

ASCOTT RESIDENCE TRUST

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

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE ASCOTT (VIETNAM) INVESTMENTS PTE LTD

1. INTRODUCTION

1.1 Execution of Sale and Purchase Agreement

The Board of Directors of Ascott Residence Trust Management Limited (the "**Manager**"), as manager of Ascott Residence Trust ("**Ascott Reit**"), wishes to announce that DBS Trustee Limited, in its capacity as trustee of Ascott Reit (the "**Trustee**"), has today entered into a conditional sale and purchase agreement (the "**SPA**") with The Ascott Holdings Limited ("**TAHL**") and Somerset (Vietnam) Investments Pte Ltd ("**SVI**") (collectively, the "**Vendors**"), for the acquisition of the entire issued share capital of The Ascott (Vietnam) Investments Pte Ltd ("**TAVI**") by Ascott Reit from the Vendors (the "**Acquisition**").

The Vendors are wholly-owned subsidiaries of The Ascott Group Limited (the "**Ascott Group**"). The Ascott Group is in turn, an indirect wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**"). TAHL is the legal and beneficial owner of 375,000 ordinary shares in the share capital of TAVI (representing 75% of the issued share capital of TAVI) and SVI is the legal and beneficial owner of 125,000 ordinary shares in the share capital of TAVI (representing 25% of the issued share capital of TAVI).

TAVI presently holds 70% of the legal capital of West Lake Development Company Limited (the "**JV Company**"), a joint venture enterprise established in the Socialist Republic of Vietnam. The remaining 30% of the legal capital of the JV Company is held by Hanoi Housing Investment and Development Corporation.

The JV Company holds the leasehold interest to a plot of land located at 254D Thuy Khue, Thuy Khue Ward, Tay Ho District, Hanoi, Vietnam and the serviced residence erected on the plot of land known as "Somerset West Lake" (the "**Property**").

Upon completion of the Acquisition ("**Completion**"), TAVI will become a wholly-owned subsidiary of Ascott Reit and Ascott Reit will have an effective interest of 70% in the Property held through the JV Company.

1.2 Information on the Property

The Property comprises 90 apartments in four buildings with a net lettable area of approximately 5,349m² and is a leasehold estate with a leasehold period of 49 years commencing from 1 October 1992. It is strategically located near the business district, shopping centres, international schools and Hanoi city tourist attractions.

The Property will continue to be managed by the Ascott Group's indirect wholly-owned subsidiary, Ascott International Management (2001) Pte. Ltd. after Completion.

2. DISCLOSURE REQUIREMENTS UNDER THE LISTING MANUAL AND THE PROPERTY FUNDS GUIDELINES

As at the date of this Announcement, CapitaLand has an indirect interest in approximately 47% of the total number of units in Ascott Reit ("**Units**", each Unit representing an undivided interest in Ascott Reit), and is therefore regarded as a "controlling unitholder" under both the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and the guidelines for collective investment schemes that invest or propose to invest primarily in real estate and real estate-related assets contained in Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "**Property Funds Guidelines**").

As TAHL and SVI are indirect wholly-owned subsidiaries of CapitaLand through the Ascott Group, each of TAHL and SVI is regarded as an "associate" of a "controlling unitholder" of Ascott Reit. Accordingly, each of TAHL and SVI is an "interested person" of Ascott Reit for the purposes of Chapter 9 under the Listing Manual and an "interested party" of Ascott Reit under the Property Funds Guidelines. As a result, the Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under paragraph 5 of the Property Funds Guidelines.

As at the date of this Announcement, the value of all interested person transactions between Ascott Reit and CapitaLand and/or the associates of CapitaLand (excluding the Acquisition and transactions less than S\$100,000) for the current financial year ending 31 December 2008 ("**Existing IPTs**") amounts to approximately S\$12.9 million. This also represents the aggregate value of all interested person transactions of Ascott Reit (excluding the Acquisition and transactions less than S\$100,000) during the current financial year up to the date of this Announcement.

Based on the audited financial statements of Ascott Reit for the financial year ended 31 December 2007, the audited net tangible assets ("**NTA**") and the audited net asset value ("**NAV**") of Ascott Reit as at 31 December 2007 were both approximately S\$972.9 million. The Consideration (as defined below) of US\$15.4 million (equivalent to S\$22.9 million based on an exchange rate of US\$1.00 to S\$1.49) aggregated with the value of all Existing IPTs, represents approximately 3.7% of Ascott Reit's latest audited NTA and its latest audited NAV as at 31 December 2007. As this exceeds the relevant threshold of 3% under Rule 905(2) of the Listing Manual and paragraph 5.2(a) of the Property Funds Guidelines, Ascott Reit is therefore required to make an immediate announcement of the Acquisition.

