



ASCOTT RESIDENCE TRUST

A stapled group comprising:

Ascott Real Estate Investment Trust

(A real estate investment trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Ascott Business Trust

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

Managed by

Ascott Residence Trust Management Limited

(Company Registration No. 200516209Z)

Managed by

Ascott Business Trust Management Pte. Ltd.

(Company Registration No. 201925299R)

ANNOUNCEMENT

RENEWED MASTER LEASE AGREEMENT FOR A SERVICED RESIDENCE PROPERTY IN FRANCE

1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Reit Manager**”), as manager of Ascott Real Estate Investment Trust (“**Ascott Reit**”), and Ascott Business Trust Management Pte Ltd (the “**BT Trustee-Manager**”), as trustee-manager of Ascott Business Trust, wish to announce the renewal of the master lease (“**Renewed Master Lease**”) between Oriville SAS, a wholly owned subsidiary of Ascott Reit (the “**Master Lessor**”) and Citadines SA (the “**Master Lessee**”) in respect of Citadines Les Halles (the “**Property**”) located in Paris, France.

2. TERMS OF THE RENEWED MASTER LEASE

2.1 The Renewed Master Lease for the Property is on the same terms and conditions of the existing master lease except for:

(a) Rent as particularised in paragraph 2.2 below; and

(b) The Master Lessee shall carry out lessee improvements to the Property amounting to €8.5 million.

The Renewed Master Lease shall be for a period of 9 years commencing 1 January 2024.

- 2.2 The rent under the Renewed Master Lease, as compared to the rent under the existing master lease for the Property for FY 2021, is as follows:

Existing Rent (€'000)	New Rent (€'000)	Rent Increase/ (Reduction)	
		€'000	%
2,420 ^(a)	3,356 ^(b)	936	39

Notes:

- (a) Comprising a fixed rent of €2 million and variable rent of €420,286 based on the estimated revenue for FY 2021 for the Property.
- (b) Same level as that for FY 2019.

The rent payable under the Renewed Master Lease is a fixed rent per annum, that is indexed to the French commercial lease index published by the National Institute of Statistics and Economic Studies, which is the French national statistics bureau, and will be automatically increased or decreased accordingly each year on the anniversary of the commencement date of the Renewed Master Lease.

An independent consultant, Colliers International Valuation & Advisory Service (CIVAS) France (the “**Independent Consultant**”), has been engaged by the Manager and the Trustee to assess the prevailing market rent for Citadines Les Halles. In its report dated 19 November 2021 (the “**Independent Consultant Report**”), based on the rent to revenue ratio of the lessee’s projected operating performance and benchmarked against prevailing rent of other hospitality and apartment properties, the Independent Consultant assessed that the market rent in 2024 for the Property is between €3 million and €3.4 million (“**Rent Range**”). The New Rent of €3.356 million is at the higher end of the Rent Range.

3. RATIONALE FOR THE RENEWED MASTER LEASE

The rationale for the Renewed Master Lease is as follows:

- (a) the Master Lessee is a wholly owned subsidiary of The Ascott Limited, which is one of the largest international serviced residence owner-operators. It owns and/or operates more than 50 properties in Europe, across 8 countries. It has extensive operating experience and market resources in France. The continuation of a wholly owned subsidiary of The Ascott Limited as a master lessee will ensure strong operating performance at Citadines Les Halles, such that the property can command a relatively higher market rent (since market rent is assessed on the basis of affordability of the master lessee’s projected operating performance);
- (b) the Master Lease will provide certainty and stability of income to Ascott Residence Trust (“**ART**”). The fixed rent will limit downside risks arising from unexpected downturns in business climate;
- (c) the Master Lessee is investing €8.5 million to renovate the apartment units and common areas, and such works are expected to complete by 2023. The renovation works will enhance the competitiveness and attractiveness of the property; and
- (d) the New Rent is at the higher end of the Rent Range recommended by the Independent Consultant.

4. PRO FORMA FINANCIAL EFFECTS OF THE MASTER LEASE

4.1 Assumed Exchange Rates

In preparing the pro forma distribution per stapled security (“**Stapled Security**” and the distribution per stapled security, “**DPS**”) and net asset value (“**NAV**”) per Stapled Security for FY 2020, the exchange rates between € and the Singapore dollar are assumed to be as follows:

	Average rate for FY 2020	31 December 2020
€	1.56428	1.59522

4.2 Pro Forma DPS

The table below sets out the pro forma financial effects of the Renewed Master Lease on ART’s DPS for FY 2020, as if the Renewed Master Lease was renewed on 1 January 2020.

	Pro Forma Financial Effects	
	Existing Portfolio	After Renewal of the Master Lease
Distributable Income (S\$’000)	94,226 ⁽¹⁾	95,423
Stapled Securities in issue (’000)	3,108,048 ⁽²⁾	3,108,048
DPS (Singapore cents)	3.03	3.07
% change in DPS	-	1.2%

Notes:

- (1) Based on the 2020 audited consolidated financial statements.
(2) Number of Stapled Securities in issue as at 31 December 2020.

