ASCOTT RESIDENCE TRUST

(Constituted in the Republic of Singapore pursuant to
a trust deed dated 19 January 2006 (as amended))

MINUTES OF THE ANNUAL GENERAL MEETING HELD ON MONDAY, 16 APRIL 2018 AT 2.30 P.M. AT THE STAR GALLERY, LEVEL 3, THE STAR PERFORMING ARTS CENTRE, 1 VISTA EXCHANGE GREEN, SINGAPORE 138617

Present: Unitholders/Proxies

As per attendance lists

In attendance: Directors of Ascott Residence Trust Management Limited, as manager of Ascott Residence Trust (the "**Manager**")

Mr Tan Beng Hai, Bob, Chairman
Mr Lim Ming Yan, Deputy Chairman
Ms Beh Siew Kim, Chief Executive Officer
Mr Zulkifli Bin Baharudin
Mr Sim Juat Quee Michael Gabriel
Ms Elaine Carole Young
Mr Lim Cho Pin Andrew Geoffrey
Mr Lee Chee Koon

Company Secretaries of the Manager
Ms Karen Chan
Ms Karen Chang

Management of the Manager
Ms Kang Siew Fong, Vice President, Finance
Mr Chua Chi Boon, Head, Investment and Asset Management
Ms Leng Tong Yan, Manager, Investor Relations

DBS Trustee Limited, trustee of Ascott Residence Trust
Ms Chan Kim Lim
Ms Kwek Yi Lin

1. Introduction

1.1. On behalf of DBS Trustee Limited, the trustee of Ascott Residence Trust ("**Ascott Reit**", and the trustee of Ascott Reit, the "**Trustee**"), and the Board of Directors of Ascott Residence Trust Management Limited (the "**Board**"), the manager of Ascott Reit ("**ARTML**" or the "**Manager**"), Ms Leng Tong Yan, the Master of Ceremonies (the

"**Emcee**"), welcomed the unitholders of Ascott Reit (the "**Unitholders**") to the annual general meeting of Ascott Reit ("**AGM**" or the "**Meeting**").

1.2. Prior to the commencement of the AGM, the Emcee briefed all in attendance on the emergency evacuation plan and explained that in lieu of refreshments, CapitaVouchers worth $20 (expiring on 31 December 2018) were issued to Unitholders attending the AGM. The Emcee also mentioned that Unitholders who wish to sign up as members of SIAS would be entitled to a one-year free associate membership.

1.3. Ms Beh Siew Kim ("**BSK**"), the Chief Executive Officer of the Manager, gave a presentation covering an overview of Ascott Reit, including a review of FY 2017, portfolio highlights, capital and risk management, contributions to the community and the future outlook of Ascott Reit. BSK noted that at last year's AGM, a Unitholder had asked the Manager to consider implementing a distribution reinvestment plan. BSK reported that the management of the Manager ("**Management**") had reviewed this proposal and concluded that it might not be effective for Ascott Reit. Accordingly, at this juncture, Management did not recommend the implementation of a distribution reinvestment plan.

<u>*After meeting note:*</u>
The presentation slides were subsequently uploaded to the SGXNET on 16 April 2018, after trading hours.

1.4. Following BSK's presentation, the Emcee then introduced the panellists. Thereafter, she handed the proceedings of the Meeting over to Mr Tan Beng Hai, Bob, the Chairman of the Board, who had been nominated by the Trustee to preside as Chairman of the Meeting ("**Chairman**") in accordance with Paragraph 9 of the Schedule of the trust deed constituting Ascott Reit and dated 19 January 2006 (as amended) (the "**Trust Deed**").

1.5. Chairman noted that a quorum was present and declared the Meeting open at 2.50 p.m. As there were no objections from the Meeting, the notice of Meeting dated 19 March 2018 contained in the Booklet sent to Unitholders together with the CD-ROM containing Ascott Reit's 2017 Annual Report (the "**Annual Report**") of the same date was, with the consent of the Meeting, taken as read.

1.6. In line with Rule 730A of the Listing Manual of the SGX-ST, the vote on each Resolution as set out in the notice of Meeting would be decided by way of electronic poll.

1.7. Chairman informed the Meeting that as he was an appointed proxy for this AGM, he would propose all the motions to be tabled.

1.8. Chairman also informed the Meeting that DrewCorp Services Pte Ltd had been appointed as the scrutineers to conduct the electronic poll. Chairman then invited Mr Raymond Lam of DrewCorp Services Pte Ltd to explain the procedure for voting by electronic poll. A test poll was also conducted. Following the explanation, Mr Lam handed the proceedings of the Meeting back to Chairman.

1.9. Chairman also requested that Unitholders raise their questions and/or comments only after the Resolution in respect of the agenda item had been proposed and to adhere strictly to matters that are relevant to the Agenda and also limit the questions to a reasonable number and length.

1.10. Chairman informed Unitholders that he would state whether the Resolution is an Ordinary Resolution or an Extraordinary Resolution and explained that an Ordinary Resolution means a resolution proposed and passed by a majority greater than 50% of the total number of votes cast for and against such Resolution at a Meeting, while an Extraordinary Resolution means a resolution proposed and passed by a majority consisting of 75% or more of the total number of votes cast for and against such Resolution at a Meeting.

