



A Member of CapitaLand

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

ANNOUNCEMENT

PROPOSED ACQUISITION OF INTERESTS IN:

- (1) **SERVICED RESIDENCE PROPERTIES IN AUSTRALIA AND JAPAN AT AN AGGREGATE PURCHASE CONSIDERATION OF \$197.2 MILLION FROM INTERESTED PERSONS AND ENTRY INTO A NEW SERVICED RESIDENCE MANAGEMENT AGREEMENT IN CONNECTION THEREWITH; AND**
 - (2) **RENTAL HOUSING PROPERTIES IN JAPAN AT AN AGGREGATE PURCHASE CONSIDERATION OF \$48.8 MILLION FROM INTERESTED PERSONS AND ASSUMPTION OF A PRE-EXISTING ASSET MANAGEMENT AGREEMENT IN CONNECTION THEREWITH**
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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, 25 June 2015, directly and/or through its wholly-owned subsidiaries, entered into various conditional sale and purchase agreements, to acquire, through the acquisition of shareholding, unitholding and direct interests, the following serviced residence properties in Australia and Japan:

- (i) Citadines on Bourke Melbourne, a serviced residence property located at 131-135 Bourke Street, Melbourne, Victoria 3000, Australia (the “**Citadines on Bourke Melbourne Property**”);
- (ii) the remaining 40% in Citadines Shinjuku Tokyo, a serviced residence property located at 1-28-13 Shinjuku, Shinjuku-ku, Tokyo (the “**Citadines Shinjuku Tokyo Property**”);
and
- (iii) the remaining 40% interest in Citadines Karasuma-Gojo Kyoto, a serviced residence property located at 432 Matsuyacho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto-shi, Kyoto (the “**Citadines Karasuma-Gojo Kyoto Property**”),

and the following rental housing properties in Osaka, Japan (collectively, the “**S-Residence Properties**”):

- (iv) the S-Residence Hommachi Marks, a rental housing property located at 2-3-6, Tokuicho, Chuo-ku, Osaka (the “**S-Residence Hommachi Marks Property**”);
- (v) the S-Residence Tanimachi 9 chome, a rental housing property located at 4-29, Ikutamamaemachi, Tennoji-ku, Osaka (the “**S-Residence Tanimachi 9 chome Property**”);
- (vi) the S-Residence Midoribashi Serio, a rental housing property located at 3-17-6, Nakamoto, Higashinari-ku, Osaka (the “**S-Residence Midoribashi Serio Property**”);
and
- (vii) the S-Residence Fukushima Luxe, a rental housing property located at 7-22-9, Fukushima, Fukushima-ku, Osaka (the “**S-Residence Fukushima Luxe Property**”),

(collectively, the “**Target Properties**”, each a “**Target Property**”) for an aggregate purchase consideration of \$246.0 million. The Target Properties will be acquired from subsidiaries and associated companies of The Ascott Limited (“**TAL**”), the sponsor and the “controlling unitholder”¹ of Ascott REIT, and unrelated third parties.

(See paragraph 3 for further details on the structure of the acquisition of the Citadines on Bourke Melbourne Property (the “**Australia Acquisition**”) and the acquisition of the remaining 40% interest in each of the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property, and the S-Residence Properties (the “**Japan Acquisitions**”, collectively with the Australia Acquisition, the “**Target Acquisitions**”), including details on the vendors of each Target Property.)

Upon completion of the acquisition of the Citadines on Bourke Melbourne Property, the property will continue to be managed and operated by Ascott International Management (Australia) Pty Ltd (“**AIMPL**”), which is an indirect wholly-owned subsidiary of The Ascott Holdings Limited (“**TAHL**”). AIMPL will execute a new serviced residence management agreement to be entered into between Citadines Melbourne on Bourke Pty Ltd as trustee of Citadines Melbourne on Bourke Unit Trust (the “**CMB Trustee**”) and AIMPL in relation to the Citadines on Bourke Melbourne Property, pursuant to which AIMPL will be engaged as the manager of the Citadines on Bourke Melbourne Property to operate, manage, promote, market and maintain the property for and on behalf of the CMB Trustee during the term of the agreement (the “**Citadines on Bourke Melbourne New SR Management Agreement**”).

An asset management agreement dated 20 September 2007, as amended and restated on 28 March 2008, amended on 30 March 2012, and as further amended on 19 May 2015 (the “**Pre-Existing Asset Management Agreement**”) was entered into between CapitaLand (Japan) Kabushiki Kaisha, an indirect wholly-owned subsidiary of CapitaLand (“**CJJK**”) and ARC-CapitaLand Four TMK (“**TMK4**”) prior to the acquisition of the S-Residence Properties, under which TMK4 appointed CJJK as the asset manager for the portfolio of TMK4 in respect of each of the S-Residence Properties. Upon completion of the acquisition of the S-Residence

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.

