



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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## PROPOSED ACQUISITION OF INTERESTS IN SERVICED RESIDENCE PROPERTIES IN GERMANY

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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 DBS Trustee Limited (the “**Trustee**”), as trustee of Ascott REIT, has today, 6 March 2017, through The Ascott (Europe) N.V., a wholly owned subsidiary of Ascott REIT (the “**Purchaser**”), entered into two conditional sale and purchase agreements to acquire, through the acquisition of shareholding interests, the following effective interests in two serviced residence properties in Germany:

- (i) an effective interest of 93% in Citadines Michel Hamburg, a serviced residence property located at Ludwig-Erhard-Straße 7, 20459 Hamburg, Germany (the “**Citadines Michel Hamburg Property**”); and
- (ii) an effective interest in 93% in Citadines City Centre Frankfurt, a serviced residence property located at Europa-Allee 23, 60327 Frankfurt am Main, Germany (the “**Citadines City Centre Frankfurt Property**”),

(collectively, the “**Target Properties**”, each a “**Target Property**”) for an aggregate purchase consideration of S\$97.2 million. The Target Properties will be acquired from an indirect wholly owned subsidiary of The Ascott Limited (“**TAL**”), the sponsor and the “controlling unitholder”<sup>1</sup> of Ascott REIT.

(See paragraph 3 for further details on the structure of the acquisition of the Target Properties (the “**Target Acquisitions**”), including details on the vendor of the Target Properties.)

Upon completion of the Target Acquisitions, Citadines Hamburg Michel GmbH & Co., KG and Citadines Europaviertel (Frankfurt) GmbH & Co., KG (each a “**German Property Holding Company**”) shall enter into separate master lease agreements with Citadines Betriebs GmbH and Citadines Betriebs (Frankfurt) GmbH respectively (collectively, the “**German Master Lessees**”, each a “**German Master Lessee**”, and the entry into the master lease agreements

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1 “**Controlling Unitholder**” means a person who:

- (a) holds directly or indirectly 15% or more of the nominal amount of Units. The Monetary Authority of Singapore (the “**MAS**”) may determine that such a person is not a controlling Unitholder; or
- (b) in fact exercises control over the property fund.

granting the master leases over each of the Target Acquisitions, the “**German Master Leases**” and the agreements granting the German Master Leases, the “**German Master Lease Agreements**”), both indirect wholly owned subsidiaries of The Ascott Holdings Limited (“**TAHL**”, a wholly owned subsidiary of TAL), pursuant to which the relevant German Property Holding Company shall grant the German Master Lease to the respective German Master Lessee for a term of 15 years, commencing from the date of completion of the Target Acquisitions with an option to renew for a further term of five years at the option of the German Master Lessee. The rental payable under each of the German Master Lease Agreements for the Target Properties is as follows:

- Citadines Michel Hamburg Property: Fixed Lease Rental<sup>2</sup> of €1.7 million per annum. The lease rental will be revised commencing from the second full operating year of the term based on the change in the consumer price indices published by the Federal Statistical Office of Germany as compared to the consumer price indices published at the last adjustment or the commencement of the term (for the first adjustment); and
- Citadines City Centre Frankfurt Property: Fixed Lease Rental of €2.0 million per annum. The lease rental will be revised commencing from the second full operating year of the term based on the change in the consumer price indices published by the Federal Statistical Office of Germany as compared to the consumer price indices published at the last adjustment or the commencement of the term (for the first adjustment).

Upon entry into the German Master Leases, TAL will enter into a guarantee (the “**TAL Guarantee**”) in favour of the Trustee under which TAL guarantees the payment of rent and other charges, fees and amounts under the German Master Leases during the lease term.

Further details in respect of the Target Properties are set out in **Appendix A** of the announcement, and further details regarding the Target Acquisitions will be set out in a circular to be issued to unitholders of Ascott REIT (the “**Unitholders**”) in due course (the “**Circular**”), together with a notice of extraordinary general meeting of Unitholders (the “**EGM**”), for the purpose of seeking Unitholders’ approval in relation to the Target Acquisitions.

## 2. RATIONALE FOR THE TARGET ACQUISITIONS AND THE GERMAN MASTER LEASES

The Manager believes that the Target Acquisitions and the entry into the German Master Leases will bring, among others, the following benefits to Ascott REIT and its Unitholders:

### (i) Enhance DPU to Unitholders

The Manager expects that the Target Acquisitions will enhance the distribution per unit (“**DPU**”) to Unitholders. The Target Acquisitions are expected, on a pro forma basis, to contribute an additional annual earnings before net interest expense, tax, depreciation and amortisation (“**EBITDA**”) of S\$5.5 million and increase the distributable income by S\$3.5 million for the financial year ended 31 December 2016 (“**FY2016**”), translating to an increase in pro forma DPU by 0.16 cents or 2.2%<sup>3</sup>. Ascott REIT expects to acquire the Target Properties at an EBITDA yield of 5.4% on a pro forma basis for FY2016;

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2 “**Fixed Lease Rental**” means the fixed lease rental amount as set out in the German Master Lease Agreements.

3 Taking into account the cost of funding and the increased number of Units which are expected to be issued from the Rights Issue. (See paragraph 8.2 of this announcement for further details.).

