense, both revenue and gross profit decreased by USD 0.2 million as compared to 2Q 2016.

In SGD terms, revenue increased by S\$3.0 million or 14% and gross profit decreased by S\$0.6 million or 8%. Excluding the straight-line recognition of operating lease expense, gross profit increased by S\$0.3 million or 4%.

Vietnam

Revenue increased by VND 32.4 billion or 22% in 2Q 2017 as compared to 2Q 2016. The increase was mainly due to higher revenue from the refurbished apartments at Somerset Ho Chi Minh City and higher corporate demand for serviced residences. REVPAU increased by 23% from VND 1,388,000 in 2Q 2016 to VND 1,708,000 in 2Q 2017. Gross profit increased by VND 17.5 billion or 21% due to higher revenue, partially offset by higher depreciation expense.

In SGD terms, revenue and gross profit increased by S\$2.0 million or 22% and S\$1.1 million or 22% respectively due to stronger underlying performance.

8(b) Revenue and Gross Profit Analysis – YTD Jun 2017 vs. YTD Jun 2016 (Local Currency (“LC”))

		Revenue ¹			Gross Profit ¹			REVPAU Analysis ²			
		YTD Jun 2017	YTD Jun 2016	Better/ (Worse)	YTD Jun 2017	YTD Jun 2016	Better/ (Worse)	YTD Jun 2017	YTD Jun 2016	Better/ (Worse)	
		LC'm	LC'm	%	LC'm	LC'm	%	LC/day		%	
Master Leases											
Australia	AUD	3.6	3.6	–	–	3.4	3.4	–	–	–	–
France	EUR	11.6	11.5	0.1	1	10.6	10.6	–	–	–	–
Germany	EUR	3.3	2.9	0.4	14	3.1	2.7	0.4	15	–	–
Japan	JPY	266.6	266.6	–	–	209.3	207.7	1.6	1	–	–
Singapore	S\$	3.7	4.0	(0.3)	(8)	3.4	3.6	(0.2)	(6)	–	–
Management contracts with minimum guaranteed income											
Belgium	EUR	3.7	3.1	0.6	19	1.1	0.6	0.5	83	57	49
Spain	EUR	2.7	2.4	0.3	13	1.4	1.1	0.3	27	98	93
United Kingdom	GBP	12.6	12.1	0.5	4	5.4	5.4	–	–	109	104
Management contracts											
Australia	AUD	13.5	13.7	(0.2)	(1)	5.4	5.7	(0.3)	(5)	147	149
China	RMB	148.0	151.3	(3.3)	(2)	52.7	44.1	8.6	20	400	404
Indonesia	USD	5.8	5.9	(0.1)	(2)	2.0	2.4	(0.4)	(17)	75	76
Japan	JPY	2,174.7	2,368.7	(194.0)	(8)	1,171.3	1,333.4	(162.1)	(12)	11,713	12,343
Malaysia	MYR	8.0	9.6	(1.6)	(17)	2.3	3.2	(0.9)	(28)	214	255
Philippines	PHP	441.5	361.9	79.6	22	141.5	113.5	28.0	25	4,455	3,687
Singapore	S\$	11.8	12.9	(1.1)	(9)	4.7	5.5	(0.8)	(15)	185	201
United States of America	USD	28.6	21.6	7.0	32	5.0	5.9	(0.9)	(15)	199	216
Vietnam	VND ¹	360.8	308.9	51.9	17	202.4	171.5	30.9	18	1,689	1,452

¹ Revenue and Gross Profit figures are stated in millions, except for VND which are stated in billions.

² REVPAU for Japan refers to serviced residences and excludes rental housing. REVPAU for VND are stated in thousands.