ORDINARY BUSINESS

2. Ordinary Resolution 1:
Adoption of Trustee's Report, Manager's Statement, the Audited Financial Statements of Ascott Reit for the financial year ended 31 December 2017 and the Auditors' Report thereon

2.1. Ordinary Resolution 1 to receive and adopt the Report of the Trustee, the Statement by the Manager and the Audited Financial Statements of Ascott Reit for the financial year ended 31 December 2017 and the Auditors' Report was read and duly proposed by Chairman.

2.2. The Chairman invited questions and comments from the floor.

2.3. For his first question, Mr Desmond Lin Yong Sheng ("**Mr Lin**") referred to page 61 of the Annual Report on the operations review of Singapore properties. He noted that the older properties in Singapore had seen a fall in gross rental income for at least two years with some properties seeing a continuous fall of five years. For example, Ascott Raffles Place's gross rental income had fallen in the past two years from S$9.3 million in 2015 to S$7.8 million in 2017. Both Somerset Liang Court and Citadines Mount Sophia even saw five years of continuous decline. Somerset Liang Court's gross rental income fell from S$17.3 million in 2013 to S$15.1 million in 2017, while Citadines Mount Sophia's gross rental income fell from S$10.6 million in 2013 to S$8.6 million in 2017. Mr Lin requested that the Manager share about the concrete actions being taken to prevent a further fall in the gross rental income for the Singapore properties of Ascott Reit (the "**Singapore Properties**").

2.4. BSK thanked Mr Lin for his question and agreed that he had rightly pointed out there had been a recent decline in gross rental income. Out of the four Singapore Properties, two were under master leases, which meant that 85% of the income was fixed, while the other two were under management contracts. She observed an increase in supply of rooms. In 2017 alone, there was an additional supply of over 3,000 hotel rooms in Singapore, which was close to 5% of the total supply. This had an indirect impact on the average daily rates (the "**ADR**") of the properties as the increased supply created pressure on the ADR. BSK explained that the Manager had taken steps to improve the performance of the Singapore Properties by attracting more corporate clienteles for longer stay. She added that the quarterly results showed that the performance of the Singapore Properties in the fourth quarter of 2017 had picked up.

2.5. Mr Lin followed up on his question by highlighting that the decline in gross rental income had continued over a five-year period for Somerset Liang Court and Citadines Mount Sophia. He felt that this might give rise to a greater cause for concern, as opposed to a shorter one-year period of decline.

2.6. BSK pointed out that the serviced residence industry had been largely affected by the increase in supply of hotel rooms and weaker ADR. Properties with bigger apartment sizes such as Somerset Liang Court were affected to a greater extent.

2.7. Mr Lin asked if the independent Directors could provide assurances a similar decline would not befall Ascott Orchard Singapore.

2.8. Chairman replied that the Singapore hospitality market was going through challenging times and that Management had been tasked to explore the possibilities for improving the performance of the Singapore Properties such as actively seeking for new clientele. For older properties, the Board also considered whether to divest or uplift these properties to improve on the rental rates.

2.9. BSK added that to provide some context for Ascott Orchard Singapore specifically, Ascott Orchard Singapore currently had the second highest ADR in Orchard Road. She remarked that it was therefore doing well as a property, notwithstanding the keen competition and the declining demand. BSK expressed confidence that the Singapore Properties would do better over the longer term, especially in 2018 and 2019 given the tapering supply.

2.10. For his second question, Mr Lin observed that Ascott Reit's properties in China saw gross rental income decrease last year, including Somerset Heping Shenyang and Somerset Grand Central Dalian. He noted that as a result, almost all the properties in China saw a fall in valuation. Mr Lin sought to understand the reasons for these results.

2.11. BSK responded that four out of the seven properties in China were in first-tier cities and the performance of these properties had stabilised, after taking into account two China properties which had been divested. BSK informed that Somerset Xu Hui Shanghai was renovated last year and it registered a double-digit growth in ADR. With respect to the properties in the second-tier cities, the property in Dalian was affected by a downturn in the shipping industry while in Shenyang, the property was affected by a downturn in the automobile industry. Nevertheless, on portfolio basis, the properties in China had in fact stabilised.

2.12. For his third question. Mr Lin referred to page 123 of the Annual Report on the portfolio statements of the Indonesian properties. Mr Lin noted that the Indonesian properties have a short remaining lease terms of less than 10 years. He asked whether Management had any plans regarding the Indonesian properties.

2.13. BSK responded that despite the short remaining lease terms, Ascott Reit was allowed to renew the lease for a nominal lease top-up amount. It was common in Indonesia to extend the lease of the properties.

2.14. For his fourth question, Mr Lin referred to page 123 of the Annual Report on the portfolio statements of the Japanese properties. Mr Lin observed that almost all the properties in Japan acquired soon after Ascott Reit was listed had current valuations which lag far below their purchase prices. For instance, the valuation of Somerset Azabu East Tokyo had dropped from S$73.2 million in 2007 to $43.2 million last year, a 41% drop in value in a decade. Mr Lin further noted that unlike Indonesian properties, properties in Japan were freehold and not subject to lease decay. Mr Lin asked how Ascott Reit's investment process had improved since 2007 to prevent such devaluation of properties.

