



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

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#### DIVESTMENT OF EIGHTEEN RENTAL HOUSING PROPERTIES IN JAPAN

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#### 1. INTRODUCTION

Ascott Residence Trust Management Limited (the “**Manager**”), as manager of Ascott Residence Trust (“**Ascott REIT**”), wishes to announce that Ascott REIT has today through its wholly-owned subsidiary, Zenith Residences Tokyo Tokutei Mokuteki Kaisha (“**Zenith TMK**”) entered into conditional sale and purchase agreements (the “**Sale and Purchase Agreements**”) with Nikko Zenith GK9 and certain of its related corporations (collectively, the “**Purchasers**”) to divest the trust beneficiary interests (“**TBI**”) of eighteen rental housing properties in Tokyo, Japan under Zenith TMK’s portfolio (collectively, the “**Properties**”, and the divestment of the TBI of the Properties, the “**Sale**”). The details of the Properties are set out in the following table:

No.	Property Name	Year of Building Completion	No. of apartment units
1	Zesty Nishi Shinjuku III	2006	29
2	Zesty Shoin Jinja	2005	16
3	Zesty Shoin Jinja II	2006	17
4	Zesty Higashi Shinjuku	2006	19
5	Zesty Akebonobashi	2006	12
6	Zesty Gotokuji	2006	15
7	Zesty Sakura Shinmachi	2006	17
8	Zesty Shin Ekoda	2006	18
9	Zesty Kasugacho	2006	32
10	Joy City Kuramae	2006	60
11	Zesty Kagurazaka I	2004	20

No.	Property Name	Year of Building Completion	No. of apartment units
12	Zesty Kagurazaka II	2006	20
13	Zesty Komazawa Daigaku II	2006	29
14	Zesty Koishikawa	2006	15
15	Joy City Koishikawa Shokubutsuen	2006	36
16	Gala Hachimanyama I	2006	76
17	Gala Hachimanyama II	2006	16
18	Asyl Court Nakano Sakaue	2006	62

The aggregate purchase consideration under the Sale and Purchase Agreements for the TBI of the Properties is JPY12.0 billion (equivalent to approximately S\$153.6 million<sup>1</sup>) (the “**Sale Price**”).

The Purchasers are unrelated third parties.

## 2. SALE PRICE

The Sale Price was agreed on a willing buyer willing seller basis taking into account, among other factors, the independent valuation of the Properties conducted by CBRE K.K. (“**CBRE**”) at JPY10,338 million (equivalent to approximately S\$126.2 million) as at 31 December 2016, using the discounted cash flow method. This valuation was commissioned by DBS Trustee Limited, in its capacity as trustee of Ascott REIT, as part of Ascott REIT’s year end valuation exercise of its portfolio of properties.

## 3. PRINCIPAL TERMS OF THE SALE

Nikko Zenith GK9, for and on behalf of the Purchasers, has paid a deposit equivalent to 10.0% of the Sale Price into an escrow account upon execution of the Sale and Purchase Agreements. On completion of the Sale, the full Sale Price will be paid to Zenith TMK in cash and the deposit will be refunded to Nikko Zenith GK9. Completion of the Sale is expected to take place in the second quarter of 2017 after all the conditions set out in each of the Sale and Purchase Agreements have been satisfied or waived (as applicable) or such other date as Zenith TMK and the Purchasers may agree in writing.

## 4. RATIONALE FOR THE SALE

The Properties are currently operated as rental housing. The age of the Properties are more than 10 years and are due for asset enhancement. The Sale is in line with Ascott REIT’s strategy to reconstitute the portfolio by unlocking the underlying value of the Properties which offers limited growth and re-deploy proceeds in other higher yielding assets to enhance Ascott

<sup>1</sup> Unless otherwise stated in this announcement, all references to S\$ where applicable are based on an exchange rate of SGD / JPY = 78.14.

REIT's portfolio. Given the current strong investor demand for rental housing properties, it is an opportune time for Ascott REIT to divest these Properties at an attractive price.

## 5. USE OF SALE PROCEEDS

The Sale Price of JPY12.0 billion is 16.1% above the valuation of the Properties as at 31 December 2016. After providing for transaction related expenses, the estimated net gain from the Sale is approximately JPY831 million (equivalent to approximately S\$10.6 million).

Net sale proceeds may be used for asset enhancement, funding potential acquisitions and/or other general corporate purposes.