Properties, CJKK will continue to be the asset manager for the portfolio of TMK4 in respect of each of the S-Residence Properties under the Pre-Existing Asset Management Agreement, which will continue to subsist following the completion of the acquisition of the S-Residence Properties.

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 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

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

- (i) the Target Acquisitions represent an attractive opportunity for Ascott REIT. 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 \$17.4 million and increase the distributable income by \$3.9 million for the financial year ended 31 December 2014 (“**FY2014**”), translating to an increase in pro forma distribution per Unit (“**DPU**”) by 0.24 cents or 2.9% from 8.20 cents to 8.44 cents. Ascott REIT expects to acquire the Target Properties at an EBITDA yield of 5.1% on a pro forma basis for FY2014;
- (ii) the Target Acquisitions will enlarge the portfolio of Ascott REIT from \$4.1² billion to \$4.4³ billion. Post-completion of the Target Acquisitions, the number of Apartment Units will increase to 11,368 in 95 properties in 39 cities across 13 countries;
- (iii) the Australia Acquisition will enable Ascott REIT to invest in the established and stable hospitality market of Melbourne, the capital of Victoria, Australia. Australia has maintained its position as a top ten global destination for foreign direct investment for a third straight year after attracting US\$50 billion in foreign direct investment in 2013⁴. To attract investment, the Australian Government has committed to cutting at least A\$1 billion in red and green tape annually from existing legislation⁵. Melbourne, which has been named the world's most livable city for the fourth year in a row, by a livability survey of 140 cities⁶, is responsible for 22% of Australia’s economic activity even though it only accounts for 3% of Australia’s land mass⁵. As a financial centre, Melbourne was ranked seventh in Asia-Pacific according to the Global Financial Centres Index⁷. With its reputation for transparent business environment and convenient access to the Asia-Pacific region, Melbourne is well-placed to benefit from

2 Excludes the serviced residence with a hotel licence located within a new integrated development comprising 40% hotel use and 60% residential use which is undergoing construction at lot number 918K of Town Subdivision 27 in Singapore (the “**New Cairnhill SR**”), and is expected to be completed in 2017. The acquisition was announced on 9 July 2012. If the New Cairnhill SR was included, the portfolio of Ascott REIT would be approximately \$4.5 billion.

3 Excludes the New Cairnhill SR, which acquisition is targeted to be completed in 2017. If the New Cairnhill SR was included, the portfolio of Ascott REIT would be approximately \$4.8 billion.

4 Source: United Nations Conference on Trade and Development (*World Investment Report 2014 - Investing in the SDGs: An Action Plan (UNCTAD/WIR/2014)*).

5 Source: Invest Australia (<http://www.invest.vic.gov.au/140719-Australia-Builds-On-Its-Strengths-A-Top-10-Foreign-Investment-Target> and <http://www.invest.vic.gov.au/competitive-dynamic-business-environment>).

6 Source: The Economist Intelligence Unit Ltd. (*A Summary of the Liveability Ranking and Overview (August 2014)*).

7 Source: Z/Yen Group (*Global Financial Centres Index (GFCI 16) September 2014*).

the foreign direct investment activities. The Citadines on Bourke Melbourne Property has exhibited stable and strong occupancy, with occupancy of about 85% for FY2014. The Australia Acquisition will increase Ascott REIT's exposure in Australia from 2.9% to 6.6%; and

- (iv) the Japan Acquisitions will extend Ascott REIT's presence in Japan to Osaka and increase its exposure in its key growth market of Japan from 14.8% to 16.1% of its total assets. The Japan Acquisitions will enable Ascott REIT to expand its footprint in the stable Japanese market through the acquisition of a stable portfolio of four rental housing properties in Osaka and strengthen its presence in Tokyo and Kyoto through the acquisition of the remaining 40% interest in each of the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property. Foreign visitors to Japan reached approximately 13.4 million in 2014, up 29% from the 10.4 million foreign visitors achieved in 2013⁸. Japan aims to increase its annual visitor arrivals to 20 million by the 2020 Tokyo Olympic Games, with the government targeting expansion of the tourism industry under its growth strategy⁸. The S-Residence Properties have exhibited stable and strong occupancy, with annual occupancy of around 97% for the past three years and tenant leases averaging one to two years. The acquisition of the S-Residence Properties is therefore expected to improve the stability of income stream for the overall Ascott REIT portfolio. Both the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property have exhibited strong performance in the last two years, with year-on-year REVPAU growth for FY2014 registering 12.7% and 9.6% respectively⁹, exhibiting stable and strong occupancy, with occupancy of about 80% for FY2014.