2.15. BSK responded that the yields of the Japanese properties were hovering at around 5%. Ascott Reit had therefore been maintaining the yields since acquisition. She explained that the decline in valuation of the properties in Singapore dollar terms could be partly due to foreign exchange rates and also partly due to operational adjustments. Nevertheless, the current property yields were close to 5%, which was in line with the yields since acquisition. She concluded that while there might be some short-term impact on valuation, over the long term, the yields remain stable at around 5%.

2.16. Mr Lin queried if the independent directors were open to using a different management company or master lessor should the properties see continuous negative rental reversions or devaluations.

2.17. Chairman first explained that performance of Ascott Reit had to be assessed since its inception, both in terms of yield and capital appreciation. Since inception, Ascott Reit had capitalised around S$300 million worth of realised gains from the disposal of assets. This showed that the investments had been made prudently and wisely, to the extent that Ascott Reit had been able to crystallise these gains. Additionally, the yield of Ascott Reit had been relatively stable over the course of that period. Should Ascott Reit be benchmarked against other REITs, Ascott Reit was doing much better than average. Unitholders enjoyed both stability of yield and, at the same time, above average returns. In that context, the Chairman opined that the Manager was doing a good job for Ascott Reit. Chairman acknowledged that there would be ups and downs in the performance of the properties, but he felt that on average, Ascott Reit was performing well. Chairman highlighted that the Manager was owned by the Sponsor, and that Ascott Reit had purchased a significant number of its assets from them, which had given Ascott Reit both good yields and gains. He noted that the Manager/Sponsor was part of a large group with a ready supply of such assets.

2.18. Having said that, Chairman reassured Unitholders that the Board would consider looking elsewhere if the properties were not delivering the expected returns and Ascott Reit was not doing well. Chairman also pointed out that the operator had been expanding its footprint and this provided economies of scale and a network which helped to improve the performance of Ascott Reit. Overall, Chairman concluded that the Sponsor group had been a good partner, and that the performance of the Manager and the operator had been positive.

2.19. Chairman pointed out that in respect of the Japanese properties, there was the issue of the depreciation in Japanese Yen. Nevertheless, gains had been made on the assets sold off in Japan. Chairman highlighted that the Japanese market was an interesting market because of its attractiveness as a destination, and that Ascott Reit was shifting the focus of its portfolio from rental housing towards long-term serviced residence stay. It is a matter of trying to buy properties at the right yield. Moreover, the borrowing rate in Japan was low relative to the yield which made the Japan market attractive from a long-term perspective.

2.20. Mr Lin reiterated Ascott Reit's mission to deliver stable and sustainable returns to Unitholders and that returns should mean total returns. There should be preservation of the asset value apart from a focus on the yield.

2.21. Next, Mr Lin asked Mr Lim Ming Yan ("**LMY**") how, in light of his background and experience, Ascott Reit could avoid a scenario similar to that faced by the properties in Japan.

2.22. LMY first explained that Ascott Reit made investments in serviced apartments by identifying markets where there could be both capital gains and a certain level of yield in the short term. Investments were hence assessed on whether they were yield-accretive to the existing unitholders, and whether, going forward, there was potential for higher capital gains and for operating income to grow.

2.23. LMY stated that with respect to the Japanese properties, Ascott Reit had been actively recycling the properties and this had led to a healthy gain. For example, there might be opportunities for asset enhancement or for disposing some of the properties and identifying other reinvestment opportunities. The Japanese market faced challenges arising from some rules and regulations, and this had given rise to implications for some of the Japanese properties, such as in the case of Somerset Azabu East. Therefore, the properties were being repositioned by Ascott Reit as long-stay residences, which had led to improved returns. In relation to specific properties, there were asset management issues which the operator was reviewing to reposition the properties. Nevertheless, on the whole, LMY opined that Japan market was still the preferred market. In the major cities, like Tokyo, Osaka and Fukuoka, there would continue to be demand, particularly among the transient population – people who had moved to Japan for short periods of time and for whom serviced apartments had become the mainstay. There were still some opportunities and Ascott Reit had to be selective and agile such as by disposing of properties which did not have much upside and reinvesting in properties which present value add opportunities.

2.24. LMY stated that with respect to the Singapore properties, he echoes the Chairman's view that the property should not be assessed on the operating performance alone but also how Ascott Reit could add value to it. This might, for instance, involve redevelopment such as in the case of Ascott Orchard Singapore. Ascott Orchard Singapore was held by Ascott Reit for a long time, before Ascott Reit took the opportunity to redevelop it. When it was disposed of at the time of redevelopment, it generated a lot of gains for Ascott Reit. He stressed that the properties should also be looked at in totality over a period of time rather than in the short term as a property which seemed to not be doing well in a particular moment of time might have been generating returns for shareholders.

2.25. Ms Kang Siew Fong ("**KSF**"), Vice President, Finance, added that with respect to the Japan portfolio, the valuation of the portfolio in Japanese Yen terms was in fact higher than the acquisition price.

2.26. Mr Lin noted that this was true for the later acquisitions but clarified that his concerns applied to the earlier acquisitions. Mr Lin opined that the size of these properties, namely Somerset Azabu East Tokyo and Roppongi Residences, was relatively big in the context of the Japan portfolio.

2.27. Lastly, Mr Lin referred to page 182 of the Annual Report on financial liabilities. Mr Lin noted that the weighted average effective interest rate per annum relating to the bank loans and medium-term notes at the reporting date was 2.44%. Mr Lin also noted that the Manager had commenced discussion to refinance the loan facilities in 2018, which amount to S$264.3 million. Mr Lin asked if the interest rate of the loan facilities after refinancing would likely be higher or lower than 2.44%.