8(b) **Revenue and Gross Profit Analysis – YTD Jun 2017 vs. YTD Jun 2016 (S\$)**

	Revenue				Gross Profit				REVPAU Analysis ¹		
	YTD Jun 2017	YTD Jun 2016	Better/(Worse)		YTD Jun 2017	YTD Jun 2016	Better/(Worse)		YTD Jun 2017	YTD Jun 2016	Better/(Worse)
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%	S\$/day		%
Master Leases											
Australia	3.9	3.6	0.3	8	3.7	3.4	0.3	9	–	–	–
France	17.5	17.7	(0.2)	(1)	16.0	16.3	(0.3)	(2)	–	–	–
Germany	5.1	4.5	0.6	13	4.6	4.1	0.5	12	–	–	–
Japan	3.3	3.2	0.1	3	2.6	2.5	0.1	4	–	–	–
Singapore	3.7	4.0	(0.3)	(8)	3.4	3.6	(0.2)	(6)	–	–	–
Sub-total	33.5	33.0	0.5	2	30.3	29.9	0.4	1	–	–	–
Management contracts with minimum guaranteed income											
Belgium	5.6	4.8	0.8	17	1.7	0.9	0.8	89	87	75	16
Spain	4.1	3.7	0.4	11	2.0	1.6	0.4	25	148	143	4
United Kingdom	22.3	24.4	(2.1)	(9)	9.4	10.8	(1.4)	(13)	193	209	(8)
Sub-total	32.0	32.9	(0.9)	(3)	13.1	13.3	(0.2)	(2)	155	160	(3)
Management contracts											
Australia	14.2	13.8	0.4	3	5.8	5.8	–	–	155	152	2
China	30.3	32.2	(1.9)	(6)	10.8	9.4	1.4	15	82	86	(5)
Indonesia	8.2	8.2	–	–	2.8	3.3	(0.5)	(15)	106	106	–
Japan	27.1	28.9	(1.8)	(6)	14.6	16.3	(1.7)	(10)	146	150	(3)
Malaysia	2.5	3.2	(0.7)	(22)	0.7	1.1	(0.4)	(36)	68	86	(21)
Philippines	12.5	10.7	1.8	17	4.0	3.3	0.7	21	126	109	16
Singapore	11.8	12.9	(1.1)	(9)	4.7	5.5	(0.8)	(15)	185	201	(8)
United States of America	40.4	30.0	10.4	35	7.0	8.2	(1.2)	(15)	281	300	(6)
Vietnam	22.4	19.1	3.3	17	12.6	10.6	2.0	19	105	90	17
Sub-total	169.4	159.0	10.4	7	63.0	63.5	(0.5)	(1)	134	129	4
Group	234.9	224.9	10.0	4	106.4	106.7	(0.3)	–	137	134	2

¹ REVPAU for Japan refers to serviced residences and excludes rental housing.

For the six months ended 30 June 2017 (“YTD Jun 2017”), revenue increased by S\$10.0 million or 4% as compared to the corresponding period last year (“YTD Jun 2016”). The increase in revenue was mainly due to additional contribution of S\$11.5 million from the 2016 Acquisition and 2017 Acquisitions. The increase was partially offset by decrease in revenue of S\$1.5 million from the Divestment. Revenue from the existing properties remained at the same level as last year.

On a same store basis, revenue remained stable mainly due to higher revenue from Vietnam (due to higher corporate demand) and Philippines (due to renovation last year). The increase was partially offset by lower revenue from United Kingdom (due to depreciation of GBP against SGD) and Singapore (due to weaker market demand).

REVPAU increased from S\$134 in YTD Jun 2016 to S\$137 in YTD Jun 2017. On a same store basis, excluding the 2016 Acquisition, REVPAU decreased by 1%.

Gross profit for YTD Jun 2017 decreased by S\$0.3 million as compared to YTD Jun 2016. This was mainly due to higher staff costs, property tax expense, marketing expense, depreciation expense (arising from the renovated properties) and higher operating lease expense (arising from the recognition of operating lease expense on a straight-line basis and 2016 Acquisition). On a same store basis, gross profit decreased by S\$0.5 million.

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

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

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

As at 30 June 2017, independent desktop valuations were carried out by Colliers International (except for Citadines Biyun Shanghai, Citadines Gaoxin Xi'an, Citadines Michel Hamburg and Citadines City Centre Frankfurt). In determining the fair value of the Group's portfolio, the discounted cash flow approach was used. The valuation method used is consistent with that used for the 31 December 2016 valuation. Valuations were not carried out for Citadines Biyun Shanghai and Citadines Gaoxin Xi'an pursuant to the announcement for the divestment of these properties on 3 July 2017. For Citadines Michel Hamburg and Citadines City Centre Frankfurt, we have adopted the respective valuation carried out in connection with the acquisition as the fair value of these two properties as at 30 June 2017.

