



A Member of CapitaLand

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)

Managed by
Ascott Residence Trust Management Limited
(Company Registration No. 200516209Z)

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

Managed by
Ascott Business Trust Management Pte. Ltd.
(Company Registration No. 201925299R)

ANNOUNCEMENT

DIVESTMENT OF 100% OWNED SUBSIDIARY IN CHINA

1. INTRODUCTION

Ascott Residence Trust Management Limited, as manager of Ascott Real Estate Investment Trust and Ascott Business Trust Management Pte Ltd, as trustee-manager of Ascott Business Trust (collectively, the “**Managers**”), wish to announce that Ascott Real Estate Investment Trust (“**Ascott Reit**”) has today through its wholly owned subsidiary, Hong Kong Yong Zhen Group Company Limited (the “**Seller**”), entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) with an unrelated third party (the “**Purchaser**”) to divest (the “**Sale**”), through the divestment of interests in Guangzhou Hai Yi Real Estate Development Co. Ltd (the “**Target Company**”), Ascott Guangzhou (the “**Property**”).

2. SALE PRICE

The consideration under the Sale and Purchase Agreement for the Sale was agreed on a willing buyer willing seller basis taking into account, the agreed aggregate value of the Property of RMB 780 million (approximately S\$155.0 million) (“**Property Value**”) adjusted for, among others, bank loans owed by the Target Company and net current asset value of the Target Company as at the locked box date, being the date of registration with the Administration for Market Regulation of Guangzhou City.

The Property Value of RMB 780 million is 52% above the book value of the Property and 81% above the acquisition price.

3. PRINCIPAL TERMS OF THE SALE

- 3.1 Approximately 5% of the Property Value has been paid upon signing of the Sale and Purchase Agreement, another 10% to be paid 3 days upon signing the Sale and Purchase Agreement, and the balance remaining will be paid to the Seller upon completion of the Sale (the “**Completion**”).
- 3.2 The existing management agreement with the manager of the Property, Ascott Property Management (Guangzhou) Co. Ltd, a wholly owned subsidiary of The Ascott Limited, a controlling Stapled Securityholder of Ascott Residence Trust (“**ART**”), will be terminated and termination compensation will be paid in accordance with the terms of the management agreement.
- 3.3 Completion is expected to take place in the first quarter of 2021 after all the conditions set out in the Sale and Purchase Agreement have been satisfied or waived (as applicable) or such other date as the Seller and the Purchaser may agree in writing.

4. RATIONALE FOR THE SALE

To maintain the performance and competitiveness of the Property, it is expected that additional capital expenditure will be required in the near future. Given that the growth prospects of the Property are limited due to changes in the operating environment, any capital expenditure at this time would not be prudent. As such, the Sale presents an opportunity to unlock the underlying value of the Property and re-deploy the proceeds in higher yielding assets to enhance the returns of ART’s portfolio.

5. USE OF SALE PROCEEDS

After providing for transaction related expenses, an estimated net gain of approximately RMB 97.7 million (approximately S\$19.4 million) is expected from the Sale.

Net proceeds of approximately RMB 625.8 million (approximately S\$124.3 million) may be used to pare down the debts of ART or fund potential acquisitions and/or other general corporate purposes.

6. PRO FORMA FINANCIAL EFFECTS OF THE SALE

6.1 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 ART after Completion.

They have been prepared based on the audited consolidated financial statements of ART for the 12 months ended 31 December 2019 (“FY2019”, and the audited consolidated financial statements of ART for FY2019, the “**2019 Audited Consolidated Financial Statements**”), and taking into account the Sale Price.

6.2 Pro Forma Financial Effects

(A) Pro Forma DPS and Distribution Yield

The table below sets out the pro forma financial effects of the Sale on ART’s distribution per Stapled Security (“DPS”) and distribution yield for FY2019, as if the Sale was completed on 1 January 2019.

	FY2019	
	Before the Sale	After the Sale
Distributable Income (S\$’000)	165,557 ⁽¹⁾	161,716 ⁽²⁾
No of Stapled Securities (’000)	2,178,811 ⁽³⁾	2,178,629 ⁽²⁾
DPS (cents)	7.61 ⁽¹⁾	7.43 ⁽²⁾
Distribution yield (%)	5.7 ⁽⁴⁾	5.6 ⁽⁴⁾

Notes:

- (1) Based on the 2019 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 1 January 2019.
- (3) Number of Stapled Securities in issue as at 31 December 2019 was 3,083,089,282. The holders of the 904,277,884 Stapled Securities issued pursuant to the combination with Ascendas Hospitality Trust are not entitled to the distribution for FY2019.
- (4) Based on the closing Stapled Security price of S\$1.33 on 2 January 2020.

(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 2019, as if the Sale was completed on 31 December 2019.

	As at 31 December 2019	
	Before the Sale	After the Sale
NAV (S\$’000)	3,860,553 ⁽¹⁾	3,879,898 ⁽²⁾
Stapled Securities in issue (’000)	3,083,089 ⁽³⁾	3,083,089
NAV per Stapled Security (S\$)	1.25	1.26

Notes:

- (1) Based on the 2019 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 31 December 2019.
- (3) Number of Stapled Securities in issue as at 31 December 2019.

7. OTHER INFORMATION**7.1 Relative Figures Computed on the Bases set out in Rule 1006 of the Listing Manual**

The relative figures for the Sale computed on the applicable bases set out in Rule 1006 are set out in the table below:

Criteria	ART (S\$ million)	Sale (S\$ million)	Relative Percentage (%)
The net asset value of the assets to be disposed of, compared with ART's net asset value	3,860.6 ⁽¹⁾	103.0 ⁽³⁾	2.7%
The net profits attributable to the assets acquired or disposed of, compared with ART's net profits	174.5 ⁽¹⁾	4.5 ⁽⁴⁾	2.6%
The aggregate value of the consideration given, compared with ART's market capitalisation based on the total number of issued stapled securities	2,899.6 ⁽²⁾	175.7	6.1%

Notes:

- (1) Based on the 2019 Audited Consolidated Financial Statements
- (2) Based on total number of Stapled Securities of ART as at 24 July 2020 and Stapled Security price of S\$0.935.
- (3) Based on net asset value as at 31 December 2019.
- (4) Based on net profits for the financial year ended 31 December 2019.

The Sale is in the ordinary course of business of Ascott Reit.

7.2 Interests of Directors and Controlling Unitholders

Save as disclosed in paragraph 3.2 above, none of the directors of the Managers or controlling Stapled Securityholders has any interest, direct or indirect, in the Sale.

7.3 Directors' Service Contracts

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

7.4. Documents for Inspection

A copy of the Sale and Purchase Agreement is available for inspection from 10.00 a.m. to 5.00 p.m.¹ at the registered office of the Managers 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.

By Order of the Board

ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED

(Company Registration No. 200516209Z)

As manager of Ascott Real Estate Investment Trust

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.

(Company Registration No. 201925299R)

As trustee-manager of Ascott Business Trust

Karen Chan

Company Secretary

27 July 2020

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 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.

¹ Prior appointment with the Manager is required. Please contact (Ms) Kang Wei Ling, Investor Relations (Tel: +65 67133317).