2.28. BSK disclosed that the interest rate is likely to be slightly lower based on current negotiations.

2.29. Mr Gunther Witt ("**Mr Witt**") first suggested that a meaningful summary of the remaining land tenure be included in the next Annual Report as it could be tedious to go through all the properties.

2.30. Mr Witt went on to ask for a confirmation as to whether the two properties in Indonesia with short remaining tenures would either be sold or renewed. Mr Witt also noted that the properties in Vietnam had land tenures of about 20 years, which were relatively short, and asked if there were any concrete plans for those properties. Lastly, Mr Witt mentioned that he saw a report referring to Ascott Reit as a business trust. He sought clarification on whether Ascott Reit was a business trust or real estate investment trust ("**REIT**") as he found the use of terminology confusing.

2.31. In relation to the question on the Indonesian properties, BSK responded that there were two Ascott Reit properties in Jakarta and that the current rules allow Ascott Reit to renew the lease when it expires. This had been done before for other properties in Indonesia not owned by Ascott Reit. She acknowledged that should there be a failure to renew, there was also the possibility of selling the property.

2.32. In relation to the Vietnam properties, BSK stated that there were five properties with a remaining lease period of about 20 years. The properties in Vietnam were held through joint venture arrangement with joint venture partners. When the lease expires, it would have to be renewed and the joint venture arrangement would have to be renegotiated. BSK affirmed that this was likely to happen in around 20 years' time.

2.33. In relation to the use of terminology of REITs and business trusts, BSK clarified that Ascott Reit is listed as a REIT. Ascott Reit falls under the REIT regime and not the separate regime for business trusts.

2.34. Mr Prem Prakash ("**Mr Prakash**") expressed that he would like to see some processes for digitalisation being put in place for Ascott Reit and Mr Prakash asked if there was a digitalisation plan that the Board would like to share with Unitholders, if not in the current AGM then in the next AGM. Mr Prakash observed that The Singapore government was making efforts to digitally enable companies. He noted that Ascott Reit was in an industry where the growth rate was very high, and it faced stiff competition from the hotel industry as well. Secondly, Mr Prakash suggested that it was high time that Ascott Reit establish a digitalisation committee at the level of the Board. He expressed a concern that initiatives would not be effectively implemented should the committee be formed at a lower level. Lastly, Mr Prakash commented that the Annual Report should not be sent to Unitholders in the form of a CD ROM as many devices used today were no longer able to read CD ROMs.

2.35. Chairman first clarified that there was a distinction between the REIT and the operator. Chairman stated that the REIT owns the assets and the operator runs it to maximise the yield and returns. The REIT worked closely with the operator in the area of digitalisation because it was the operator which had to introduce digitalisation to a wider extent for the benefit of the REIT's assets.

2.36. BSK shared that the operator had invested heavily into digital innovation and that there was a special department set up for this purpose. The operator had a committee looking into digital innovation and for ways to use technology to improve the processes in the industry and properties. For example, there had been investments to improve frontline systems so that the process of checking in and out was becoming seamless. The online system had also been improved to make bookings easier.

2.37. In relation to the comment on the CD ROM, BSK stated that the issuance of the CD ROM was due to the requirements of the Code on Collective Investment Schemes. Nevertheless, after the AGM, when the Unitholders approved the electronic communications resolution, Unitholders would not be receiving the CD ROM. Instead, Unitholders would be encouraged to go online for updates.

2.38. Mr Prakash asked if Ascott Reit could send the Annual Report directly to Unitholders via email. He pointed out the distinction between the "push" and "pull" modes of communication and suggested that the former be adopted as it was a more effective form of communication. Mr Prakash stated that many older Unitholders might have difficulty in using the "pull" mode of communication.

2.39. In relation to the digitalisation efforts by Ascott Reit, Mr Lee Chee Koon ("**LCK**") assured Mr Prakash that a significant amount of time had been spent on digitalisation efforts. LCK further stated that he had been personally driving the digital change when he was running The Ascott Limited ("**Ascott**"). The infrastructure was changed to ensure ease of booking by customers and this allowed Ascott to tap on the rising levels of middle income, especially the large number of Chinese customers travelling in China, so that Ascott was best prepared to capture them and it was easy for them to stay at Ascott. Ascott was continuing this programme. With regard to the level of the Board's attention to this matter, LCK highlighted that during the last few years, LMY had set up a technology council in his capacity as CEO of CapitaLand Limited ("**CapitaLand**"). The council members were experienced people who had invested in top technology companies. They advise LMY and his management on new technology trends and companies so as to better position the CapitaLand group for the future.

2.40. Mr Prakash agreed with these efforts, although he opined that more could be done and suggested that matters relating to digitalisation be reflected in the presentation at the next AGM.

2.41. Chairman thanked Mr Prakash for his very valid inputs, and assured Mr Prakash that the Board constantly challenges the operator to embrace digitalisation for managing the properties. However, it might not be appropriate for a digitalisation committee to be set up at the Board level as the Board's role was to ensure that the operator enhanced the yield of the properties through various means including digitalisation. The benefit of working with Ascott was that Ascott was managing other properties owned by Ascott Reit. This had allowed Ascott to mine data relating to customer preferences and habits. Such data could be used to help Ascott Reit on a global scale. Chairman also stated that he agreed with Mr Prakash and that there would be a sharing of digitalisation efforts in the next AGM.