(ii) **Broaden Earnings Base with Increased Portfolio Scale**

The Target Acquisitions will enlarge the portfolio of Ascott REIT from S\$5.2<sup>4</sup> billion to S\$5.3 billion. Post-completion of the Target Acquisitions, the number of Apartment Units will increase to 12,139 in 93 properties in 39 cities across 14 countries. This will enable Ascott REIT to benefit from a broader earnings base;

(iii) **Deepen Ascott REIT's Presence in Germany and the city of Hamburg**

The Target Acquisitions represent an opportunity for Ascott REIT to acquire good quality assets in the established and steadily growing hospitality markets of Hamburg and Frankfurt, enabling it to strengthen its presence in Germany, where it currently owns three serviced residence properties. With the acquisition of Ascott Orchard Singapore (“**AOS Acquisition**”)<sup>5</sup> and the addition of the Target Acquisitions, Ascott REIT's exposure to Germany based on total assets will increase from 2.3%<sup>6</sup> to 4.4%.

As the largest market in Europe by Gross Domestic Product<sup>7</sup>, Germany is consistently ranked as one of the most attractive destinations for foreign direct investment (“**FDI**”) by virtue of its reliable infrastructure, a highly skilled workforce, a positive social climate, a stable legal environment, and world-class research and development<sup>8</sup>. In September 2016, Fitch Ratings reaffirmed Germany's AAA ratings with stable outlooks due to the country's strong institutions and diversified, high value-added economy<sup>9</sup>. Ascott REIT's existing properties in Germany have exhibited stable and strong operational performance, with occupancy exceeding 80.0% for FY2016.

Hamburg is the second largest city in Germany<sup>10</sup> and its position as one of the most dynamic economic cities in Europe is rooted in its strategic location as a hub for international trade and Germany's gateway to the rest of the world. In the 2016 Emerging Trends in Real Estate report published by PricewaterhouseCoopers LLP and the Urban Land Institute, Hamburg was ranked the second-best European city in which to invest after Berlin. Home to the third largest container port in Europe, the port city's openness to outsiders, a quality that still draws both domestic and international investors is a key driver of corporate demand for accommodation in Hamburg. Ascott REIT's existing property, Madison Hamburg, located at Schaarsteinweg 4 20459 Hamburg, Germany, has exhibited stable and strong operational performance, with occupancy of about 85.0% for FY2016. The acquisition of Citadines Michel Hamburg, a second property in Hamburg, will allow Ascott REIT to increase presence and achieve greater economies of scale in the second largest city in Germany.

(iv) **Expand Footprint to the City of Frankfurt**

The Target Acquisitions will extend Ascott REIT's presence in Germany to Frankfurt, a key gateway city in Germany and one of Europe's leading locations for both domestic and international companies. Known especially for its strong financial sector where the European Central Bank is located, Frankfurt is also home to many other important sectors: the creative industry, the information technology and

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4 Based on the total asset value as at 31 December 2016 and adjusted for the AOS Acquisition (as defined herein).

5 The AOS Acquisition was approved at the extraordinary general meeting of Ascott REIT held on 27 July 2012 and is expected to proceed for legal completion in 2017.

6 Based on the total asset value as at 31 December 2016 and adjusted for the AOS Acquisition (as defined herein).

7 Source: Eurostat (<http://ec.europa.eu/eurostat>)

8 Source: Germany Investment and Investment Guide Volume 1 Strategic and Practical Information, 2016 Edition

9 Source: Fitch Ratings Limited ([www.fitchratings.com](http://www.fitchratings.com))

10 Source: Statistisches Bundesamt Deutschland

telecommunications sector, biotechnology and life sciences, logistics and industry<sup>11</sup>. The city is also one of Europe's leading cities for international and regional trade fairs, attracting millions of visitors each year. In 2015, Frankfurt registered more than 5 million visitors<sup>12</sup>, over 6.5% increase year-on-year over the last 10 years. With its reputation as a transparent business environment and boasting convenient access to the rest of Europe, Frankfurt is well-placed to benefit from the FDI activities which will in turn generate steady demand for accommodation.

(v) **Enhance Income Stability of Ascott REIT**

The German Master Leases will provide certainty to Ascott REIT's income. The German Master Leases, which are 100% fixed will protect Ascott REIT from any downside risks arising from unexpected downturn in business climate. Post-completion of the Target Acquisitions and the entry into the German Master Leases (collectively, the "**Transactions**") and the AOS Acquisition, the proportion of stable income generated by Ascott REIT's master leases will increase from 32.7% to 34.2% on a pro forma basis for FY2016. The projected weighted average remaining tenure for Ascott REIT's master leases is also expected to be extended by 24.2% from 3.3 years to 4.1 years.

### **3. STRUCTURE OF THE TARGET ACQUISITIONS**

#### **3.1 The Citadines Michel Hamburg Property Acquisition**

Citadines Hamburg Michel GmbH & Co., KG holds the legal title to the Citadines Michel Hamburg Property.

Ascott REIT is proposing to acquire an effective interest of 93% in the Citadines Michel Hamburg Property from Ascott Holdings (Europe) N.V. (the "**Vendor**") through the acquisition of 94% of the issued shares of Citadines Investments B.V. which holds a 99% interest in Citadines Hamburg Michel GmbH & Co., KG, for an aggregate purchase consideration of €29.7 million<sup>13</sup> (equivalent to approximately S\$44.1 million), subject to adjustment as at completion. The remaining 6% of Citadines Investments B.V. is held by the Vendor and the remaining 1% of Citadines Hamburg Michel GmbH & Co., KG is held by an unrelated third party.