3. PRINCIPAL TERMS OF THE ACQUISITION

3.1 Consideration

The aggregate cash consideration (the "**Consideration**") payable to the Vendors for the Acquisition is US\$15.4 million, subject to final adjustments based on consolidated net current assets/liabilities of TAVI at Completion. The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*:

- (a) the adjusted revalued net asset value of the TAVI group of approximately US\$4.5 million, which has taken into consideration, the valuations of the Property as set out in paragraph 3.2 below; and

- (b) the assignment to the Trustee of loans of approximately US\$10.9 million which are owing from TAVI to TAHL and its wholly-owned subsidiary, The Ascott Capital Pte Ltd.

The Consideration will be fully funded by borrowings, which will bring Ascott Reit's gearing from 34.9% to approximately 35.8%. This is well within the 60% gearing limit allowed under the Property Fund Guidelines as Ascott Reit has been assigned a Baa2 investment grade rating by Moody's and this was announced on SGXNET on 28 February 2007.

US\$1,540,000, being 10% of the Consideration will be paid by the Trustee as deposit within 5 business days from the date of execution of the SPA. Of the balance 90% Consideration, a sum of US\$11,724,156 will be paid upon Completion in accordance with the terms of the SPA while a remaining sum of US\$2,135,844 will be withheld by the Trustee pending the performance of certain undertakings by the Vendors under the SPA.

3.2 Valuations of the Property

The Vendors and the Trustee have each commissioned an independent property valuer, being Jones Lang LaSalle Hotels ("**JLL**") and Colliers International Vietnam Ltd ("**Colliers**") respectively, to value the Property.

JLL in its valuation report (the "**JLL Valuation Report**") stated that the open market value of the Property as at 15 September 2008 was US\$19,700,000 using the discounted cash flow approach. Colliers in its valuation report (the "**Colliers Valuation Report**") stated that the open market value of the Property as at 20 October 2008 was US\$19,700,000 using the discounted cash flow approach.

3.3 Conditions Precedent

Under the SPA, Completion is subject to the fulfilment or waiver of certain conditions precedent, including without limitation, the delivery by the Vendors to the Trustee evidence that the investment licence of the JV Company has been duly amended to reflect the new legal capital and investment capital of the JV Company and that TAVI has made its proportionate contribution to the new legal capital of the JV Company.

3.4 Completion Date

Subject to the fulfilment or waiver of the conditions precedent under the SPA, Completion is expected to take place on 31 December 2008.

3.5 EBITDA Threshold

In connection with the Acquisition, TAHL has agreed to provide yield protection to the Trustee for 70% of a shortfall (if any) of a minimum threshold EBITDA per annum for the JV Company for five years from Completion. 70% of the threshold EBITDA amounts to an average of approximately US\$1.6 million per year over the five year period, and TAHL's undertaking applies only to the shortfall, if any.

3.6 Fee payable to Manager

Upon Completion, the Manager will receive an acquisition fee of 1% of the proportionate (70%) enterprise value of TAVI in connection with the Acquisition (the "**Acquisition Fee**"). Given that

the Acquisition is an interested party transaction under paragraph 5 of the Property Funds Guidelines, the Acquisition Fee will be paid to the Manager in Units.

4. RATIONALE FOR THE ACQUISITION

The Acquisition is in line with Ascott Reit's strategy of investing in quality yield accretive assets with growth potential in the Pan-Asian region. Ascott Reit currently owns one property in Hanoi named Somerset Grand Hanoi and two properties in Ho Chi Minh City, namely, Somerset Ho Chi Minh City and Somerset Chancellor Court. Ascott Reit's three current properties are enjoying high average occupancies of about 90%. The acquisition of the Property will increase Ascott Reit's portfolio in Vietnam to 612 units in four properties in Hanoi and Ho Chi Minh City.

5. FINANCIAL EFFECTS

The pro forma financial effects of the Acquisition on the distribution per Unit ("**DPU**") and net asset value ("**NAV**") per Unit of Ascott Reit set out below are purely for illustrative purposes and were prepared based on the audited consolidated financial statements of Ascott Reit for the financial year ended 31 December 2007.

5.1 Pro Forma DPU

For illustrative purposes only, the pro forma financial effects of the Acquisition on Ascott Reit's DPU for the financial year ended 31 December 2007, as if Ascott Reit had acquired the Property on 1 January 2007, and held the Property through to 31 December 2007, are as follows:

	Before the Acquisition	After the Acquisition
Net Profit before Tax (S\$m)	188.6	189.7 ⁽¹⁾
Distributable Income (S\$m)	45.1	45.4 ⁽¹⁾
DPU (cents)	7.70	7.75

Notes:

- (1) This takes into account 70% of the first annual minimum threshold EBITDA described in paragraph 3.5 above.

5.2 Pro Forma NAV

For illustrative purposes only, the pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2007, as if the Acquisition was completed on 31 December 2007, are as follows:

	Before the Acquisition	After the Acquisition
NAV (S\$m)	972.9	972.9
Units in issue ('m)	606.2 ⁽¹⁾	606.2
NAV per Unit (S\$)	1.60	1.60

Note:

(1) Number of Units issued as at 31 December 2007.