The Group's portfolio was revalued at S\$4,357.9 million, resulting in a surplus of S\$6.0 million which was recognised in the Consolidated Statement of Total Return in 2Q 2017. The surplus resulted mainly from higher valuation of the Group's serviced residences in Vietnam and United Kingdom, partially offset by lower valuation from properties in Philippines and China. The net impact on the Consolidated Statement of Total Return was S\$4.1 million (net of tax and non-controlling interests).

9. **Variance from forecast**

The Group has not disclosed any forecast to the market.

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

On 31 May 2017, Ascott REIT announced the acquisition of its third prime property in New York, the United States of America, a 224-unit DoubleTree by Hilton Hotel New York – Times Square South for US\$106 million. This acquisition would further strengthen Ascott REIT's foothold and presence in New York which saw record visitor arrivals in 2016. Upon completion which is expected to take place in August 2017 and including the Ascott Orchard Singapore which is on track for completion in 4Q 2017, Ascott REIT's asset size will grow to S\$5.3 billion. The Group remains on the lookout for opportunities for accretive acquisitions in key gateway cities in Australia, Japan, Europe and the United States of America.

On the portfolio reconstitution front, following the divestment of 18 rental housing properties in Japan on 26 April 2017, Ascott REIT continued to identify opportunities to unlock the underlying value of properties with limited growth potential and re-deploy proceeds into higher yielding assets. On 3 July 2017, Ascott REIT announced the divestment of two serviced residence properties in China, Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. The properties were divested at 69% above the 2016 valuation and the estimated net gain is approximately RMB 239 million (S\$48.3 million).

The refurbishment of Citadines Barbican London was completed in June 2017. The Group will continue to refurbish Ascott REIT's properties to enhance guest experience and maximise returns to Unitholders.

In June 2017, the US Federal Reserve approved its second rate hike this year, raising its target for short-term interest rates by 25 basis points. The Group continues to maintain a disciplined and prudent approach on the capital management front, with approximately 85% of its total borrowings on fixed interest rates to hedge against the rising interest rate environment. The refinancing of the loans that are coming due in 2017 is completed and the Group will continue to actively monitor its interest rate and exchange rate exposure.

Going forward, Ascott REIT will continue to focus on creating stable income and returns to Unitholders through its diversified portfolio and extended-stay business model, together with the master leases and management contracts with minimum guaranteed income.

11. **DISTRIBUTIONS**

11(a) **Current financial period**

Any distributions declared for the current financial period? Yes

Period of distribution : Distribution for 1 January 2017 to 30 June 2017

Type	Distribution	Distribution Rate (cents)
Taxable Income		0.357
Tax Exempt Income		2.667
Capital		0.332
Total		3.356

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

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

Period of distribution : Distribution for 23 March 2016 to 30 June 2016

Type	Distribution	Distribution Rate (cents)
Taxable Income		0.297
Tax Exempt Income		0.365
Capital		1.628
Total		2.290

In connection with the equity placement exercise on 23 March 2016, Ascott Reit made, in lieu of the scheduled semi-distribution, an advanced distribution of Ascott Reit's distributable income for the period from 1 January 2016 to 22 March 2016 (prior to the date on which the placement units were issued) at 1.55 cents.

11(c) Book closure date : 28 July 2017

11(d) Date payable : 25 August 2017

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

Not applicable.

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

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

14. **Confirmation pursuant to Rule 720(1) of the Listing Manual**

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

15. **Confirmation pursuant to Rule 705(5) of the Listing Manual**

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and REIT (comprising the statements of financial position as at 30 June 2017, consolidated statement of total return, consolidated statement of cash flows and statement of movements in unitholders' funds for the six months ended 30 June 2017, together with their accompanying notes), to be false or misleading in any material aspect.

On behalf of the Board
Ascott Residence Trust Management Limited

Tan Beng Hai
Chairman

Beh Siew Kim
Director

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

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

Karen Chan
Company Secretary
20 July 2017