#### **3.2 The Citadines City Centre Frankfurt Property Acquisition**

Citadines Europaviertel (Frankfurt) GmbH & Co., KG holds the legal title to the Citadines City Centre Frankfurt Property.

Ascott REIT is proposing to acquire an effective interest of 93% in the Citadines City Centre Frankfurt Property from the Vendor through the acquisition of 94% of the issued shares of Citadines (Netherlands) B.V. which holds a 99% interest in Citadines Europaviertel (Frankfurt) GmbH & Co., KG, for an aggregate purchase consideration of €35.7 million<sup>14</sup> (equivalent to approximately S\$53.1 million), subject to adjustment as at completion. The remaining 6% of Citadines (Netherlands) B.V. is held by the Vendor and the remaining 1% of Citadines Europaviertel (Frankfurt) GmbH & Co., KG is held by an unrelated third party.

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11 Source: Frankfurt Economic Development GmbH ([http://www.frankfurt.de/sixcms/detail.php?id=stadtfrankfurt\\_eval01.c.125162.en](http://www.frankfurt.de/sixcms/detail.php?id=stadtfrankfurt_eval01.c.125162.en))

12 Source: Tourismus, Congress GmbH Frankfurt am Main

13 Taking into account 93% of the agreed property value of the Citadines Michel Hamburg Property of €31.2 million (equivalent to approximately S\$46.4 million).

14 Taking into account 93% of the agreed property value of the Citadines City Centre Frankfurt Property of €37.4 million (equivalent to approximately S\$55.6 million).

## 4. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENTS

### 4.1 Sale and Purchase Agreements

The following sale and purchase agreements were entered into today in respect of the Target Acquisitions (collectively, the “**Sale and Purchase Agreements**”):

- (i) a conditional sale and purchase agreement entered into between the Purchaser and the Vendor in relation to the Purchaser’s acquisition of 94% of the issued shares of Citadines Investments B.V. (the “**Hamburg SPA**”); and
- (ii) a conditional sale and purchase agreement entered into between the Purchaser and the Vendor in relation to the Purchaser’s acquisition of 94% of the issued shares of Citadines (Netherlands) B.V. (the “**Frankfurt SPA**”).

### 4.2 Conditions Precedent to the Completion of the Target Acquisitions

The completion of the acquisition of 94% of the issued shares in Citadines Investments B.V. (in relation to the Citadines Michel Hamburg Property) is subject to and conditional upon, among others:

- (i) the receipt by the Purchaser of such waivers or consents as may be necessary to enable the Purchaser to be registered as holder of 94% of the issued shares in Citadines Investments B.V.;
- (ii) obtaining the approval of Unitholders at an EGM to be convened to approve the transactions contemplated in the Circular, including the purchase of an effective interest of 93% of the Citadines Michel Hamburg Property;
- (iii) there being no compulsory acquisition of the Citadines Michel Hamburg Property or any part of the Citadines Michel Hamburg Property, and no notice of such intended compulsory acquisition has been given, by the government or such other competent authority;
- (iv) the assignment to the Purchaser of its pro-rata share of the existing intercompany loan and all the rights, title and interest of the Vendor in the intercompany loan as at the completion date free of all encumbrances by the Vendor to the Purchaser; and
- (v) the completion of the acquisition of 94% of the issued shares in Citadines (Netherlands) B.V. taking place simultaneously.

The completion of the acquisition of 94% of the issued shares in Citadines (Netherlands) B.V. (in relation to the Citadines City Centre Frankfurt Property) is subject to and conditional upon, among others:

- (i) the receipt by the Purchaser of such waivers or consents as may be necessary to enable the Purchaser to be registered as holder of 94% of the issued shares in Citadines (Netherlands) B.V.;
- (ii) obtaining the approval of Unitholders at an EGM to be convened to approve the transactions contemplated in the Circular, including the purchase of an effective interest of 93% of the Citadines City Centre Frankfurt Property;
- (iii) there being no compulsory acquisition of the Citadines City Centre Frankfurt Property or any part of the Citadines City Centre Frankfurt Property, and no notice of such intended compulsory acquisition has been given, by the government or such other competent authority;

- (iv) the assignment to the Purchaser of its pro-rata share of the existing intercompany loan and all the rights, title and interest of the Vendor in the intercompany loan as at the completion date free of all encumbrances by the Vendor to the Purchaser; and
- (v) the completion of the acquisition of 94% of the issued shares in Citadines Investments B.V. taking place simultaneously.

#### **4.3 Guarantees**

The Manager has obtained the following guarantees under the Sale and Purchase Agreements:

- (i) TAHL has agreed to, in its capacity as guarantor under the Hamburg SPA, guarantee to the Purchaser the due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Hamburg SPA and has agreed to indemnify the Purchaser against all losses, liabilities, costs (including without limitation reasonable legal costs), charges, expenses, actions, proceedings, claims and demands which the Purchaser may suffer through or arising from any breach by the Vendor of the obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Hamburg SPA subject to the terms and conditions as set out in the Hamburg SPA;
- (ii) TAHL has agreed to, in its capacity as guarantor under the Frankfurt SPA, guarantee to the Purchaser the due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Frankfurt SPA and has agreed to indemnify the Purchaser against all losses, liabilities, costs (including without limitation reasonable legal costs), charges, expenses, actions, proceedings, claims and demands which the Purchaser may suffer through or arising from any breach by the Vendor of the obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Frankfurt SPA subject to the terms and conditions as set out in the Frankfurt SPA.