2.42. For his first question, Mr Vincent Tan ("**Mr Tan**") referred to page 100 of the Annual Report on the average length of stay. Mr Tan noted that the average length of stay that was one week or less had increased from 37% in 2012 to 57% in 2017. Mr Tan asked what the driver for this was, given what the Directors had earlier mentioned about the balance between stability and higher room rates.

2.43. BSK responded that over the years, the average length of stay had declined from four months to three months and that the percentage in respect of one week or less had increased. This was partly because of a shift in corporate demand away from longer term stays with more shorter-term contracts being signed. Nevertheless, BSK also pointed out that such shorter-term contracts also allowed Ascott Reit to enjoy better rental revenue.

2.44. Mr Tan noted the distinction between the "stable group" which consists of the properties with master leases and management contracts with minimal guaranteed income which had been consistent and the other properties which provide the upside. Mr Tan asked if the increased shorter-term contracts mean that the other properties should be seeing higher rentals and whether this was reflected in the gross rental income figures.

2.45. BSK responded that this depends on the properties on a portfolio basis and also on the contracts. Generally, shorter leases bring higher rental as compared to longer term leases. On the other hand, the volatility arising from shorter leases must be managed. On a portfolio basis, shorter leases brought higher returns but certain properties might experience a decline in operational performance depending on the country.

2.46. Mr Tan asked if on a portfolio basis, Ascott Reit was seeing better room rates.

2.47. BSK responded that on a portfolio basis, the revenue per available unit ("**RevPAU**") had increased from 2016 to 2017 by about 3%.

2.48. Mr Tan asked if this was true for the period from 2012 to 2017 as well.

2.49. BSK responded that it was true that the RevPAU for 2017 was higher as compared to the average of the past 5 years.

2.50. For his second question, Mr Tan noted that the gearing had fallen to 36.2% after the equity fund raising. Previously, the gearing was about 40% which some were not comfortable with. Mr Tan asked if the fall in gearing represented a mind-set shift that the gearing would now be kept lower in the future or if there would be a reversion back to 40%.

2.51. Chairman responded that 40% was the right level of gearing because there was already a 5% buffer from the regulatory limit. If gearing was too low, Ascott Reit was not leveraging sufficiently because yield came from borrowing cheap and generating yield above the borrowing rate. Ascott Reit would like to see 40% gearing as the norm but there would be times where the gearing would fall and such an occasion presents an opportunity to purchase property. The current situation was a snapshot of Ascott Reit, and was not representative of the ideal level of gearing in the eyes of the Board, which was about 40%.

2.52. For his third question. Mr Tan referred to the debt by currency profile on page 96 of the Annual Report. He noted that the debt by currency profile represented the types of currency that Ascott Reit transacted in and that there was a natural hedging where Ascott Reit buys and borrows in the asset's currency. Mr Tan also noted that Ascott Reit did hedging in three currencies, namely, the Japanese Yen, the Euro and the British Pound. Mr Tan wanted to clarify if the other currencies were hedged.

2.53. BSK responded that the currencies on the debt currency profile were taken from all the properties that Ascott Reit had in those countries. Additionally, the currency hedge was an income hedge. Almost half of the foreign currency assets were hedged through natural hedging and this was a balance sheet hedge. On the other hand, the income hedge applied where Ascott Reit received distributions in foreign currency and Ascott Reit hedged the currency at the beginning of the year so that the currency would be locked in when the distributions were received. This was why the Euro, the Yen, and Sterling were hedged.

2.54. Mr Tan noted that there was a 0.5% impact on gross profit due to exchange rate movement and asked about the cost of the hedging. Mr Tan queried what the effect would be on Ascott Reit should there be no hedging at all as Ascott Reit should have a level of stability arising from its diversification in terms of its brands and geography.

2.55. BSK first stated that the 0.5% exchange rate movement is for the full year after taking into account the forward contracts through which Ascott Reit has hedged. This was an indication of how protected Ascott Reit was from foreign currency exposure through its diversified portfolio and hedging. BSK added that it would be more prudent to hedge as Management would then be certain on the income in those hedged currencies at the end of the year.

2.56. Mr Tan said that it should be considered whether hedging was still necessary in light of the increased diversification of Ascott Reit's portfolio. He recalled being told at last year's AGM that the penalty of not hedging was not high. He alluded to the risk involved in hedging, which had affected other REITs.

2.57. Chairman explained that Ascott Reit did not hedge 100% and that the hedges were in varying currencies and percentages. The idea was so that within the basket of currencies, there was some level of hedging which gave fixed rates and there was some level of contra that took place. Chairman added that the approach to hedging was not scientific because certain currencies appreciate higher than others and the exposure to various currencies had to be taken into account as well. The level of hedging was something that the Audit Committee had been asked to look at constantly and it considered whether Ascott Reit was under hedged in some currencies as opposed to others. Ascott Reit should avoid a situation where a particular event, such as Brexit, could lead to a sudden significant impact on Ascott Reit's currency exposure. This was an issue that the Audit Committee constantly looks at in terms of currency management, together with the Board. Not hedging entirely would expose Ascott Reit to a high level of risk. Ascott Reit should ensure that it did not end up in a situation where it had to pay too much in hedging costs, and it should consider its portfolio management as well.