3. STRUCTURE OF THE TARGET ACQUISITIONS

3.1 The Citadines on Bourke Melbourne Property Acquisition

Citadines Melbourne on Bourke Unit Trust ("**CMB Unit Trust**"), through the CMB Trustee, owns 100% of the leasehold interest in a serviced residence property located at 131-135 Bourke Street, Melbourne, Victoria 3000, Australia through a ground lease. The legal owner of 100% of the units in CMB Unit Trust is Citadines Melbourne on Bourke (BVI) Limited. Citadines Melbourne on Bourke Land Pty Ltd holds the legal freehold title to the land on which the serviced residence property is located.

Ascott REIT is proposing to acquire a 100% interest in the Citadines on Bourke Melbourne Property, from (a) Citadines Melbourne on Bourke (BVI) Limited through the acquisition of 100% of the issued units and shares respectively in CMB Unit Trust and the CMB Trustee,

8 Source: Japan National Tourism Organization (<http://www.jnto.go.jp/eng/ttp/sta/PDF/E2013.pdf>, <http://www.jnto.go.jp/eng/ttp/sta/PDF/E2014.pdf> and http://us.jnto.go.jp/news/news_item.php?newsid=572)

9 Based on REVPAU in Japanese Yen.

Consent has not been sought from the United Nations Conference on Trade and Development, Invest Australia, the Economist Intelligence Unit Ltd., the Z/Yen Group, the Japan National Tourism Organization and the Osaka Business and Investment Center to the inclusion of information extracted from the relevant reports published by them and therefore they are not liable for such information. While the Manager has taken reasonable actions to ensure that the information from the reports published by the United Nations Conference on Trade and Development, Invest Australia, the Economist Intelligence Unit Ltd., the Z/Yen Group, the Japan National Tourism Organization and the Osaka Business and Investment Center are reproduced in their proper form and context, and that the relevant information has been extracted accurately and fairly from such reports, neither the Manager nor any other party has conducted an independent review of the information contained in such reports nor verified the accuracy of the contents of the relevant information.

and (b) Citadines Melbourne on Bourke Land Pty Ltd through the acquisition of the land on which the serviced residence property is located, for an aggregate purchase consideration, which is subject to adjustments as at completion, of A\$158.0 million (equivalent to approximately \$167.0 million; A\$1.00=\$1.05727), based on the agreed property value of the Citadines on Bourke Melbourne Property of A\$158.5 million (equivalent to approximately \$167.6 million). Subsequent to completion of the above, the ground lease and the legal freehold title to the land will merge and Ascott REIT will accordingly hold the freehold interest in the Citadines on Bourke Melbourne Property.

3.2 The Citadines Shinjuku Tokyo Property Acquisition

Citadines Shinjuku TMK owns a 100% direct interest in the Citadines Shinjuku Tokyo Property. Ascott REIT currently has a 60% indirect interest in the Citadines Shinjuku Tokyo Property through its existing 60% indirect interest in Citadines Shinjuku TMK. The legal owners of the remaining 40% interest in Citadines Shinjuku TMK are Citadines Shinjuku (S) Pte. Ltd. and Citadines Shinjuku Tokyo Godo Kaisha.

Ascott REIT is proposing to acquire the remaining indirect interest in the Citadines Shinjuku Tokyo Property from Ascott Investment Holdings Ltd and Somerset Retail Holdings Pte Ltd (both direct wholly-owned subsidiaries of TAHL) through the acquisition of 100% of the issued shares in each of their respective wholly-owned subsidiaries Citadines Shinjuku (S) Pte. Ltd. and Citadines Shinjuku Tokyo Godo Kaisha (which in aggregate directly own 25% of the common shares and 40% of the preference shares of Citadines Shinjuku TMK) for an aggregate purchase consideration, which is subject to adjustments as at completion, of JPY1.8 billion¹⁰ (equivalent to approximately \$20.5 million; JPY 1.00=\$0.01109), based on the agreed property value of the Citadines Shinjuku Tokyo Property of JPY7.6 billion (equivalent to approximately \$84.3 million). Following the above acquisitions, Ascott REIT will indirectly own 100% of the common shares and preference shares in Citadines Shinjuku TMK.

3.3 The Citadines Karasuma-Gojo Kyoto Property Acquisition

Citadines Kyoto Gojo TMK owns a 100% direct interest in the Citadines Karasuma-Gojo Kyoto Property. Ascott REIT currently has a 60% indirect interest in the Citadines Karasuma-Gojo Kyoto Property through its existing 60% indirect interest in Citadines Kyoto Gojo TMK. The legal owners of the remaining 40% interest in Citadines Kyoto Gojo TMK are Citadines Kyoto Gojo (S) Pte. Ltd. and Citadines Kyoto Gojo Godo Kaisha.

