



A Member of CapitaLand

ASCOTT RESIDENCE TRUST

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

ANNOUNCEMENT

RENEWED MASTER LEASE AGREEMENTS FOR SERVICED RESIDENCE PROPERTIES IN FRANCE

1. INTRODUCTION

Ascott Residence Trust Management Limited, as manager of Ascott Residence Trust (“**Ascott REIT**”), and as manager of Ascott REIT, the “**Manager**”), wishes to announce that when the existing master lease agreements (the “**Existing French Master Lease Agreements**”) in respect of four of its properties located in France expire, they will be renewed by the entry into new master lease agreements (the “**Renewed French Master Lease Agreements**”).

These four properties are La Clef Louvre Paris (“**Louvre**”), Citadines Place d’Italie Paris (“**PI d’Italie**”), Citadines Les Halles Paris (“**Les Halles**”) and Citadines Presqu’île Lyon (“**Lyon**”) (collectively, the “**Four French Properties**”).

2. EXISTING FRENCH MASTER LEASE AGREEMENTS

Each of Louvre, PI d’Italie, Les Halles and Lyon are owned by wholly owned subsidiaries of Ascott REIT, being SCI Citadines Paris Louvre, SCI Résidence Italie, Orville SAS and SCI Résidence Lyon respectively (collectively, the “**French Property Holding Companies**”). The Existing French Master Lease Agreements have been entered into between the French Property Holding Companies and Citadines SA (the “**French Master Lessee**”), which is a wholly owned subsidiary of The Ascott Limited (“**TAL**”).

3. RENEWED FRENCH MASTER LEASE AGREEMENTS

Each of the Renewed Master French Lease Agreements has been entered into between the relevant French Property Holding Company and the French Master Lessee and will be effective on 1 January 2018 for a term of nine years each, subject to each party's right to terminate at three-year periods. TAL has provided an undertaking and guarantee (the "**Undertaking and Guarantee**") to DBS Trustee Limited, in its capacity as trustee of Ascott REIT (the "**Trustee**") in respect of each of the Renewed French Master Lease Agreements, to procure that the French Master Lessee issues a notice of termination to the relevant French Property Holding Company in respect of that particular three-year period upon written notice by the Trustee and guarantee the obligations of the French Master Lessee under the Renewed French Master Lease Agreements. Correspondingly, the French Master Lessee has the right to issue a notice of termination to the relevant French Property Holding Company to terminate the Renewed French Master Lease Agreement at the end of that three-year period. Effectively, each of the leases under the Renewed French Master Lease Agreements is for a term of three years each subject to renewal on mutual agreement.

The rental under the Renewed French Master Lease Agreements, as compared to the existing Rental under the Existing French Master Lease Agreements, is as follows:

Property	Existing Rent (€'000)	New Rent (€'000)	Rent Increase/ (Reduction)		Rental Yield ^(a) %
			(€'000)	%	
Louvre	1,460	1,560	100	6.8	5.5
PI d'Italie	2,680	2,005	(675)	(25.2)	6.3
Les Halles	3,279	3,279	-	-	5.7
Lyon	782	1,032	250	32.0	7.3
Total	8,201	7,876	(325)	(4.0)	6.0

(a) New Rent as a percentage of the estimated valuation of the four properties, after taking into account the New Rent.

The rental payable under the applicable Renewed French Master Lease Agreement for each of the Four French Properties is a fixed lease rental per annum 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 French Master Lease Agreement.

Pursuant to amendments to the French Civil Code which came into effect on 1 September 2014, the French Property Holding Companies, being the lessor for each of the Four French Properties, are to bear the costs of any major structural repair works as described in the French Civil Code. The French Master Lessee is to bear the costs of any repair and maintenance works, other than major structural repair works.

An independent consultant, CBRE Hotels Valuation (the “**Independent Consultant**”), has been engaged by the Manager and the Trustee to assess the prevailing market rent for each of the Four French Properties. In its report dated 30 November 2017 (the “**Independent Consultant Report**”), the Independent Consultant had assessed the market rent on the basis of affordability, such as rent/turnover of the lessee’s projected operating performance, further benchmarked against prevailing rent of other hospitality properties. The Independent Consultant recommended that the negotiated rent for the first year of the lease term (“**New Rent**”) be (a) at least greater than a minimum rent and (b) the New Rent as a percentage of the lessee’s projected turnover (“**Rent Ratio**”) should fall within a specific range (“**Rent Range**”), as shown in Table A below:

Table A: Rent Ratio and Minimum Rent

Property	Rent Ratio (%)	Projected 2018 Turnover (€'000)	Minimum Rent^(b) (€'000)
Louvre	30 – 35	5,066	1,520
PI d'Italie	30 – 35	6,153	1,846
Les Halles	30 – 35	9,759	2,928
Lyon	28 – 30	3,546	993
Total		24,524	7,287

(b) Based on 2018 property’s turnover projected by the Independent Consultant.