### **5. PRINCIPAL TERMS OF THE GERMAN MASTER LEASE AGREEMENTS**

The terms of the German Master Lease Agreements include the following:

- (i) The term of the lease will be for a minimum of 15 years, commencing from the date of completion of the Target Acquisitions, renewable for another five years exercisable at the option of the German Master Lessee;
- (ii) The annual rent is payable to the relevant German Property Holding Company in advance on a monthly basis;
- (iii) The German Master Lessee shall only use the demised premises as a serviced residence;
- (iv) The German Master Lessee may, with the master lessor's consent, only assign or transfer its rights, benefits or obligations under the German Master Lease if the German Master Lease is to be assigned as a whole to the purchaser of the German Master Lessee's on-going concern and the German Master Lessee shall remain liable as joint guarantor for all the successive assignees' obligations;
- (v) The German Master Lessee shall bear all taxes, including property tax;
- (vi) The German Master Lessee must obtain adequate insurance coverage with the master lessor as the co-insured;

- (vii) In the event of a total destruction of the relevant Target Property, the German Master Lease shall be automatically terminated and in case of a partial destruction, the German Master Lessee is obliged to rebuild and restore the relevant Target Property and the German Master Lease continues to remain valid and in force during such time to the extent the German Master Lessee is able to obtain reimbursement of the required expenses from an insurer. However, the German Master Lessee does not have the obligation to pay rent and other payments during this period; and
- (viii) In the case of non-payment of rent for a period covering more than two rental payment dates or a breach by the German Master Lessee of any major covenant in the German Master Lease where a four-week period after receipt by the German Master Lessee of a written notice to remedy the breach has expired and such notice has been left unanswered or without remedy, the master lessor is entitled to terminate the German Master Leases.

Upon entry into the German Master Leases, TAL will enter into the TAL Guarantee in favour of the Trustee under which TAL guarantees the payment of rent and other charges, fees and amounts under the German Master Leases during the lease term.

## 6. VALUATION

Two independent property valuers, Cushman & Wakefield VHS Pte. Ltd. (“**C&W**”) (appointed by the Trustee) and CBRE Pte. Ltd. (appointed by the Manager) (“**CBRE**”, together with C&W, the “**Independent Valuers**”), were appointed to value the Target Properties.

The agreed property value of the Target Properties was arrived at on a willing-buyer and willing-seller basis and derived based on the two independent valuations of the Target Properties by the Independent Valuers, both as at 15 January 2017. The valuations were derived using the discounted cash flow analysis.

Please refer to **Appendix A** for details of the valuations.

## 7. COSTS OF THE TARGET ACQUISITIONS

### 7.1 Estimated Total Transaction Costs

Estimated Total Transaction Costs, comprising:		(S\$'million)
(a)	Total acquisition fees (being 1% of the Enterprise Value <sup>(1)</sup> )	1.0
(b)	Aggregate associated costs <sup>(2)</sup> incurred or to be incurred by Ascott REIT in connection with the acquisitions (S\$'million)	1.1
<b>Total (a) + (b)</b>		<b>2.1</b>

#### Notes:

- (1) For purposes of the Target Acquisitions, Enterprise Value is calculated by adding the effective interest of 93% of the agreed property value of S\$102.0 million and the consolidated net current assets (which will be adjusted at completion) of S\$2.3 million.
- (2) The associated costs of S\$1.1 million comprises legal and other professional fees (including technical due diligence, valuation, independent financial adviser, auditors' and tax advisers' fees) of approximately S\$0.7 million and other expenses (including printing and EGM expenses) of approximately S\$0.4 million.

As the Target Acquisitions will constitute Interested Party Transactions<sup>15</sup> under the Property Funds Appendix, the total acquisition fees payable to the Manager will be in the form of units of Ascott REIT (“Units”)<sup>16</sup>, which shall not be sold within one year from the date of issuance.

## 7.2 Method of Financing

Ascott REIT intends to finance the total transaction costs and the aggregate purchase consideration relating to the Target Acquisitions with debt financing and proceeds from the rights issue as announced by the Manager today (the “Rights Issue”), so as to ensure that the Target Acquisitions will provide overall DPU accretion to Unitholders while maintaining an optimum level of gearing.

The final decision regarding the financing to be employed for the purposes of financing the Target Acquisitions will be made by the Manager at the appropriate time taking into account the then prevailing market conditions and interest rate environment, availability of alternative funding options, the impact on Ascott REIT’s capital structure, DPU and debt expiry profile and the covenants and requirements associated with each financing option.

A breakdown of the costs of the Target Acquisitions and the currently intended sources of funds is set out in the table below:

Costs of Target Acquisitions	(S\$ million)	Sources of funds	(S\$ million)
Aggregate purchase consideration for the Target Acquisitions	97.2	Debt financing	42.3
Associated costs <sup>(1)</sup> of the Target Acquisitions (including applicable stamp duties, legal and other professional fees and expenses)	1.1	Proceeds from Rights Issue	56.0
<b>Total</b>	<b>98.3</b>	<b>Total</b>	<b>98.3</b>

**Note:**

- (1) The associated costs of S\$1.1 million comprises legal and other professional fees (including technical due diligence, valuation, independent financial adviser, auditors’ and tax advisers’ fees) of approximately S\$0.7 million and other expenses (including printing and EGM expenses) of approximately S\$0.4 million. Excludes acquisition fees of approximately S\$1.0 million, which will be payable in Units to the Manager.