2.58. KSF added that previously where there was no hedging of income, the impact on gross profit had been hovering around ±3%. Nevertheless, the cost of hedging these few currencies was very minimal.

2.59. LCK explained that in considering hedging, Ascott Reit looked at the outlook of the currencies and the cost of hedging. If the cost of hedging was low and could give certainty of income to Unitholders, it was a position that Ascott Reit would take.

2.60. Chairman stated that there were two forms of hedges. One was the hedging of income and the other was balance sheet hedging. Balance sheet hedging involved large sums of money and must be watched very carefully. Ascott Reit should avoid a situation where there was a large exposure without hedging and this was monitored by the Board very closely.

2.61. Lastly, Mr Tan referred to Mr Lin's questions on valuation as well as the gross rental income table on page 61 of the Annual Report. Mr Tan noted that the annualised gross rental income of Ascott Orchard Singapore was around S$12 million a year, including a variable component of around 15%, and that the value at acquisition was S$405 million. Mr Tan compared this to Somerset Liang Court which had a gross rental income of around S$15 million with a S$128 million valuation at acquisition and Ascott Raffles Place which had a gross rental income of about S$7.8 million with a value at acquisition of S$220 million. Mr Tan stated that the gross yield for Ascott Orchard Singapore seemed low and asked whether Ascott Reit had overpaid for the property. Mr Tan also asked what could be expected in the future.

2.62. BSK responded that Ascott Orchard Singapore was acquired in October last year and that at the point of acquisition, the rental of the property was fixed under a master lease at about S$13.3 million. On an annualised basis, the fixed term was just over 3% which was in line with what was trading in the market. Nevertheless, the target yield was about 4.5% and she expected that this might be achieved by this year or next year. If the value of the property was adjusted to a per key basis, it would cost about S$1.2 million which was comparable to the hotel per key transactions in the market. Therefore, Ascott Reit did not overpay for the property. This was especially since the property was located on Orchard Road, a very prime location. The property's operational performance had done very well and occupancy was close to 80%. The property was also seeking to increase their corporate account base. Moreover, the ADR for Ascott Orchard was currently the second highest in Orchard amongst hotels and serviced apartments.

2.63. Chairman stated that it was important to note that in certain properties in other countries, yield was much higher than in Singapore. The belief was that properties in Singapore were good properties which had stable valuations and potential upside. In other countries where there was a high yield, there was a possibility that the valuation could fall. The distinction was between stability and risk. One should be benchmarked against the norm of the country in which one was operating. Among the Singapore properties, there were variations in yield as well. Ascott Orchard Singapore was a new property and there was upside both in terms of yield and valuation. In comparison, older properties might require a lot of money to be upgraded and the upside could be limited.

2.64. Mr Tan noted that Ascott Reit had a very diversified portfolio and stated that one should be cognisant of asset price cycles and the tourist arrival cycles. Mr Tan agreed that one should assess the property over a long period of time and how the whole portfolio balances out instead of focusing on the valuation at a point in time.

2.65. LMY clarified that Ascott Orchard Singapore was a redevelopment from Somerset Grand Cairnhill, a property owned by Ascott Reit, which decided that the best option at that point in time was to redevelop the site so as to retain a presence in Orchard Road. The S$405 million valuation was arrived at based on the revalued land cost and the construction cost.

2.66. LCK added that he believed that Ascott Reit made a profit of about S$87 million from the redevelopment. The additional profit was used to fund the acquisition of Ascott Raffles Place and the Ascott Guangzhou. There was a continuous portfolio reconstitution strategy, where realised profits are used to fund growth.

2.67. Mr Tan Choon Hui ("**Mr Tan CH**") noted that the disclosure on the properties only included agreed property valuation at acquisition. Mr Tan CH requested for the valuations of the property over the preceding two years to be disclosed in the Annual Report as well to give Unitholders a sense of the property valuations from year to year. Mr Tan CH also requested for the occupancy rate of each property to be disclosed in the Annual Report. Lastly, Mr Tan CH suggested that Ascott Reit gave out thumb drives instead of CD ROMs because not all PCs accept CD ROMs any more. He also noted that for certain websites, it was difficult to find the latest version of the Annual Report.

2.68. In relation to the comment on the CD ROM, Chairman thanked the Unitholder for the comment and stated that the Board would take that into consideration.

2.69. BSK stated that the valuation of the current year and prior year were stated in the audited accounts. Additionally, occupancy on a portfolio basis was disclosed instead of for each individual property as this was more meaningful. Ascott Reit also showed the RevPAU of the properties and this was a meaningful refection of the properties' performance as it allowed Unitholders to analyse the performance of the properties driven by occupancy and the ADR.

2.70. For his first question, Mr Pooi Choon Teck ("**Mr Pooi**") referred to page 70 of the Annual Report in relation to the French properties. Mr Pooi noted that page 70 of the Annual Report indicated that the remaining lease term for various properties was less than one year and three years. Mr Pooi asked how many of the French properties had a remaining lease of less than one year and how the Management intended to address this.

2.71. BSK responded that six out of 17 French properties were due for renewal this year. Ascott Reit would renew the leases this year and extend the tenure by another three years. The process had commenced and an independent valuer had been appointed to assist in the process of renewal.