The final New Rent and Rent Ratio (as shown in the Table B below) is above the minimum rent by 8.1% and within the Rent Range recommended by the Independent Consultant.

Table B: New Rent

Property	New Rent (€'000)	Rent Ratio (%)^(c)
Louvre	1,560	30.8
PI d'Italie	2,005	32.6
Les Halles	3,279	33.6
Lyon	1,032	29.1
Total	7,876	32.1

(c) New Rent as a percentage of 2018 property’s turnover projected by the Independent Consultant.

The final Rent Ratios are well within or above the rent ratio of comparable tourism residences operated under lease agreements in similar or comparable locations (as shown in Table C below).

Table C: Market Comparable

Location: Paris	Ascott REIT Property	Property 1	Property 2
Rent Ratio	Louvre: 30.8%	30%	26%
	PI d'Italie; 32.6%		
	Les Halles: 33.6%		
Comment		Upscale international serviced-residence operator. Prime location	Upscale international serviced-residence operator.
Location: Lyon	Ascott REIT Property	Property 1	Property 2
Rent Ratio	Lyon: 29.1%	24%	28%
Comment		Upper-midscale tourism residence in a major regional city operator.	Upper-midscale tourism residence in Paris' outskirts

Source: Independent Consultant Report.

4. RATIONALE FOR THE RENEWED FRENCH MASTER LEASE AGREEMENTS

The rationale for the Renewed French Master Lease Agreements is as follows:

- (a) TAL is one of the largest international serviced residence owner-operators. It owns and/or operates more than 40 properties in Europe, across 7 countries. It has extensive operating experience and market resources in France. The continuation of TAL as a master lessee will ensure strong operating performance at the Four French Properties, such that the Four French Properties 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 Renewed French Master Lease Agreements will provide certainty to Ascott REIT's income and long-term income stream stability to Ascott REIT's overall portfolio. The annual fixed rent will limit the downside risks arising from unexpected downturn in business climate;
- (c) with the French economy at the start of its recovery phase, it may not be the best timing to lock in the lease arrangements at fixed rents based on prevailing market rent for the next nine years. In view of the overall rent reduction of €0.3 million, the leases under the Existing French Master Lease Agreements are renewed for a shorter term of three years, with an option to renew for another two terms of three-years each, upon mutual agreement, to allow for rent review opportunity by Ascott REIT; and
- (d) the final New Rents are within the Rent Range as recommended by the Independent Consultant.

5. PRO FORMA FINANCIAL EFFECTS OF THE RENEWED FRENCH MASTER LEASE AGREEMENTS

5.1 Assumed Exchange Rates

In preparing the pro forma distribution per unit in Ascott REIT (“Unit” and the distribution per Unit, “DPU”) and net asset value (“NAV”) per Unit for FY2016, the exchange rates between € and the Singapore dollar are assumed to be as follows:

	1 January 2016	Average rate for FY2016	31 December 2016
€	1.49725	1.52861	1.51761

5.2 Pro Forma DPU

The table below sets out the pro forma financial effects of the Renewed French Master Lease Agreements on Ascott REIT’s DPU for FY2016, as if the Existing French Master Lease Agreements were renewed on 1 January 2016.

	Pro Forma Financial Effects for FY2016	
	Existing Portfolio	After Renewal of Existing French Master Lease Agreements
Distributable Income	134,991 ⁽¹⁾	134,660
Units in issue ('000)	1,653,471 ⁽²⁾	1,653,431 ⁽³⁾
DPU (Singapore cents)	8.27	8.25
% change in DPU	-	(0.2)

Notes:

- (1) Based on the audited consolidated financial statements of Ascott REIT for FY2016 (“2016 Audited Consolidated Financial Statements”).
- (2) Number of Units in issue as at 31 December 2016.
- (3) Includes adjustment to reduce the units issued as payment of Manager’s management fees.

5.3 Pro Forma Consolidated NAV

The table below sets out the pro forma financial effects of the Renewed French Master Lease Agreements on the consolidated NAV as at 31 December 2016, as if the Existing French Master Lease Agreements were renewed on 31 December 2016.

