



ASCOTT RESIDENCE TRUST

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

ANNOUNCEMENT

PUT AND CALL OPTION AGREEMENT RELATING TO INTEREST IN LAND AT 177B RIVER VALLEY ROAD SINGAPORE

1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Manager**”), as manager of Ascott Residence Trust (“**Ascott Reit**”, and the units in Ascott Reit, “**Units**”), wishes to announce that DBS Trustee Limited, in its capacity as trustee of Ascott Reit (the “**Trustee**”), has on 21 November 2019 entered into a put and call option agreement (the “**PCOA**”) with DBS Trustee Limited, in its capacity as trustee of Gemini One Trust (a special purpose trust that is indirectly wholly owned by City Developments Limited) (the “**Purchaser**”) for the sale of the Trustee’s share in the land lot TS09-147V (including buildings and structures situated thereon) (the “**Land**”) attributable to a gross floor area (“**GFA**”) of 15,169.68 square metres (attributable to the Trustee’s current strata lot, being Lot TS09-U788L) (such share in the Land referred to herein as the “**Property**” and the sale of the Property, the “**Sale**”). Ascott Reit currently owns the building known as “Somerset Liang Court Singapore” (the “**Building**”) situated on the Land. Following the Sale, it is expected that the entire site on which the Building is located will be redeveloped into an integrated development which will include, among other components, the New Somerset SR Property (as defined below).

The purchase consideration under the PCOA for the Sale is approximately S\$163.3 million (the “**Sale Price**”, exclusive of goods and services tax) to be paid in cash on completion of the Sale. Any GST payable in respect of the Sale Price shall be borne by the Purchaser.

Upon completion of the Sale, the Trustee will retain its remaining interest in the share of Land attributable to the GFA of 13,034.17 square metres.

In connection with the Sale:

- (a) an unrelated third party (the “**Other Vendor**”) has entered into a separate put and call option agreement (the “**Other PCOA**”) with the Purchaser and two associated

companies of CapitaLand Limited¹ (the “**CL Associates**”) for the sale of all of the Other Vendor’s interests in the Land (the “**Other Property**”); and

- (b) the Trustee, the Purchaser and the CL Associates (collectively, the “**Ultimate Owners**”) have entered into an agreement for joint development (“**JDA**”) which sets out the key terms for the redevelopment on the Land of an integrated development (the “**Project**”) which would include the New Somerset SR Property.

2. **SALE PRICE**

The Sale Price of approximately S\$163.3 million (exclusive of goods and services tax) was negotiated on a willing-buyer and willing-seller basis after taking into account the independent valuation of the Property. The Sale Price is approximately 44% above the book value of the Property as at 30 September 2019. After providing for transaction related expenses, the estimated net gain from the Sale is approximately S\$41.5 million.

3. **PRINCIPAL TERMS OF THE SALE**

Pursuant to the PCOA, the Trustee grants the Purchaser the right to accept the Trustee’s offer to sell the Property (the “**Call Option**”), and the Purchaser grants the Trustee the right to accept the Purchaser’s offer to purchase the Property (the “**Put Option**”).

The Trustee and the Purchaser shall respectively be entitled to exercise the Put Option or the Call Option only:

- (a) on (a) 30 April 2020, (b) (in the event the deadline for satisfaction of the conditions precedent under the PCOA is extended in accordance with the terms of the PCOA) 14 May 2020, or (c) such other date as may be mutually agreed in writing between the Trustee and the Purchaser; and
- (b) concurrently with the exercise of the call option or, as the case may be, the put option under the Other PCOA.

The entitlement to exercise the Call Option or the Put Option under the PCOA is subject to, among others, the following conditions:

- (a) the in-principle approval from the Singapore Land Authority for the extension of the existing land lease of the Land to a fresh 99-year land lease of the Land having been obtained; and
- (b) the obtaining of relevant regulatory approvals/clearances in connection with the Project.

The completion of the Sale is conditional on and subject to concurrent completion of the sale and purchase of the Other Property.

On completion of the Sale, it is intended that the Ultimate Owners will execute a joint development deed (“**JDD**”) which shall contain, amongst others, the key terms agreed in the JDA and the definitive terms for the joint development of the Project.

¹ CapitaLand Limited is the controlling unitholder of Ascott Reit.

4. RATIONALE FOR THE SALE

The Sale is in line with Ascott Reit's proactive strategy to reconstitute its portfolio and optimise returns for the benefit of its unitholders ("**Unitholders**"). This transaction will unlock value and enhance Ascott Reit's financial flexibility. The serviced residence known as "Somerset Liang Court Singapore" has been in operation for over 35 years. It is an ageing product and faces competition from newer hotels. Following the Sale, the existing Building would be demolished and a new serviced residence property (with hotel licence) would be developed on the Land (the "**New Somerset SR Property**") as part of the Project. The project development expenditure in relation to the New Somerset SR Property is estimated at approximately S\$300 million. This comprises approximately S\$140.3 million for the Trustee's remaining interest in the Land² and total redevelopment cost estimated at approximately S\$157.3 million, which includes an amount to extend the existing land lease of the Land to a fresh 99-year land lease of the Land. Following completion of the Project, Ascott Reit would own a 100% interest in the New Somerset SR Property.