## 8. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTIONS

### 8.1 Assumed Exchange Rates

In preparing the pro forma DPU and net asset value (“NAV”) per Unit for FY2016, the exchange rates between € and the Singapore dollar are assumed to be as follows:

	1 January 2016	Average rate for FY2016	31 December 2016
€	1.49725	1.52861	1.51761

15 The term “Interested Party Transaction” as defined in Appendix 6 of the Code on Collective Investment Schemes issued by the MAS (the “Property Funds Appendix”), refers to transactions described as such in the Property Funds Appendix.

16 The Acquisition Fee Units will be issued at an issue price equal to the volume weighted average price for a Unit for all trades on the SGX-ST, in the ordinary course of trading, for the period of five business days immediately preceding the date of payment of the Acquisition Fees pursuant to Clause 5.2.4(i) of the Trust Deed.



## 8.2 Pro Forma DPU and Distribution Yield

In addition to the assumption set out at paragraph 8.1 above, the following assumptions were made in preparing the pro forma DPU for FY2016:

- (a) the aggregate purchase consideration of the Target Acquisitions was S\$97.9 million (based on the exchange rate of €1.00 to S\$1.49725);
- (b) Rights Issue proceeds of S\$56.0 million and bank borrowings of S\$43.0 million were used to pay for the aggregated purchase consideration and associated costs of the Target Acquisitions; and
- (c) the Manager's management fees payable for the Target Acquisitions were paid 50.0% in Units.

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

	Pro Forma Financial Effects for FY2016		
	Existing Portfolio	After AOS Acquisition and Rights Issue <sup>(1)</sup>	After AOS Acquisition, Rights Issue and Transactions
<b>Distributable Income (S\$'000)</b>	134,991 <sup>(2)</sup>	153,609 <sup>(3)</sup>	157,130
<b>Units in issue ('000)</b>	1,653,471 <sup>(4)</sup>	2,135,693 <sup>(3)</sup>	2,136,615 <sup>(5)</sup>
<b>DPU (cents)</b>	8.27	7.27	7.43
<b>Distribution yield (%)</b>	7.3 <sup>(6)</sup>	6.5 <sup>(7)</sup>	6.7 <sup>(7)</sup>

### Notes:

- (1) An offer information statement is expected to be lodged with the MAS in connection with the Rights Issue.
- (2) Based on the audited consolidated financial statements of Ascott REIT for FY2016 ("**2016 Audited Consolidated Financial Statements**").
- (3) Adjusted for the pro forma financial effects of the AOS Acquisition and the Rights Issue, as if they were completed on 1 January 2016.
- (4) Number of Units in issue as at 31 December 2016.
- (5) Includes adjustments to include approximately 0.9 million new Units issued as payment of the acquisition fee and Manager's management fees for the Target Acquisitions. The Manager's acquisition fee was assumed to be paid in Units based on an issue price of S\$1.19 on 1 January 2016. The Units issued as payment of the Manager's management fees were assumed to be issued at the same prices as those that were actually issued as payment for the Manager's management fees for the existing properties for FY2016.
- (6) Based on the closing Unit price of S\$1.13 on 31 December 2016.
- (7) Based on the theoretical ex-rights price of S\$1.114 per Unit.

## 8.3 Pro Forma Consolidated NAV

In addition to the assumption set out at paragraph 8.1 above, the following assumptions have been made in preparing the pro forma NAV as at 31 December 2016:

- (a) the aggregate purchase consideration of the Target Acquisitions is S\$99.3 million, based on the exchange rate of €1.00 to S\$1.51761; and
- (b) Rights Issue proceeds of S\$56.0 million and bank borrowings of S\$44.4 million were used to pay for the aggregated purchase consideration and associated costs of the Target Acquisitions.

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

	Pro Forma Financial Effects as at 31 December 2016		
	Existing Portfolio	After AOS Acquisition and Rights Issue	After AOS Acquisition, Rights Issue and Transactions
NAV (S\$'000)	2,200,625 <sup>(1)</sup>	2,638,215 <sup>(2)</sup>	2,639,108
Units in issue ('000)	1,653,471 <sup>(3)</sup>	2,135,159 <sup>(2)</sup>	2,136,037 <sup>(4)</sup>
NAV per Unit (S\$)	1.33	1.24	1.24

**Notes:**

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the AOS Acquisition and the Rights Issue, as if they were completed on 31 December 2016.
- (3) Number of Units in issue as at 31 December 2016.
- (4) Includes adjustments to include approximately 0.9 million new Units issued as payment of the acquisition fee for the Target Acquisitions. The Manager's acquisition fee was assumed to be paid in Units based on an issue price of S\$1.13 on 31 December 2016.

#### 8.4 Pro Forma Capitalisation

The table below sets out the pro forma capitalisation of Ascott REIT as at 31 December 2016, as if the Target Acquisitions were completed on 31 December 2016.