Ascott REIT is proposing to acquire the remaining indirect interest in the Citadines Karasuma-Gojo Kyoto Property from Citadines Kyoto Gojo (S) Pte. Ltd. and Citadines Kyoto Gojo Godo Kaisha (both indirect wholly-owned subsidiaries of TAHL) through the acquisition of their 25% common shares and 40% preference shares in Citadines Kyoto Gojo TMK for a purchase consideration, which is subject to adjustments as at completion, of JPY872.2 million¹¹ (equivalent to approximately \$9.7 million), based on the agreed property value of the Citadines Karasuma-Gojo Kyoto Property of JPY3.6 billion (equivalent to approximately

10 The purchase consideration for the Citadines Shinjuku Tokyo Property is based on 40% of the agreed property value for the property as adjusted for the net assets and liabilities of Citadines Shinjuku (S) Pte. Ltd. and Citadines Shinjuku Tokyo Godo Kaisha, which shall be subject to further adjustments based on their actual net assets and liabilities as at completion.

11 The purchase consideration for the Citadines Karasuma-Gojo Kyoto Property is based on 40% of the agreed property value for the property as adjusted for the net assets and liabilities of Citadines Kyoto Gojo TMK, which shall be subject to further adjustments based on its actual net assets and liabilities as at completion.

\$39.9 million). Following the above acquisitions, Ascott REIT will indirectly own 100% of the common shares and preference shares in Citadines Kyoto Gojo TMK.

3.4 The S-Residence Properties Acquisition

ARC-CapitaLand Residences Japan Private Limited owns a 100% indirect interest in the S-Residence Properties through its indirect wholly-owned subsidiary, TMK4. The legal owners of ARC-CapitaLand Residences Japan Private Limited are CapitaLand Singapore Management Limited (as trustee of both GPH Investments Pte Ltd and CRL Investment Pte Ltd, the “**CSML Trustee**”) and ArcResidential Japan Investments Limited (“**AJIL**”)¹².

Ascott REIT is proposing to acquire a 100% indirect interest in the S-Residence Properties from the CSML Trustee and AJIL through the acquisition of 100% of the issued shares in ARC-CapitaLand Residences Japan Private Limited for a purchase consideration, which is subject to adjustments as at completion, of JPY4.4 billion¹³ (equivalent to approximately \$48.8 million), based on the agreed property value of the S-Residence Properties of JPY7.3 billion (equivalent to approximately \$81.0 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) a conditional sale and purchase agreement entered into between Ascott REIT Ten Pte. Ltd. (the “**Ascott REIT SPV**”, a wholly-owned subsidiary of Ascott REIT incorporated in Singapore) and Citadines Melbourne on Bourke (BVI) Limited in relation to the acquisition of 100% of the issued units and shares respectively in CMB Unit Trust and the CMB Trustee (which owns 100% of the leasehold interest in the serviced residence property on behalf of CMB Unit Trust), and (b) a conditional sale and purchase agreement entered into between the CMB Trustee (after being acquired by the Ascott REIT SPV) and Citadines Melbourne on Bourke Land Pty Ltd in relation to the acquisition of the land on which the serviced residence property is located (collectively, the “**Citadines on Bourke Melbourne SPAs**”);
- (ii) a conditional sale and purchase agreement entered into between the Trustee and Citadines Shinjuku Tokyo Investments (S) Pte. Ltd. (a wholly-owned subsidiary of Ascott REIT incorporated in Singapore), Ascott Investment Holdings Ltd and Somerset Retail Holdings Pte Ltd and TAHL (as guarantor in respect of the vendors) in relation to the acquisition of 100% of the issued shares in each of their respective wholly-owned subsidiaries Citadines Shinjuku (S) Pte. Ltd. and Citadines Shinjuku Tokyo Godo Kaisha (which in aggregate directly own 25% of the common shares and 40% of the preference shares of Citadines Shinjuku TMK) (the “**Citadines Shinjuku Tokyo SPA**”);

12 CRL Investment Pte Ltd is an indirect wholly-owned subsidiary of TAHL. GPH Investments Pte Ltd and AJIL are unrelated third parties.

13 The purchase consideration for the S-Residence Properties is based on the agreed property value for the S-Residence Properties as adjusted for the consolidated net assets and liabilities of ARC-CapitaLand Residences Japan Private Limited, which shall be subject to further adjustments based on its actual consolidated net assets and liabilities as at completion.

- (iii) a conditional sale and purchase agreement entered into between Citadines Kyoto Investment Pte. Ltd. and Citadines Kyoto Investment Godo Kaisha (both wholly-owned subsidiaries of Ascott REIT incorporated in Singapore), Citadines Kyoto Gojo (S) Pte. Ltd. and Citadines Kyoto Gojo Godo Kaisha and TAHL (as guarantor in respect of the vendors) in relation to the acquisition of 25% of the common shares and 40% of the preference shares of Citadines Kyoto Gojo TMK (which directly holds the Citadines Karasuma-Gojo Kyoto Property) (the “**Citadines Karasuma-Gojo Kyoto SPA**”); and
- (iv) a conditional sale and purchase agreement entered into between the Trustee, the CSML Trustee, AJIL and TAHL and GPH Investments Pte Ltd (as guarantors in respect of the CSML Trustee) through the acquisition of 100% of the issued shares in ARC-CapitaLand Residences Japan Private Limited (which owns through its wholly-owned subsidiaries, a 100% interest in TMK4, which in turn holds the trust beneficial interest (“**TBI**”) in respect of each of the S-Residence Properties) (the “**S-Residences SPA**”).