5. VALUATION

The independent valuation of the Property, which is conducted by Knight Frank Pte Ltd, is S\$163.3 million as at 15 November 2019, using the residual land method. This valuation was commissioned by the Trustee.

6. USE OF SALE PROCEEDS

Net proceeds of the Sale would be primarily used to fund Ascott Reit's participation in the Project for the New Somerset SR Property, and may also be used for distributions to Unitholders from time to time.

Pending such deployment, the net sale proceeds of the Sale, subject to relevant laws and regulations, may be deposited with banks and/or financial institutions or used for any other purpose on a short-term basis as the Manager may, in its discretion, deem fit.

7. PRO FORMA FINANCIAL EFFECTS OF THE SALE

7.1 Certain Financial Information Relating to the Sale

The pro forma financial effects of the Sale presented below are strictly for illustration purposes only and do not reflect the actual position of Ascott Reit after completion of the Sale.

They have been prepared based on the audited consolidated financial statements of Ascott Reit for the year ended 31 December 2018 ("**FY2018**", and the audited consolidated financial statements of Ascott Reit for FY2018, the "**2018 Audited Consolidated Financial Statements**"), being the latest available full year financial statements of Ascott Reit, and taking into account the Sale Price (but without taking into account the Project).

² Based on the implied Sale Price on a per square foot ("**psf**") GFA basis.

7.2 Pro Forma Financial Effects for FY2018

(A) Pro Forma DPU

The table below sets out the pro forma financial effects of the Sale on Ascott Reit's distributions per Unit ("DPU") for FY2018, as if the Sale was completed on 1 January 2018.

	FY2018	
	Before the Sale	After the Sale
Distributable Income (S\$'000)	154,783 ⁽¹⁾	147,588 ⁽²⁾
Units in issue ('000)	2,164,592 ⁽³⁾	2,164,376 ⁽²⁾
DPU (cents)	7.16 ⁽¹⁾	6.83 ⁽²⁾

Notes:

- (1) Based on the 2018 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 1 January 2018.
- (3) Number of Units in issue as at 31 December 2018.

(B) Pro Forma Consolidated NAV

The table below sets out the pro forma financial effects of the Sale on the consolidated net asset value ("NAV") as at 31 December 2018, as if the Sale was completed on 31 December 2018.

	As at 31 December 2018	
	Before the Sale	After the Sale
NAV (S\$'000)	2,644,051 ⁽¹⁾	2,685,579 ⁽²⁾
Units in issue ('000)	2,164,592 ⁽³⁾	2,164,592 ⁽²⁾
NAV per Unit (\$)	1.22 ⁽¹⁾	1.24 ⁽²⁾

Notes:

- (1) Based on the 2018 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 31 December 2018.
- (3) Number of Units in issue as at 31 December 2018.

8. OTHER INFORMATION

8.1 Relative Figures Computed on the Bases set out in Rule 1006 of the Listing Manual

A proposed disposal by Ascott Reit may fall into any of the categories set out in Rule 1004 of the Listing Manual (the "Listing Manual") of Singapore Exchange Securities Trading Limited (the "SGX-ST") depending on the size of the relative figures computed on the following applicable bases of comparison:

- (a) the net asset value of the assets to be disposed of, compared with Ascott Reit's net asset value;

- (b) the net profits attributable to the assets acquired or disposed of, compared with Ascott Reit's net profits; and
- (c) the aggregate value of the consideration given or received, compared with Ascott Reit's market capitalisation based on the total number of issued Units.

The relative figures for the Sale using the aforesaid bases of comparison are set out in the table below:

Criteria	Ascott Reit (S\$ million)	Sale (S\$ million)	Relative Percentage (%)
The net asset value of the assets to be disposed of, compared with Ascott Reit's net asset value	2,716.9 ⁽¹⁾	163.3 ⁽²⁾	6.0
The net profits attributable to the assets acquired or disposed of, compared with Ascott Reit's net profits	131.4 ⁽¹⁾	6.2	4.7
The aggregate value of the consideration given, compared with Ascott Reit's market capitalisation based on the total number of issued Units	2,872.1 ⁽³⁾	163.3 ⁽⁴⁾	5.7

Notes:

- (1) Based on the unaudited consolidated financial statements of Ascott Reit for 30 September 2019.
- (2) Based on the independent valuation conducted by Knight Frank Pte Ltd as at 15 November 2019.
- (3) Based on the market capitalisation of Ascott Reit as at 20 November 2019, the market day prior to the date of the PCOA.
- (4) Based on the Sale Price of approximately S\$163.3 million.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, a transaction would be regarded as being a discloseable transaction.

8.2 Interests of Directors and Controlling Unitholders

None of the directors of the Manager or controlling Unitholders has any interest, direct or indirect, in the Sale.

8.3 Directors' Service Contracts

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

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m.³ 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 months thereafter:

- (a) the PCOA; and

³ Prior appointment with the Manager is required. Please contact (Ms) Kang Wei Ling, Investor Relations (Tel: +65 6713 3317).

(b) the valuation report dated 15 November 2019 issued by Knight Frank Pte Ltd.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Ascott Reit continues to be in existence.

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

Karen Chan
Company Secretary
21 November 2019