	Pro forma capitalisation as at 31 December 2016		
	Actual (S\$'000)	After AOS Acquisition and Rights Issue (S\$'000)	After AOS Acquisition, Rights Issue and Transactions (S\$'000)
<b>Short-term debt<sup>(2)</sup>:</b>			
Secured debt	108,389	108,389	108,389
Unsecured debt	35,513	35,513	35,513
Finance lease	3,071	3,071	3,071
Total short-term debt	146,973	146,973	146,973
<b>Long-term debt<sup>(2)</sup>:</b>			
Secured debt	910,681	913,841	958,207
Unsecured debt	801,680	801,680	801,680
Finance lease	3,298	3,298	3,298
Total long-term debt	1,715,659	1,718,819	1,763,185
<b>Total debt</b>	1,862,632	1,865,792	1,910,158
Unitholders' funds	2,200,625 <sup>(1)</sup>	2,638,215	2,639,108
<b>Total Capitalisation</b>	4,063,257	4,504,007	4,549,266

**Notes:**

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Stated net of unamortised transaction costs.

## 9. OPINION OF THE AUDIT COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

With the approval of the independent directors of the Manager (the “**Independent Directors**”), the Manager has appointed the independent financial adviser, namely Deloitte & Touche Corporate Finance Pte Ltd (the “**IFA**”), to advise the Independent Directors in relation to the Target Acquisitions (including the German Master Lease Agreements). A copy of the letter from the IFA to the Independent Directors containing its advice in relation to the Transactions (the “**IFA Letter**”) to the Independent Directors will be set out in the Circular and Unitholders are advised to read the IFA Letter carefully. The Independent Directors (which includes the Audit Committee) will obtain the IFA’s opinion before forming their view, which will be disclosed in the Circular, as to whether the Transactions are on normal commercial terms and would not be prejudicial to the interests of Ascott REIT and its minority Unitholders.

## 10. OTHER INFORMATION

### 10.1 Discloseable Transactions – Chapter 10 of the Listing Manual

A proposed acquisition by Ascott REIT may fall into any of the categories set out in Chapter 10 of the Listing Manual depending on the size of the relative figures computed on the following bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with Ascott REIT’s net profits pursuant to Rule 1006(b) of the Listing Manual; and
- (ii) the aggregate value of the consideration given or received, compared with Ascott REIT’s market capitalisation based on the total number of issued Units pursuant to Rule 1006(c) of the Listing Manual.

Rule 1006(d) of the Listing Manual is not applicable as Ascott REIT will not be issuing any units as consideration for the Target Acquisitions. Where any of the relative figures computed on the bases set out above is 20% or more, the transaction is classified as a “major transaction” under Rule 1014 of the Listing Manual which would be subject to the approval of Unitholders, unless such transaction is in the ordinary course of Ascott REIT’s business.

The relative figures in relation to the Target Acquisitions computed on the bases set out above exceed 5% but do not exceed 20%.

For purposes of illustration to Unitholders, the relative figures for the Target Acquisitions using the applicable bases of comparison described in Rules 1006(b) and Rule 1006(c) of the Listing Manual are set out in the table below.

Criteria	Ascott REIT (S\$ million)	The Target Acquisitions (S\$ million)	Relative %
The net profits attributable to the assets acquired, compared with Ascott REIT’s net profits before tax	149.7 <sup>(1)</sup>	5.2 <sup>(2)</sup>	3.5
The aggregate value of the consideration given, compared with Ascott REIT’s market capitalisation based on the total number of issued Units	1,946.2 <sup>(3)</sup>	97.2	5.0

#### Notes:

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Based on 94% of the consolidated net profit before tax of Citadines Investments B.V. group & Citadines (Netherlands) B.V. group for the year ended 31 December 2016, which takes into account the rentals received assuming the German Master Lease Agreements are in place from 1 January 2016.
- (3) Based on the market capitalisation of Ascott REIT as at the market date preceding the date of entry into the Sale and Purchase Agreements.

## 10.2 Interests of Directors and Substantial Unitholders

### 10.2.1 Interests of Directors

Based on the Register of Directors' Unitholdings and the information available to the Manager, as at 1 March 2017, the interests of the Directors in Units are set out below:

Name of Directors	Direct Interest		Deemed Interest		Total No. of Units Held	%( <sup>1</sup> )	Contingent Awards of Units <sup>(2)</sup> under the Manager's	
	No. of Units	%( <sup>1</sup> )	No. of Units	%( <sup>1</sup> )			Performance Unit Plan	Restricted Unit Plan
Tan Beng Hai	9,514	0.001	-	-	9,514	0.001	-	-
Lim Ming Yan	259,509	0.016	-	-	259,509	0.016	-	-
(TA) Tay Boon Hwee	38,247	0.002	-	-	38,247	0.002	0 to 275,212 <sup>(3)</sup>	76,726 <sup>(3), (4)</sup>
Zulkifli Bin Baharudin	33,299	0.002	-	-	33,299	0.002	-	-
Sim Juat Quee Michael Gabriel	-	-	-	-	-	-	-	-
Elaine Carole Young	-	-	-	-	-	-	-	-
Lee Chee Koon	36,000	0.002	-	-	36,000	0.002	-	-
Total:					376,569			

#### Notes:

- (1) The percentage is based on 1,660,993,138 Units in issue as at 1 March 2017.
- (2) This refers to the number of Units which are the subject of contingent awards granted but not released under the Manager's Performance Unit Plan ("**PUP**") and Restricted Unit Plan ("**RUP**"). The final number of Units that will be released could range from 0% to a maximum of 200% of the baseline award under the PUP and from 0% to a maximum of 150% of the baseline award under the RUP.
- (3) The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the respective performance periods for PUP and RUP.
- (4) On the final vesting, an additional number of Units of a total value equal to the value of the accumulated distributions which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of RUP, will also be released.

