



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

ANNOUNCEMENT

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SMOOTH RUNNER CO., LTD

1. Introduction

The Board of Directors of Ascott Residence Trust Management Limited, as manager of Ascott Residence Trust (“ART”, and manager of ART, the “**Manager**”), wishes to announce that DBS Trustee Ltd, as trustee of ART (the “**Purchaser**”), has today entered into a conditional sale and purchase agreement (the “**Sale & Purchase Agreement**”) with Realand Pte Ltd (“**Realand**”) and Consco (Tianjin) Investment Ltd (“**Consco**”, and together with Realand, the “**Vendors**”) for the sale and purchase of 100 percent of the issued shares in Smooth Runner Co., Ltd (“SRC”) and the assignment to the Purchaser of the existing shareholders’ loans owing by Smooth Runner Co., Ltd (“**Acquisition**”).

2. Information on Smooth Runner Co., Ltd

SRC is a company incorporated under the laws of Hong Kong with limited liability and as at the date hereof, SRC has an issued and paid up share capital of HK\$180,000 divided into 180,000 ordinary shares of HK\$1.00 each

SRC in turn owns 90 percent of the registered capital of Tianjin Consco Property Development Co., Ltd (“**Tianjin Consco**”), a Sino-foreign joint venture enterprise established under the laws of the People’s Republic of China. Tianjin Consco is the registered owner of the serviced residence portion of Somerset Olympic Tower located at 126 Chengdu Dao, Heping District, Tianjin, People’s Republic of China (the “**Serviced Residence-SOT**”).

Tianjin Consco also has a 33-year lease of the commercial podium of Somerset Olympic Tower from the registered owner of the commercial podium of Somerset Olympic Tower commencing from 1 July 2006 to 30 June 2039.

In relation to the preferential offering by The Ascott Group Limited of units in Ascott Residence Trust, J.P. Morgan (S.E.A.) Limited acted as the Joint Financial Advisor, Sole Global Coordinator and Sole Lead Underwriter.

3. **Acquisition Structure**

Pursuant to the Sale & Purchase Agreement, the Vendors, shall in accordance with the terms of the Sale & Purchase Agreement, procure that SRC enters into equity transfer agreements (**“Equity Transfer Agreements”**), to acquire the remaining 10 percent of the registered capital of Tianjin Consco from the minority shareholders of Tianjin Consco, subject to local regulatory approvals being obtained (**“Tianjin Consco Minority Acquisitions”**).

4. **Information on Somerset Olympic Tower**

Somerset Olympic Tower is a 30-storey mixed property development comprising 172 serviced residence units, a three-storey retail podium and two basement levels of 87 car park lots. Somerset Olympic Tower has residential land use rights for 70 years expiring on 19 November 2062 for the serviced residence portion and commercial land use rights for 50 years expiring on 9 November 2042, for the commercial podium. It has a site area of approximately 5,997 square metres and a gross floor area (**“GFA”**) of approximately 41,325 square metres. The serviced residence portion occupies a GFA of 32,946 square metres whilst the commercial podium has a GFA of 8,379 square metres.

Somerset Olympic Tower is currently managed by Ascott Property Management (Shanghai) Co., Ltd. (**“APMS”**) under a property management agreement, which is due to expire in August 2008. APMS is an indirect wholly owned subsidiary of The Ascott Group Limited (**“TAGL”**), a substantial unitholder of ART holding about 30 percent¹ of the total issued units of ART.

5. **Valuation of Serviced Residence-Somerset Olympic Tower**

The Serviced Residence- SOT was valued at US\$48.00 million (or S\$76.80 million) in a valuation report dated 30th June 2006 by HVS International (the **“Valuation Report”**) in accordance with the instructions issued by DBS Trustee Ltd as trustee of ART. The Valuation Report was prepared using income capitalisation method.

6. **Principal Terms of the Acquisition**

6.1 **Purchase Consideration**

The purchase consideration for the Acquisition is US\$24.31 million (or S\$38.90 million) (**“Purchase Consideration”**). This is based on an agreed enterprise value of US\$47.25 million (or S\$75.60 million) after taking into consideration, the valuation of Serviced Residence-SOT and after deducting the consolidated bank debt (of approximately US\$20.90 million or S\$33.44 million) and consolidated net current liabilities of SRC as at 31 March 2006. The consolidated bank debt and consolidated net current liabilities of SRC will be adjusted as at completion of the Acquisition.

¹ As at the date of this announcement

An amount of US\$0.24 million (or S\$0.38 million) paid as exclusivity fee prior to the signing of the Sale & Purchase Agreement shall form part of Purchase Consideration. The balance of the Purchase Consideration shall be payable in cash as follows:

- (a) an amount of US\$2.05 million (or S\$3.28 million) upon the signing of the Sale & Purchase Agreement;
- (b) an amount of US\$20.65 million (or S\$33.04 million) upon completion of the Acquisition;
- (c) an amount of US\$0.14 million (or S\$0.22 million) payable by SRC as a deposit to the minority shareholders of Tianjin Consco upon the signing of the Equity Transfer Agreements; and
- (d) an amount of US\$1.23 million (or S\$1.97 million) payable by SRC to the minority shareholders of Tianjin Consco upon the completion of the Tianjin Consco Minority Acquisitions.