4.2 Conditions Precedent to the Completion of the Target Acquisitions

The completion of the Target Acquisitions is subject to and conditional upon, among others¹⁴:

- (i) obtaining the approval of Unitholders at an EGM to be convened to approve the transactions contemplated in the Circular;
- (ii) there being no compulsory acquisition of the Target Properties or any part of the Target Properties, and no notice of such intended compulsory acquisition has been given by the government or such other competent authority;
- (iii) in respect of the Citadines on Bourke Melbourne Property Acquisition:
 - (a) the receipt by the Trustee of such waivers or consents as may be necessary;
 - (b) the approval of the Foreign Investment Review Board (“**FIRB Approval**”) being obtained;
 - (c) the Commissioner of Revenue, State Revenue Office, Victoria, granting the private ruling application by the Manager to confirm that the acquisition of the units in CMB Unit Trust will be an exempt acquisition¹⁵ pursuant to section 89(D) of the Duties Act 2000 (VIC); and
 - (d) the assignment to Ascott REIT SPV of the existing intercompany loan held by TAHL of A\$102.6 million (equivalent to approximately \$108.5 million);
- (iv) in respect of the Citadines Shinjuku Tokyo Property Acquisition:

¹⁴ As at the date of this announcement, the conditions set out in 4.2(iii)(a) and 4.2(iii)(b) have been met, and there has been no compulsory acquisition of the Citadines on Bourke Melbourne Property or any part of the Citadines on Bourke Melbourne Property, and no notice of such intended compulsory acquisition has been given by the government or such other competent authority.

¹⁵ The acquisition of the units in CMB Unit Trust will not be subject to stamp duty if the Commissioner of Revenue, State Revenue Office, Victoria, grants the private ruling application by the Manager to confirm that the acquisition of the units in CMB Unit Trust is an exempt acquisition.

- (a) the receipt by the Trustee and Citadines Shinjuku Tokyo Investments (S) Pte. Ltd. of such waivers or consents as may be necessary to enable them to be registered as the relevant holder of the sale shares of Citadines Shinjuku (S) Pte. Ltd. and Citadines Shinjuku Tokyo Godo Kaisha; and
- (b) the assignment to the Trustee and Citadines Shinjuku Tokyo Investments (S) Pte. Ltd. of existing intercompany loans held by TAHL of \$18.2 million and Somerset Retail Holdings Pte Ltd of JPY164.7 million (equivalent to approximately \$1.8 million) respectively;
- (v) in respect of the Citadines Karasuma-Gojo Kyoto Property Acquisition, the receipt by Citadines Kyoto Investment Godo Kaisha and Citadines Kyoto Investment Pte. Ltd. of such waivers or consents as may be necessary to enable them to be registered as holders of the sale shares of Citadines Kyoto Gojo TMK; and
- (vi) in respect of the S-Residence Properties Acquisition, the receipt by the parties of such waivers or consents as may be necessary to enable the Trustee to be registered as holder of the sale shares of ARC-CapitaLand Residences Japan Private Limited.

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 Citadines on Bourke Melbourne SPAs, guarantee to the Ascott REIT SPV, the due and punctual performance and observance by Citadines Melbourne on Bourke (BVI) Limited and Citadines Melbourne on Bourke Land Pty Ltd respectively of all their respective obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Citadines on Bourke Melbourne SPAs and have agreed to indemnify the Ascott REIT SPV against all losses, liabilities, costs (including, without limitation, reasonable legal costs), charges, expenses, actions, proceedings, claims and demands which the Ascott REIT SPV may suffer through or arising from any breach by Citadines Melbourne on Bourke (BVI) Limited and Citadines Melbourne on Bourke Land Pty Ltd respectively of the obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Citadines on Bourke Melbourne SPAs;
- (ii) TAHL has agreed to, in its capacity as guarantor under the Citadines Shinjuku Tokyo SPA, guarantee to the Trustee and Citadines Shinjuku Tokyo Investments (S) Pte. Ltd., the due and punctual performance and observance by Ascott Investment Holdings Ltd and Somerset Retail Holdings Pte Ltd of all their obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Citadines Shinjuku Tokyo SPA and have agreed to indemnify the Trustee and Citadines Shinjuku Tokyo Investments (S) Pte. Ltd. against all losses, liabilities, costs (including, without limitation, reasonable legal costs), charges, expenses, actions, proceedings, claims and demands which the Trustee and Citadines Shinjuku Tokyo Investments (S) Pte. Ltd. may suffer through or arising from any breach by Ascott Investment Holdings Ltd or Somerset Retail Holdings Pte Ltd of their obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Citadines Shinjuku Tokyo SPA;