The table below sets out the interest in CapitaLand Limited (“**CL Shares**”) which are held by the Directors as at 1 March 2017:

Name of Directors	Direct Interest		Deemed Interest		Total No. of CL Shares Held	% <sup>(1)</sup>	Contingent Awards of CL Shares <sup>(2)</sup> under the CapitaLand’s	
	No. of CL Shares	% <sup>(1)</sup>	No. of CL Shares	% <sup>(1)</sup>			Performance Share Plan	Restricted Share Plan
Lim Ming Yan	2,156,857	0.051	-	-	2,156,857	0.051	0 to 1,488,760 <sup>(3)</sup>	249,737 <sup>(4),(5)</sup>
(TA) Tay Boon Hwee	510,990	0.012	-	-	510,990	0.012	0 to 88,940 <sup>(3)</sup>	12,850 <sup>(4),(5)</sup>
Lee Chee Koon	444,327	0.010	-	-	444,327	0.010	0 to 658,668 <sup>(3)</sup>	108,848 <sup>(4),(5)</sup>
Total:					3,112,174			

**Notes:**

- (1) The percentage is based on 4,247,136,131 issued CL Shares (excluding treasury shares) at 1 March 2017.
- (2) This refers to the number of CL Shares which are the subject of contingent awards granted but not released under CapitaLand’s Performance Share Plan (“**PSP**”) and Restricted Share Plan (“**RSP**”). In respect of the PSP, the final number of CL Shares that will be released could range from 0% to a maximum of 200% of the baseline awards. The award under the PSP granted to Mr (TA) Tay Boon Hwee was in 2015. In respect of the RSP, the final number of CL Shares that will be released could range from 0% to a maximum of 150% of the baseline award.
- (3) The final number of CL Shares that will be released will depend on the achievement of the pre-determined targets at the end of the respective performance periods for the PSP and the RSP.
- (4) The remaining unvested CL shares will vest in 2018 and 2019.
- (5) On the final vesting, an additional number of CL Shares of a total value equal to the value of the accumulated dividends which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of the RSP, will also be released.

Further, Mr Lim Ming Yan and Mr Lee Chee Koon are common directors of TAL and the Manager. Mr Lim Ming Yan is the Chairman of TAL and Mr Lee Chee Koon is the Chief Executive Officer of TAL.

## 10.2.2 Interests of Substantial Unitholders

Based on the information available, the Substantial Unitholders and their interests in the Units as at 1 March 2017 are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total No. of Units Held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Temasek Holdings (Private) Limited ("THPL")	-	-	752,067,221 <sup>(2)</sup>	45.28	752,067,221	45.28
CapitaLand Limited ("CL")	-	-	733,514,003 <sup>(3)</sup>	44.16	733,514,003	44.16
The Ascott Limited ("TAL")	369,110,400	22.22	364,403,603 <sup>(4)</sup>	21.94	733,514,003	44.16
Somerset Capital Pte Ltd ("SCPL")	243,517,200	14.66	-	-	243,517,200	14.66
Ascott Residence Trust Management Limited ("ARTML")	120,886,403	7.28	-	-	120,886,403	7.28

### Notes:

- (1) The percentage is based on 1,660,993,138 Units in issue as at 1 March 2017.
- (2) THPL is deemed to have an interest in the unitholdings in which CL Group and its other subsidiaries and associated companies have direct or deemed interests pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. THPL is wholly owned by the Minister for Finance.
- (3) CL is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, TAL, SCPL and ARTML.
- (4) TAL is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, SCPL and ARTML.

Save as disclosed in this announcement and based on the information available to the Manager as at the date of this announcement, none of the Directors and Substantial Unitholders have any interest, direct or indirect, in relation to the Transactions, other than through their respective unitholdings in Ascott REIT.

## 10.3 Interested Person Transactions and Interested Party Transactions

As at the date of this announcement, TAL directly and/or through its wholly owned subsidiaries and through its interest in the Manager, has (i) direct and deemed interests of approximately 44.16% in Ascott REIT and (ii) wholly owns the Manager, and is therefore regarded as a Controlling Unitholder of Ascott REIT and a Controlling Shareholder<sup>17</sup> of the Manager respectively under the Property Funds Appendix and the Listing Manual.

17 "Controlling Shareholder" means a person who:

- (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company; or
- (b) in fact exercises control over a company.

TAL holds a 100% interest in the Vendor through Ascott Holdings (Europe) Pte. Ltd., a wholly owned subsidiary of TAHL. The German Master Lessees are indirect wholly owned subsidiaries of TAHL. Accordingly, for the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, the Vendor and the German Master Lessees are Interested Persons<sup>18</sup> and Interested Parties<sup>19</sup> of Ascott REIT.