6.2 Conditions Precedent

Completion of the Acquisition shall be conditional upon the fulfilment of inter alia, the following conditions precedent:

- (a) the Purchaser having received satisfactory documentary evidence that the Equity Transfer Agreement for SRC's acquisition of 6 percent of the registered capital of Tianjin Consco have been executed in accordance with the terms of the Sale & Purchase Agreement;
- (b) the Purchaser having obtained the necessary financing for the Acquisition; and
- (c) there being no pending or threatened material claims and litigation involving SRC, Tianjin Consco and/or Somerset Olympic Tower.

6.3 Completion of the Acquisition

Subject to the fulfilment of the conditions precedent set out in the Sale & Purchase Agreement, the completion of the Acquisition will take place on 10 October 2006 or such other date as the Purchaser and the Vendors may subsequently agree in writing.

Subject to local regulatory approvals being obtained, the completion of the Tianjin Consco Minority Acquisitions by SRC will take place on or before 31 December 2006 or any such date as may be agreed by the Purchaser.

7. Rationale for the Acquisition

The Acquisition is in line with ART's principal investment strategy to invest in quality yield accretive serviced residence properties in the Pan-Asian Region.

The Acquisition will widen the geographical diversification of ART's portfolio to eight Asia Pacific cities, including three key cities in the People's Republic of China. In addition, at an annualised property yield of 7.0%², the Acquisition is set to strengthen the overall returns and growth of ART's portfolio of properties.

8. **Method of Financing and the Financial Effects of the Acquisition**

The pro forma financial effects of the Acquisition are purely for illustrative purposes and are neither indicative of the actual financial effects of the Acquisition on the net tangible assets ("NTA") and the earnings per unit ("EPU") of ART, nor are they indicative of the financial performance of ART for the financial year ending 31 December 2006.

The pro forma financial effects have been prepared based on (i) the assumptions that the Acquisition had been included in ART's portfolio since 1 January 2005 for illustrating the financial effects on the consolidated earnings of ART; and (ii) the pro forma balance sheet of ART as at 31 December 2005 for illustrating the financial effects on the consolidated NTA of ART. Based on ART's unaudited pro forma consolidated financial statements for the year ended 31 December 2005 (as disclosed in the Prospectus dated 6 March 2006), the financial impact to ART's NTA and EPU would not be material.

The Acquisition will not have a material impact on the EPU and the NTA of ART for the current financial year.

The Acquisition will be funded by equity and assumption of existing consolidated bank debt at SRC. Following completion of the Acquisition, ART's gearing would increase from 28.1 percent to 29.7 percent³.

An acquisition fee of 1.0 percent of the Purchase Consideration ("**Acquisition Fee**") is payable to the Manager in connection with the Acquisition upon completion of the Acquisition.

9. **Disclosure Requirements under the Listing Manual**

9.1 Chapter 10 of the Listing Manual classifies transactions by ART 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 bases:

- (a) the net profits attributable to the assets acquired or disposed of, compared with ART's net profits; and
- (b) the aggregate value of the consideration given or received, compared with ART's market capitalisation.

² Annualised forecast property yield for Serviced Residence-SOT for the financial year 2006

³ Calculated based on ART's proportionate share of indebtedness over ART's proportionate share of deposited property of S\$970.80 million post the Acquisition

(a) Net Profits Test

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

The net profit before income tax, minority interests and extraordinary items attributable to the Acquisition for the three months ended 30 June 2006 is S\$0.40 million and constitutes approximately 6.0 percent of the net profit before income tax, minority interests and extraordinary items of ART amounting to S\$6.70 million for the same period based on the latest announced consolidated accounts as at 30 June 2006.

(b) Market Capitalisation Test

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

The aggregate consideration of S\$38.90 million paid for the Acquisition constitutes approximately 8.0 percent of the market capitalisation of ART of S\$485.30 million, based on the weighted average price of ART's units transacted on 21 July 2006, being the last market day preceding the date of this Agreement.

Interests of Directors and Controlling Unitholders

None of the Directors of the Manager has any interest, direct or indirect, in the Acquisition. Save for the Acquisition Fee payable to the Manager as referred to in paragraph 8 above, the Directors are not aware of any controlling unitholders of ART having any direct or indirect interest in the Acquisition and have not received any notification of interest in the Acquisition from any controlling unitholders of ART.

Documents Available for Inspection

A copy of the Sale and Purchase Agreement is available for inspection by ART unitholders from 9:00 a.m. to 5:30 p.m. at the Manager's registered office at 8 Shenton Way, #13-01 Temasek Tower, Singapore 068811, for a period of three (3) months from the date of this Announcement.

By Order of the Board

Ascott Residence Trust Management Limited
(Company Registration No: 200516209Z)
As manager of the Ascott Residence Trust

Doreen Nah
Company Secretary
Singapore, 24 July 2006

***Note :** An exchange rate of US\$1 : S\$1.60 is used for this announcement.*

Important Notice

The value of units in ART and the income derived from them may fall as well as rise. Units in ART are not obligations of, deposits in, or guaranteed by the Manager or any of its affiliates. An investment in the units in ART is subject to investment risks, include the possible loss of the principal amount invested. The past performance of ART 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 examples 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 ART while the units in ART are listed. It is intended that unitholders may only deal in their units in ART through trading on the SGX-ST. Listing of the units in ART on the SGX-ST does not guarantee a liquid market for the units in ART