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

## 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 Ascott REIT after completion of the Sale.

They have been prepared based on the audited consolidated financial statements of Ascott REIT for the 12 months ended 31 December 2016 (“**FY2016**”, and the audited consolidated financial statements of Ascott REIT for FY2016, the “**2016 Audited Consolidated Financial Statements**”), and taking into account the Sale Price.

### 6.2 Assumed Exchange Rates

In preparing the pro forma historical distributions per Unit (“**DPU**”) and net asset value (“**NAV**”) per Unit for FY2016, the exchange rates between JPY and SGD are assumed to be as follows:

	1 January 2016	Average rate for FY2016	31 December 2016
JPY	86.88	79.11	81.91

### 6.3 Pro Forma Financial Effects for FY2016

#### (A) Pro Forma DPU and Distribution Yield

The table below sets out the pro forma financial effects of the Sale on Ascott REIT's DPU and distribution yield for FY2016, as if the Sale was completed on 1 January 2016.

	FY2016	
	Before the Sale	After the Sale
<b>Distributable Income (\$'000)</b>	134,991 <sup>(1)</sup>	130,818 <sup>(2)</sup>
<b>Units in issue ('000)</b>	1,653,471 <sup>(3)</sup>	1,653,342 <sup>(2)</sup>
<b>DPU (cents)</b>	8.27 <sup>(1)</sup>	8.01 <sup>(2)</sup>
<b>Distribution yield (%)</b>	7.3 <sup>(4)</sup>	7.1 <sup>(4)</sup>
<b>Earnings per Unit</b>		
- Basic (cents)	7.62 <sup>(1)</sup>	7.47 <sup>(2)</sup>
- Diluted (cents)	7.57 <sup>(5)</sup>	7.42 <sup>(2)</sup>

#### Notes:

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 1 January 2016.
- (3) Number of Units in issue as at 31 December 2016.
- (4) Based on the closing Unit price of S\$1.13 on 31 December 2016.
- (5) Prior to 1 January 2016, the Manager's management fees (comprising base fees and performance fees) are issued within 60 days from the end of the quarter. With effect from 1 January 2016, due to a new requirement of the Monetary Authority of Singapore, the units in connection with the performance fees will be issued once a year, after the end of the financial year.

#### (B) Pro Forma Consolidated NAV

The table below sets out the pro forma financial effects of the Sale on the consolidated NAV as at 31 December 2016, as if the Sale was completed on 31 December 2016.

	As at 31 December 2016	
	Before the Sale	After the Sale
<b>NAV (\$'000)</b>	2,200,625 <sup>(1)</sup>	2,218,839 <sup>(2)</sup>
<b>Units in issue ('000)</b>	1,653,471 <sup>(3)</sup>	1,653,471
<b>NAV per Unit (\$)</b>	1.33	1.34

#### Notes:

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Sale, as if it was completed on 31 December 2016.
- (3) Number of Units in issue as at 31 December 2016.

## 7. OTHER INFORMATION

### 7.1 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 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:

- (i) the net asset value of the assets to be disposed of, compared with Ascott REIT's net asset value;
- (ii) the net profits attributable to the assets acquired, compared with Ascott REIT's net profits; and
- (iii) 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 (\$ million)	Sale (\$ million)	Relative Percentage (%)
The net asset value of the assets to be disposed of, compared with the Ascott REIT's net asset value	2,200.6 <sup>(1)</sup>	126.2 <sup>(2)</sup>	5.7
The net profits attributable to the assets acquired or disposed of, compared with Ascott REIT's net profits	149.7 <sup>(1)</sup>	4.6	3.1
The aggregate value of the consideration given, compared with the Ascott REIT's market capitalisation based on the total number of issued Units	2,346.2 <sup>(3)</sup>	153.6 <sup>(4)</sup>	6.5

**Notes:**

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Based on valuation of the Properties JPY10,338 million as at 31 December 2016.
- (3) Based on the market capitalisation of Ascott REIT as at 12 April 2017.
- (4) Based on the Sale Price of JPY12,000 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%, the Sale is regarded as being a discloseable transaction.

### 7.2 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.

### 7.3 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.

## 8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m.<sup>2</sup> 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:

- (i) the Sale and Purchase Agreements; and
- (ii) the valuation report of the Properties issued by CBRE.

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  
13 April 2017

### Important Notice

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, 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 the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Ascott REIT is not necessarily indicative of the future performance of Ascott REIT.

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 costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.

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<sup>2</sup> Prior appointment with the Manager will be appreciated.