	Pro Forma Financial Effects as at 31 December 2016	
	Existing Portfolio	After Renewal of Existing French Master Lease Agreements
NAV (S\$'000)	2,200,625 ⁽¹⁾	2,187,254 ⁽³⁾
Units in issue ('000)	1,653,471 ⁽²⁾	1,653,471
NAV per Unit (S\$)	1.33	1.32
% change in NAV	-	(0.8)

Notes:

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Number of Units in issue as at 31 December 2016.
- (3) Based on the estimated valuation of the four properties, after taking into account the New Rent.

6. OPINION OF THE AUDIT COMMITTEE

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

7. OTHER INFORMATION

7.1 Interests of Directors and Substantial Unitholders

As at the date of this announcement, certain directors of the Manager collectively hold an aggregate direct and deemed interest in 705,827 Units and 2,664,311 shares in CapitaLand Limited (“**CapitaLand**”).

Mr Lim Ming Yan and Mr Lee Chee Koon are common directors of TAL and the Manager. Mr Lim Ming Yan is the Chairman of TAL and Mr Lee Chee Koon is the Chief Executive Officer of TAL, a wholly owned subsidiary of CapitaLand.

Based on information available to the Manager as at the date of this announcement, Temasek Holdings (Private) Limited has an aggregate deemed interest in 977,908,367 Units, which is approximately 45.49%¹ of the total number of Units in issue. This includes the interest held by CapitaLand and its subsidiaries.

Based on information available to the Manager as at the date of this announcement, CapitaLand, through its subsidiaries, namely TAL, Somerset Capital Pte Ltd and the Manager, holds an interest in 953,197,316 Units, which is approximately 44.34%¹ of the total number of Units in issue.

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

7.2 Interested Person Transactions and Interested Party Transactions

As at the date of this announcement, TAL directly and/or through its wholly owned subsidiary and through its interest in the Manager, has (i) direct and deemed interests of approximately 44.34% of the total number of Units in issue and (ii) wholly owns the Manager, and is therefore regarded as a Controlling Unitholder of Ascott REIT and a Controlling Shareholder² of the Manager respectively under the Property Funds Appendix and the Listing Manual.

1 This percentage is based on 2,149,687,794 Units in issue as at the date of this announcement.

2 “**Controlling Shareholder**” means a person who:

- (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company; or
- (b) in fact exercises control over a company.

The French Master Lessee is a wholly-owned subsidiary of TAL. Accordingly, for the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, the French Master Lessee is an Interested Person³ and an Interested Party⁴ of Ascott REIT.

As such, the entries into the Renewed French Master Lease Agreements constitute Interested Person Transactions under Chapter 9 of the Listing Manual and/or Interested Party Transactions under Paragraph 5 of the Property Funds Appendix.

TAL is a wholly owned subsidiary of CapitaLand Limited. As at the date of this announcement, save for the Renewed French Master Lease Agreements, the value of all interested person transactions entered into between Ascott REIT and CapitaLand Limited and its subsidiaries and associates during the course of the current financial year ending 31 December 2017 is approximately S\$62.9 million (which is approximately 2.9% of the net tangible assets (“NTA”) and NAV of Ascott REIT as at 31 December 2016). Including the Renewed French Master Lease Agreements described above in this announcement, the value of all interested person transactions entered into between Ascott REIT and CapitaLand Limited and its subsidiaries and associates during the course of the current financial year ending 31 December 2017 is approximately S\$101.2 million, which exceeds 3% but does not exceed 5% of the NTA and NAV of Ascott REIT as at 31 December 2016.

7.3 Directors’ Service Contracts

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

8. 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 Renewed French Master Lease Agreements;
 - (ii) the Deeds of Undertaking and Guarantee; and
 - (iii) the Independent Consultant Report.

3 The Listing Manual states that in the case of a REIT, the term “interested person” shall have the meaning defined in the Code on Collective Investment Schemes issued by the MAS. Therefore, the definition of the term “Interested Person” is the same as the definition of the term “Interested Party”.

4 As defined in the Property Funds Appendix, the term “Interested Party” means:

- (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee or Controlling Unitholder of the property fund; or
- (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or Controlling Unitholder of the property fund.

BY ORDER OF THE BOARD
Ascott Residence Trust Management Limited
(Registration Number: 200516209Z)
As manager of Ascott Residence Trust

Karen Chan
Company Secretary
22 December 2017

IMPORTANT NOTICE

The value of units in Ascott Residence Trust (“**Units**”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by Ascott Residence Trust Management Limited, as manager of Ascott Residence Trust (the “**Manager**”), or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Ascott Residence Trust is not necessarily indicative of the future performance of Ascott Residence Trust.