- (iii) TAHL has agreed to, in its capacity as guarantor under the Citadines Karasuma-Gojo Kyoto SPA, guarantee to Citadines Kyoto Investment Godo Kaisha and Citadines Kyoto Investment Pte. Ltd., the due and punctual performance and observance by Citadines Kyoto Gojo Godo Kaisha and Citadines Kyoto Gojo (S) Pte. Ltd. of all their obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Citadines Karasuma-Gojo Kyoto SPA and have agreed to indemnify them against all losses, liabilities, costs (including, without limitation, reasonable legal costs), charges, expenses, actions, proceedings, claims and demands which they may suffer through or arising from any breach by Citadines Kyoto Gojo Godo Kaisha and Citadines Kyoto Gojo (S) Pte. Ltd. of their obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Citadines Karasuma-Gojo Kyoto SPA; and
- (iv) TAHL and GPH Investments Pte Ltd have agreed to, in their capacity as guarantors under the S-Residences SPA, severally guarantee to the Trustee (in the proportions of 63% and 37% respectively) the due and punctual performance and observance by the CSML Trustee of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the S-Residences SPA and have agreed to indemnify the Trustee against all losses, liabilities, costs (including, without limitation, reasonable legal costs), charges, expenses, actions, proceedings, claims and demands which the Trustee may suffer through or arising from any breach by the CSML Trustee of the obligations, commitments, undertakings, warranties and indemnities under or pursuant to the S-Residences SPA.

4.4 Master Leases in relation to the S-Residence Properties

All of the S-Residence Properties are leased to the Master Lessee (being Japan Residence One YK¹⁶, as the pass-through master lessee under each of the Master Leases¹⁷). The use of the “pass-through” master lessee is to facilitate lease administration. The S-Residence Properties are in turn leased to individual end tenants by the Master Lessee. Each of the Master Leases will continue to subsist following the completion of the acquisition of the S-Residence Properties.

5. PRINCIPAL TERMS OF THE MANAGEMENT AGREEMENTS

5.1 Citadines on Bourke Melbourne New SR Management Agreement

Upon completion of the acquisition of the Citadines on Bourke Melbourne Property, the property will continue to be managed and operated by AIMPL under the Citadines on Bourke Melbourne New SR Management Agreement.

The Citadines on Bourke Melbourne New SR Management Agreement is for an initial term of 10 years (the “**Initial Term**”) and AIMPL is paid a management fee of 3% of the total revenue

16 The Master Lessee is a wholly-owned subsidiary of CapitaLand Limited (see paragraph 10.2.2 for further details in respect of CapitaLand Limited). The Master Lessee is merely a “pass-through” vehicle and the Master Lessee will pay all revenue it receives from the other tenants to Sumitomo Mitsui Trust Bank, Limited (“**SMTB**”) as the trustee in respect of the TBI in relation to each of the S-Residence Properties. The Master Lessee does not charge any fee or retain any amount for acting as a “pass-through” vehicle, the purpose of which is to facilitate lease administration.

17 “**Master Leases**” means the pass-through master lease agreements in respect of each of the S-Residence Properties entered into separately between the Master Lessee and SMTB as the trustee in respect of the TBI prior to the acquisition of the S-Residence Properties.

of the property and between 5% to 8% of the gross operating profit of the property (with the actual percentage payment depending on the gross operating profit generated by the property) (the “**Base Management Fees**”).

AIMPL may extend the Citadines on Bourke Melbourne New SR Management Agreement for a further period equivalent to the Initial Term upon the same terms and conditions as contained therein (save for the Base Management Fees and expenses which may in the absolute discretion of AIMPL, be subject to review) upon mutual agreement of the parties. Either party shall give written notice to the other party of such intention to extend the agreement no later than three (3) months prior to the expiration of the Initial Term. If the parties fail to agree on the proposed revision of the Base Management Fees and expenses within one (1) month from the date of AIMPL’s written notice to review the Base Management Fees and expenses, the agreement shall by written notice to the CMB Trustee by AIMPL, either be renewed upon the same terms and conditions as contained therein, or be automatically terminated upon the expiration of the Initial Term.

5.2 S-Residence Properties Pre-Existing Asset Management Agreement

The Pre-Existing Asset Management Agreement was entered into prior to the acquisition of the S-Residence Properties, under which TMK4 appointed CJKK as the asset manager for the portfolio of TMK4 in respect of each of the S-Residence Properties. Upon completion of the acquisition of the S-Residence Properties, CJKK will continue to be the asset manager for the portfolio of TMK4 in respect of each of the S-Residence Properties under the Pre-Existing Asset Management Agreement, which will continue to subsist following the completion of the acquisition of the S-Residence Properties.