2.72. For his second question, Mr Pooi referred to page 133 and 134 of the Annual Report. He asked what was meant when it was stated that the tenure of land was freehold, but the term of lease was 20 years and the remaining term of the lease dropped to two years.

2.73. KSF responded the term of lease refers to the tenure of the finance lease. These five properties referred to were under a finance lease arrangement. The remaining two years refers to the remaining tenure of the finance lease. Upon the expiry of the finance lease, Ascott Reit could pay a nominal amount to exercise the option to buy the asset. The properties were in fact freehold properties.

2.74. Mr Pooi noted that with regards to the exchange rate, there were two which were referred to in the Annual Report. One relating to the income and the other relating to the balance sheet. Mr Pooi suggested providing an average exchange rate that Ascott Reit had used for income for that year and the translation rate for that year so that Unitholders could know the exchange rate used for each currency, particularly for the income and balance sheet for the year. Mr Pooi also noted that the Annual Report did not address how hedging would affect the currencies that contribute to the income.

2.75. KSF explained that the exchange rates were not disclosed because it was not required by the accounting standards. Nevertheless, the Manager would take Mr Pooi's suggestion into consideration.

2.76. Chairman stated that while it was possible to provide the information, it would only be worthwhile to do so if the information was useful to assess the financials of the organisation. The Manager noted that Unitholders should not be flooded with information which was not helpful.

2.77. Mr Pooi stated that the disclosure of the exchange rates would not take up too many pages and that Unitholders could decide whether or not they wish to review them. Guidance could be provided on the types of hedging done or the rates taken for the income. Disclosure of exchange rates in relation to the income hedge would be especially helpful, as these were not publicly disclosed in the newspaper, unlike balance sheet exchange rates.

2.78. BSK responded that the slides relating to foreign currency risk management would provide an indication of how the rates had impacted gross profit for the year.

2.79. Mr Pooi noted that this was provided as a percentage and suggested that having the actual value would be more meaningful.

2.80. Separately, Mr Pooi noted that Ascott Orchard Singapore was under a master lease and asked if there was a variable component.

2.81. BSK responded that there was a fixed component of S$13.3 million. For anything beyond that, Ascott Reit would get 85% of the net operating income as well.

2.82. Mr Lim Oon Seng Wilson ("**Mr Lim**") referred to page 187 of the Annual Report on perpetual securities and noted that Ascott Reit was paying 5% on S$150 million and 4.68% on S$250 million. He stated that the rates were relatively high as compared to the average borrowing rate of 2.44% highlighted in the opening of the AGM. Mr Lim suggested for Ascott Reit to redeem the perpetual securities as Unitholders rank behind them and it was expensive. He noted that the distribution rate was currently close to the perpetual securities rate.

2.83. Chairman stated that perpetual securities were classified as equity. Hence, the 4% or 5% rate could be looked at in terms of the dividend yield for equities. Chairman added that without perpetual securities, Ascott Reit would need to draw on equity, otherwise, the 45% leverage limit would be breached. Ascott Reit therefore had to make a choice between approaching Unitholders for equity and borrowing through perpetual securities where the yield was lower than yield given to Unitholders.

2.84. Mr Lim agreed fully with Chairman's analysis, and suggested that Ascott Reit approach Unitholders first for funding and only explore perpetual securities or bonds where equity was not taken up by Unitholders. Mr Lim stated that Unitholders had not had many chances to participate in such fund raising in the past.

2.85. Chairman noted that Mr Lim had a valid point in asserting that existing Unitholders should first be given a chance to decide whether they would like to invest further in Ascott Reit. The reason for the issuance of perpetual securities instead of units in Ascott Reit, as BSK alluded to earlier, was not that the issuance of units was difficult, but that such issuance would eat into the distributions of Unitholders. It would give rise to unnecessary costs from the perspective of Unitholders.

2.86. Mr Lim finally asked about the Management's outlook for the distribution rate for the next few years.

2.87. Chairman stated that a forecast could not be given because despite some certainty of stability, distributions are never exact. Nevertheless, Chairman reassured Unitholders that Ascott Reit endeavours to provide a stable income to Unitholders. He pointed out that Ascott Reit had this year given Unitholders some realised gains which was consistent with the goal to give Unitholders a stable income. Chairman further stated that Ascott Reit would also seek to maximise yield and invest in liquid properties which were likely to appreciate.

2.88. Mr Jeffrey Low Hong Tat ("**Mr Low**") noted that it was mentioned that the yield of the Japanese properties was a very good yield of 5%. He asked if this was based on the purchase price in 2007 when the properties were acquired as he believed that the property prices were much higher in the past.

2.89. BSK first stated that KSF had clarified that in terms of Japanese Yen, the valuation for all the properties in Japan had gone up except for Somerset Azabu East Tokyo.

2.90. KSF added that the 5% EBITDA yield was based on the acquisition price. If the EBITDA yield was to be based on the year-end valuation on a portfolio basis, it would be about 6.5%. Additionally, the capital value of all the Japanese assets in Japanese Yen terms had increased by about 8%. It was still higher than the acquisition price.

2.91. Mr Low also noted that the income for the Singapore properties had been decreasing for five years. He stated that he hoped that Management would take action to stem the slide. Mr Low noted that the Singapore economy performed well last year and that the number of arrivals to Singapore had increased. However, the performance of Ascott Reit's properties in Singapore did not seem to be in tandem with the overall performance of the Singapore economy as a whole.