4.3 Pro Forma Consolidated NAV

The table below sets out the pro forma financial effects of the Renewed Master Lease on the consolidated NAV as at 31 December 2020, as if the Renewed Master Lease was renewed on 31 December 2020.

	Pro Forma Financial Effects	
	Existing Portfolio	After Renewal of the Master Lease
NAV (S\$’000)	3,567,251 ⁽¹⁾	3,564,748
Stapled securities in issue (’000)	3,108,048 ⁽²⁾	3,108,048
NAV per Stapled Security (S\$)	1.15	1.15
% change in NAV per Stapled Security	-	-

Notes:

- (1) Based on the 2020 audited consolidated financial statements.
(2) Number of Stapled Securities in issue as at 31 December 2020.

5. OPINION OF THE AUDIT COMMITTEE

After taking into consideration the Independent Consultant Report and the rationale for the Renewed Master Lease as set out above, the Audit Committee of the Manager is of the view that the Renewed Master Lease is on normal commercial terms and is not prejudicial to the interests of ART and its minority stapled securityholders.

6. OTHER INFORMATION

6.1 Interested Person Transactions and Interested Party Transactions

As at the date of this announcement, CapitaLand Investment Limited (“**CLI**”) has (i) direct and deemed interests of approximately 38.96% of the total number of Stapled Securities in issue¹ and (ii) wholly owns the Managers and is therefore regarded as a Controlling Stapled Securityholder of ART and a Controlling Shareholder of the Managers respectively under the Property Funds Appendix and the Listing Manual. The Master Lessee is a wholly owned subsidiary of CLI. Accordingly, the Master Lessee is an Interested Person of ART and an Interested Party of Ascott Reit and the Renewed Master Lease constitutes an Interested Person Transaction under Chapter 9 of the Listing Manual and/or an Interested Party Transaction under Paragraph 5 of the Property Funds Appendix. As at the date of this announcement, save for the Renewed Master Lease, the value of all the interested person transactions entered into (1) between ART and CLI and its subsidiaries and associates and (2) between Ascott Reit and CLI and its subsidiaries and associates during the course of the current financial year ending 31 December 2021 is approximately S\$77.3 million (which is approximately 2.2% of the NTA and NAV of ART as at 31 December 2020) and S\$77.1 million (which is approximately 2.6% of the NTA and NAV of Ascott Reit as at 31 December 2020) respectively. Including the Renewed Master Lease, the value of all interested person transactions entered into (1) between ART and CLI and its subsidiaries and associates and (2) between Ascott Reit and CLI and its subsidiaries and associates during the course of the financial year ending 31 December 2021 is approximately S\$127.5 million and S\$127.3 million respectively, which exceeds 3% but does not exceed 5% of the NTA and NAV of ART and Ascott Reit as at 31 December 2020.

6.2 Interests of Directors and Substantial Stapled Securityholders

As at the date of this announcement, certain directors of the Manager collectively hold an aggregate interest of 1,292,774 Stapled Securities in ART and 1,382,993 shares in CLI.

Mr Andrew Lim is the CFO of CLI and Mr Kevin Goh is the CEO of The Ascott Limited.

Save as disclosed above and as at the date of this announcement, none of the Directors or the controlling Stapled Securityholder has an interest, direct or indirect, in the transaction, other than their respective unitholdings in ART.

6.3 Directors’ Service Contracts

No person is proposed to be appointed as a director of the Manager as a result of the Renewed Master Lease or any other transactions contemplated in relation to the Renewed Master Lease.

¹ Based on 3,276,546,639 Stapled Securities in issue in ART as at the date of this announcement.

7. Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m. at the registered office of the Manager at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 from the date of this announcement up to and including the date falling three (3) months after the date of this announcement:
- (i) the Agreement for Renewed Master Lease; and
 - (ii) the Independent Consultant Report.

BY ORDER OF THE BOARD

ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED

(Registration Number: 200516209Z)

As manager of Ascott Residence Trust

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.

(Company Registration No. 201925299R)

As trustee-manager of Ascott Business Trust

Karen Chan

Company Secretary

31 December 2021

IMPORTANT NOTICE

The past performance of Ascott Residence Trust ("**ART**") is not indicative of future performance. The listing of the stapled securities in ART (the "**Stapled Securities**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") does not guarantee a liquid market for the Stapled Securities. The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, Ascott Residence Trust Management Limited as manager of Ascott Real Estate Investment Trust or Ascott Business Trust Management Pte. Ltd. as trustee-manager of Ascott Business Trust (collectively, the "**Managers**") or any of their respective affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed on the SGX-ST. It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Stapled Securities.