The Pre-Existing Asset Management Agreement shall continue in relation to each of the S-Residence Properties for an initial term of three (3) years from 19 May 2015 (the “**Term**”), provided, however that unless either TMK4 or CJKK otherwise notifies the other party not later than six (6) months prior to the expiration day of the Term, the term of the agreement shall be automatically extended for an additional three (3) years (referred to as the “**Extended Term**”) on the same terms and conditions and that, unless either TMK4 or CJKK otherwise notifies the other party not later than six (6) months prior to the expiration day of the Extended Term, the agreement shall be renewed with the same terms and conditions for three (3) years in subsequent renewals thereof.

Pursuant to the agreement, CJKK is paid an asset management fee for the S-Residence Properties in an amount equal to 6% of NOI¹⁸ for the relevant fiscal year.

18 “**NOI**” means the sum equal to the Revenue less all Direct Property Costs and Expenses and for the purpose of this definition, Revenue means all income accruing or resulting from the operations of the S-Residence Properties including but not limited to rentals or other sums due and received from tenants, business interruption insurance payments, governmental allowances and any form of incentive payments from any source whatsoever which are attributable to the operations of the properties and service and maintenance charges collected from the lessees of the S-Residence Properties but shall exclude the following: (a) allowances given in the usual course of business, including without limitation, rental adjustments, overcharges, disputed charges, discounts and refunds, (b) all taxes and governmental charges collected directly from the tenants of the S-Residence Properties as part of the rental, (c) all proceeds derived from the insurance policies (but excluding business interruption insurance payments which shall be part of Revenue), (d) all proceeds derived or arising from the sale and/or disposal of a property (or any part thereof) and any operating equipment, and (e) rental deposits and other refundable security deposits, and for the purpose of this definition, Direct Property Costs and Expenses means all those costs and expenses as set out in the Pre-Existing Asset Management Agreement but excluding the following items: (i) collection costs and doubtful debts, (ii) legal, accounting, auditing and third party consultants, and (iii) irrecoverable consumption tax.

The fees payable pursuant to the Pre-Existing Asset Management Agreement remains unchanged before and after the proposed acquisition of the S-Residence Properties by Ascott REIT

6. VALUATION

Two independent property valuers, CBRE Pte. Ltd. (“**CBRE**”) and Savills (Singapore) Pte. Ltd. (“**Savills**”, together with CBRE, the “**Independent Valuers**”), were appointed by the Trustee and TAL (and adopted by the Manager), respectively, 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 CBRE and Savills for the Australia Property and for the Japan Properties, both as at 30 April 2015. The valuations were derived using the discounted cash flow analysis and income capitalisation approach, cross-checked by the market comparison method, having regard to the relevant general and economic factors as well as past sales transactions of comparable properties in the residential and hospitality sectors.

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

7. COSTS OF THE TARGET ACQUISITIONS

7.1 Estimated Total Acquisition Costs

As Ordinary Resolution (1) (*The Proposed Acquisition of Interests in Serviced Residence Properties in Australia and Japan at an Aggregate Purchase Consideration of \$197.2 million from Interested Persons and Entry into a New Serviced Residence Management Agreement in connection therewith*) and Ordinary Resolution (2) (*The Proposed Acquisition of Interests in Rental Housing Properties in Japan at an Aggregate Purchase Consideration of \$48.8 million from Interested Persons and assumption of a Pre-Existing Asset Management Agreement in connection therewith*) are not inter-conditional, and in the event Unitholders do not approve any one of the Resolutions, the Manager will still proceed with the other Resolution, the following sections are prepared based on the following three difference cases:

- (i) Scenario 1: Approval of Ordinary Resolution (1) only;
- (ii) Scenario 2: Approval of Ordinary Resolution (2) only; and
- (iii) Scenarios 1 and 2: Approval of both Ordinary Resolutions.

| Estimated Total Costs (\$'million), comprising: | | Scenario 1 only | Scenario 2 only | Scenarios 1 and 2 |
|---|--|-----------------|-----------------|---------------------|
| (a) | Total acquisition fees (being 1% of the Enterprise Value ⁽¹⁾): | 2.2 | 0.9 | 3.1 |
| (b) | Aggregate associated costs incurred or to be incurred by Ascott REIT in connection with the acquisitions | 17.1 | 0.7 | 17.8 ⁽²⁾ |
| Total (a) + (b) | | 19.3 | 1.6 | 20.9 |

Notes:

- (1) “**Enterprise Value**” shall mean the sum of the equity value and the total net debt attributable to the shares being acquired by Ascott REIT and where the asset acquired by Ascott REIT is a real estate, “**Enterprise Value**” shall mean the value of the real estate.