2.92. Chairman stated that Management was always concerned about properties which were not performing. Management would challenge the operator to improve yield, and if they were unable to do so, Management would have to consider whether the property should be kept or to recycle the property and whether there were means to get higher values for those properties. Chairman reassured Unitholders that this was something that Management was looking at very closely.

2.93. As there were no further questions on Ordinary Resolution 1, the Chairman proceeded to put Ordinary Resolution 1 to vote.

Resolution 1 (Ordinary Resolution)

For		**Against**	
No. of Units	%	No. of Units	%
1,130,521,770	100.00	32,000	0.00

Based on the results of the poll, the Chairman declared Ordinary Resolution 1 carried as an Ordinary Resolution.

3. Ordinary Resolution 2:
<u>Re-appointment of KPMG LLP as Auditors of Ascott Reit</u>

3.1. Ordinary Resolution 2 to re-appoint KPMG LLP as Auditors of Ascott Reit to hold office until the conclusion of the next AGM of Ascott Reit, and to authorise the Manager, to fix their remuneration was read and duly proposed by Chairman.

3.2. Chairman also highlighted that KPMG LLP has indicated their willingness to accept reappointment.

3.3. Chairman invited questions and comments from the floor.

3.4. As there were no questions on Ordinary Resolution 2, Chairman proceeded to put Ordinary Resolution 2 to vote.

Resolution 2 (Ordinary Resolution)

For		**Against**	
No. of Units	%	No. of Units	%
1,128,851,270	99.98	205,100	0.02

Based on the results of the poll, Chairman declared Ordinary Resolution 2 carried as an Ordinary Resolution.

SPECIAL BUSINESS

4. Ordinary Resolution 3:
Authority for the Manager to issue Units in Ascott Reit and to make or grant convertible instruments

4.1. Chairman explained that such Units must not in aggregate exceed 50% of the total number of issued Units in Ascott Reit with a sub-limit of 20% for issuances on a non pro-rata basis to Unitholders. Chairman further highlighted that, if approved, the general mandate would, unless revoked or varied by Unitholders in a general meeting, be valid from the date of this AGM until the conclusion of the next AGM of Ascott Reit or the date by which the next AGM of Ascott Reit was required by applicable laws and regulations or the Trust Deed to be held, whichever was earlier.

4.2. Chairman also explained that this was a common mandate often sought by listed companies and REITs to give them the flexibility and efficiency to raise capital and that the mandate sought by Ascott Reit is within the limits set out in the SGX Listing Manual. In the event of any equity raising under this mandate, Unitholders would be informed through announcements made on the SGXNet. Moreover, if any equity raising was to exceed the limits under the mandate, Unitholders' approval would be sought separately.

4.3. Ordinary Resolution 3 to authorise the Manager to issue Units and to make or grant convertible instruments was read and proposed by Chairman.

4.4. Chairman invited questions and comments from the floor.

4.5. Mr Lim reiterated his previous comment that this should be offered to Unitholders.

4.6. As there were no further questions on Ordinary Resolution 3, Chairman proceeded to put Ordinary Resolution 3 to vote.

Resolution 3 (Ordinary Resolution)

For		**Against**	
No. of Units	%	No. of Units	%
1,122,423,974	99.41	6,631,396	0.59

Based on the results of the poll, Chairman declared Ordinary Resolution 3 carried as an Ordinary Resolution.

5. Extraordinary Resolution 4:
Approval to amend the Trust Deed to include provisions regarding electronic communications of notices and documents to Unitholders and to allow a summary financial statement to be sent in lieu of the annual report.

5.1. Chairman informed Unitholders that the Proposed Communications Trust Deed Supplement would provide the flexibility to reduce costs and increase operational efficiency and speed in communications.

5.2. Chairman further stated that Unitholders should note that by approving this Resolution, Unitholders would also be deemed to have approved the Manager to adopt the use of the Implied Consent Regime and the Deemed Consent Regime, subject to compliance with all applicable laws, rules and regulations, including any rules which may be introduced by the MAS or the SGX-ST.

5.3. Chairman also informed Unitholders that their interests would be safeguarded as notices or documents relating to forms or acceptance letters that Unitholders may be required to complete, meetings, take-over offers and right issues will not be transmitted by electronic means.

5.4. Extraordinary Resolution 4 to amend the Trust Deed to include provisions regarding electronic communications of notices and documents to Unitholders and to allow a summary financial statement to be sent in lieu of annual report was read and proposed by Chairman.

5.5. Chairman invited questions and comments from the floor.

5.6. As there were no questions on Extraordinary Resolution 4, Chairman proceeded to put Extraordinary Resolution 4 to vote.

Resolution 4 (Extraordinary Resolution)

For		**Against**	
No. of Units	%	No. of Units	%
1,128,688,230	99.97	284,890	0.03

Based on the results of the poll, Chairman declared Extraordinary Resolution 4 carried as an Extraordinary Resolution.

6. CLOSING ADDRESS

There being no other business, on behalf of the Trustee and the Manager, Chairman thanked all present for their attendance and support, and declared the Meeting closed at 4.20 p.m.

CONFIRMED

Mr Bob Tan
Chairman of Meeting