As such, the Target Acquisitions (including the entry into the German Master Lease Agreements) will constitute Interested Person Transactions under Chapter 9 of the Listing Manual and/or Interested Party Transactions under Paragraph 5 of the Property Funds Appendix for which Unitholders' approval is required.

In approving the Resolution (*The Proposed Acquisition of Interests in Serviced Residence Properties in Germany at an Aggregate Purchase Consideration of S\$97.2 million from an Interested Person and Entry into New Master Lease Agreements in connection therewith*), Unitholders are deemed to have also approved the German Master Lease Agreements provided that there are no changes to the basis of determining the fees charged or terms as will be disclosed in the Circular. These agreements are therefore not subject to Rules 905 and 906 of the Listing Manual (which require Ascott REIT to make an announcement or obtain the approval of Unitholders depending on the materiality of the interested person transactions) insofar as there are no subsequent changes to the rental, rates and/or basis of the fees charged thereunder which will adversely affect Ascott REIT.

As at the date of this announcement, save for the Target Acquisitions, the value of all interested person transactions entered into between Ascott REIT and CL and its subsidiaries and associates during the course of the financial year is approximately S\$0.4 million (which is approximately 0.02% of the NTA and NAV of Ascott REIT as at 31 December 2016). Save as described above, there were no interested person transactions entered into between Ascott REIT and CL and its subsidiaries and associates.

#### 10.4 Directors' Service Contracts

No person is proposed to be appointed as a Director as a result of the Transactions or any other transactions contemplated in relation to the Transactions.

### 11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 10.00 a.m. to 5.00 p.m. 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 (3) months after the date of this announcement:

- (i) the Sale and Purchase Agreements;
- (ii) the IFA Letter;
- (iii) the full valuation reports of the Target Properties;

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18 The Listing Manual states that in the case of a REIT, the term "interested person" shall have the meaning defined in the Code on Collective Investment Schemes issued by the MAS. Therefore, the definition of the term "**Interested Person**" is the same as the definition of the term "**Interested Party**".

19 As defined in the Property Funds Appendix, the term "**Interested Party**" means:

- (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee or Controlling Unitholder of the property fund; or
- (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or Controlling Unitholder of the property fund.

- (iv) the 2016 Audited Consolidated Financial Statements; and
- (v) the written consents of the IFA and each of the Independent Valuers.

## 12. FURTHER DETAILS

The Circular in relation to the Transactions, together with a notice of the EGM to be convened, will be dispatched to Unitholders in due course. Approval has been received from the SGX-ST in relation to the Circular.

### BY ORDER OF THE BOARD

Ascott Residence Trust Management Limited  
(Registration Number: 200516209Z)  
As manager of Ascott Residence Trust

Karen Chan  
Company Secretary  
6 March 2017

### IMPORTANT NOTICE

The value of units in Ascott Residence Trust (“**Units**”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by Ascott Residence Trust Management Limited, as manager of Ascott Residence Trust (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 Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Ascott Residence Trust is not necessarily indicative of the future performance of Ascott Residence Trust.



## APPENDIX A

No.	Target Property Name	Address	Master Lessee	Number of Apartment Units	Gross Floor Area (sq m)	Year of Opening	Title	Appraised Value <sup>(1)</sup>	Agreed Property Value	Purchase Consideration
1	Citadines Michel Hamburg Property	Ludwig-Erhard-Straße 7 20459 Hamburg, Germany	Citadines Betriebs GmbH	127	6,577.37	2014	99-year leasehold starting from 2012	€31.3 million (equivalent to S\$46.5 million)	€31.2 million (equivalent to S\$46.4 million)	€29.7 million (equivalent to S\$44.1 million) <sup>(2)</sup>
2	Citadines City Centre Frankfurt Property	Europa-Allee 23 60327 Frankfurt am Main, Germany	Citadines Betriebs (Frankfurt) GmbH	165	8,498.99	2014	Freehold	€37.7 million (equivalent to S\$56.0 million)	€37.4 million (equivalent to S\$55.6 million)	€35.7 million (equivalent to S\$53.1 million) <sup>(3)</sup>
	<b>TOTAL</b>			292	15,076.36	-	-	S\$102.5 million	S\$102.0 million	S\$97.2 million

**Notes:**

- (1) Based on the average of two independent valuations by the Independent Valuers, being C&W (appointed by the Trustee) and CBRE (appointed by the Manager) as at 15 January 2017, in relation to the Target Properties.
- (2) The purchase consideration is based on (a) pro rata share of the consolidated net asset value of Citadines Investment B.V. and Citadines Hamburg Michel GmbH & Co., KG as at 31 December 2016, which takes into account the agreed property value for the property, and (b) the assignment to the Purchaser of its pro rata share of the existing intercompany loan to Citadines Investments B.V. held by the Vendor. The purchase consideration shall be adjusted to the pro rata share of the actual consolidated net asset value and actual amount outstanding under the intercompany loan as at completion.
- (3) The purchase consideration is based on (a) pro rata share of the consolidated net asset value of Citadines (Netherlands) B.V. and Citadines Europaviertel (Frankfurt) GmbH & Co., KG as at 31 December 2016, which takes into account the agreed property value for the property, and (b) the assignment to the Purchaser of its pro rata share of the existing intercompany loan to Citadines (Netherlands) B.V. held by the Vendor. The purchase consideration shall be adjusted to the pro rata share of the actual consolidated net asset value and actual amount outstanding under the intercompany loan as at completion.