6. DISCLOSURE REQUIREMENTS UNDER THE LISTING MANUAL

Chapter 10 of the Listing Manual classifies transactions by Ascott Reit into (i) non-discloseable transactions; (ii) discloseable transactions; (iii) major transactions; and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, *inter alia*, the following applicable bases:

- (a) the net profits attributable to the assets acquired or disposed of, compared with Ascott Reit's net profits ("**Net Profit Test**");
- (b) the aggregate value of the consideration given or received, compared with Ascott Reit's market capitalisation ("**Market Capitalisation Test**"); and
- (c) the number of Units issued by Ascott Reit as consideration for the Acquisition, compared with the number of Units previously in issue ("**Units Issue Test**").

6.1 Net Profit Test

The relative figures that were computed on the basis set out in Rule 1006(b) of the Listing Manual are as set out below:

The net profit before income tax, minority interests and extraordinary items attributable to the Acquisition is approximately S\$0.8 million and constitutes approximately 1.6% of the net profit before income tax, minority interests and extraordinary items of Ascott Reit amounting to S\$48.9 million for the nine months ended 30 September 2008 based on the latest announced unaudited consolidated financial statements of Ascott Reit as at 30 September 2008.

6.2 Market Capitalisation Test

The relative figures that were computed on the basis set out in Rule 1006(c) of the Listing Manual are as set out below:

The Consideration of US\$15.4 million (equivalent to S\$22.9 million based on an exchange rate of US\$1.00 to S\$1.49) constitutes approximately 7.0% of the market capitalisation of Ascott Reit of approximately S\$327.7 million, based on the volume weighted average price of S\$0.5365 per Unit as at 4 November 2008, being the last market day preceding the date of the SPA.

6.3 Units Issue Test

The relative figure of the number of Units issued by Ascott Reit as consideration for an acquisition compared with the number of Units previously in issue does not apply for the Acquisition.

6.4 Classification of Transaction

As the relative figure computed based on the Market Capitalisation Test set out in paragraph 6.2 above exceeds 5% but is less than 20%, the Acquisition falls within the classification of a discloseable transaction.

7. AUDIT COMMITTEE STATEMENT

Save for Mr S Chandra Das (being a nominee of the Ascott Group) who has abstained from making any recommendation on the Acquisition, the Audit Committee of the Manager is of the view that the Acquisition is on normal commercial terms, and is not prejudicial to the interests of Ascott Reit and its minority unitholders.

8. INTERESTS OF THE DIRECTORS AND CONTROLLING UNITHOLDERS

Mr Liew Mun Leong is a Director and the President and Chief Executive Officer of CapitaLand and also the Deputy Chairman of the Manager and Chairman of the Executive Committee of the Manager. Ms Jennie Chua is a Director and the President and Chief Executive Officer of the Ascott Group and a Non-Executive Director of the Manager. Mr Lim Jit Poh is the Non-Executive Chairman of the Manager, Chairman of the Manager's Corporate Disclosure Committee and a nominee of the Ascott Group. Mr S Chandra Das is a Non-Executive Director of the Manager and a nominee of the Ascott Group. Mr Lui Chong Chee is a Non-Executive Director of the Manager and a senior executive within the CapitaLand group. As such, the above Directors of the Manager had abstained from voting on the Acquisition.

Mr Liew Mun Leong has direct and deemed interests in 655,000 Units, while Mr S Chandra Das and Mr Lui Chong Chee have direct interests in 200,000 Units and 15,000 Units respectively. Mr David Schaefer, an independent Director of the Manager, has a direct interest in 50,000 Units.

Save as disclosed in this Announcement, none of the Directors of the Manager or controlling unitholders of Ascott Reit has any interest, direct or indirect, in the Acquisition and the Directors of the Manager have not received any notification of interest in the Acquisition from any controlling unitholders of Ascott Reit.

9. OTHER INFORMATION

9.1 Director's Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transaction contemplated in relation to the Acquisition.

9.2 Documents for Inspection

Copies of the following documents are available for inspection at the registered office of the Manager at 8 Shenton Way, #13-01, Singapore 068811 during normal business hours, for a period of three months commencing from the date of this Announcement:

- (a) the SPA; and
- (b) the JLL Valuation Report and the Colliers Valuation Report.

BY ORDER OF THE BOARD
Ascott Residence Trust Management Limited
(Company Registration No: 200516209Z)
As Manager of Ascott Residence Trust

Lam Chee Kin / Kang Siew Fong
Joint Company Secretaries
Singapore, 5 November 2008

Important Notice

The value of Units in Ascott Reit and the income derived from them may fall as well as rise. Units in Ascott Reit are not obligations of, deposits in, or guaranteed by the Manager or any of its affiliates. An investment in the Units in Ascott Reit is subject to investment risks, including the possible loss of the principle amount invested. The past performance of Ascott Reit is not necessarily indicative of its future performance.

This Announcement 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 example of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.

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