| Enterprise Value comprises: | Scenario 1 only | Scenario 2 only | Scenarios 1 and 2 |
|--|------------------------|------------------------|--------------------------|
| Agreed Property Value | 217.3 ¹ | 81.0 | 298.3 ¹ |
| Consolidated net current assets (which will be adjusted at completion) | 1.1 ¹ | 10.5 | 11.6 ¹ |
| Total | 218.4 | 91.5 | 309.9 |

1 Based on the remaining 40% interest in each of the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property.

- (2) The associated costs of \$17.8 million comprises mainly stamp duty in connection with the acquisition of the Citadines on Bourke Melbourne Property of approximately \$14.5 million, underwriting commission, fees and expenses in connection with the issuance of the perpetual securities (“**Perpetual Securities**”) of approximately \$1.7 million, legal and other professional fees (including technical due diligence, valuation, independent financial adviser, auditors’ and tax advisers’ fees) of approximately \$1.1 million and other expenses (including printing, roadshow and EGM expenses) of approximately \$0.5 million.

As the Target Acquisitions will constitute Interested Party Transactions under the Property Funds Appendix, the total acquisition fees to the Manager will be in the form of Units¹⁹, 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 acquisition costs and the aggregate purchase consideration relating to the Target Acquisitions with debt financing and the issuance of Perpetual Securities as announced by the Manager on 23 June 2015, so as to ensure that the Target Acquisitions will provide overall DPU accretion to Unitholders while maintaining an optimum level of gearing.

The Perpetual Securities, if issued, will have a perpetual tenor and the distributions on the Perpetual Securities will be discretionary and non-cumulative. The Perpetual Securities, if issued, will constitute direct, unsecured and subordinated obligations of Ascott REIT which rank *pari passu* and without any preference among themselves. The rights and claims of the holders in respect of the Perpetual Securities, if issued, will be subordinated to Ascott REIT’s debt obligations and will be senior to the Units.

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.

¹⁹ 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 (5) business days immediately preceding the date of payment of the Acquisition Fees pursuant to Clause 5.2.4(i) of the Trust Deed.

A breakdown of the costs of the Target Acquisitions and sources of funds under the three different cases are set out in the table below:

| | | Scenario 1 only | Scenario 2 only | Scenarios 1 and 2 |
|-----|--|-----------------|-----------------|---------------------|
| (a) | Costs (\$'million) | | | |
| | Aggregate purchase consideration for the acquisitions based on exchange rates of A\$1.00 to \$1.05727 and JPY1.00 to \$0.01109 | 197.2 | 48.8 | 246.0 |
| | Associated costs of the acquisitions (including applicable stamp duties, legal and other professional fees and expenses) | 17.1 | 0.7 | 17.8 ⁽¹⁾ |
| | Total Costs | 214.3 | 49.5 | 263.8 |
| (b) | Sources of Funds (\$'million) | | | |
| | Debt financing ⁽²⁾ | 64.3 | 49.5 | 113.8 |
| | Issuance of Perpetual Securities | 150.0 | - | 150.0 |
| | Total Sources of Funds | 214.3 | 49.5 | 263.8 |

Notes:

- (1) Excludes acquisition fees (as set out in paragraph 7.1 above), which will be payable in Units to the Manager.
- (2) After the completion of the Target Acquisitions under the three different cases, the aggregate leverage of Ascott REIT would range from 38.5% to 39.9% as at 31 December 2014, on a pro forma basis:

| | As at 31 December 2014 | Scenario 1 only | Scenario 2 only | Scenarios 1 and 2 |
|---|------------------------|-----------------|-----------------|-------------------|
| Aggregate Leverage as at 31 December 2014 | 38.5% | 38.2% | 39.9% | 39.5% |

8. PRO FORMA FINANCIAL EFFECTS OF THE TARGET ACQUISITIONS

As Ordinary Resolution (1) and Ordinary Resolution (2) are not inter-conditional, and in the event Unitholders do not approve any one of the Resolutions, the Manager will still proceed with the other Resolution, the following financial effects are prepared based on the following three different cases:

- (i) Scenario 1: Approval of Ordinary Resolution (1) only;
- (ii) Scenario 2: Approval of Ordinary Resolution (2) only; and
- (iii) Scenarios 1 and 2: Approval of both Ordinary Resolutions.

8.1 Assumed Exchange Rates

In preparing the pro forma DPU and net asset value (“NAV”) per Unit for FY2014, the exchange rates between A\$ and JPY, and the Singapore dollar are assumed to be as follows:

| | 1 January 2014 | Average rate for FY2014 | 31 December 2014 |
|-----|----------------|-------------------------|------------------|
| A\$ | 1.14294 | 1.14433 | 1.07634 |
| JPY | 0.01227 | 0.01205 | 0.01104 |

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 FY2014:

| | | Scenario 1 only | Scenario 2 only | Scenarios 1 and 2 |
|-----|--|-----------------|-----------------|-------------------|
| (a) | Costs (\$'million) | | | |
| | Aggregate purchase consideration for the acquisitions based on the exchange rates of A\$1.00 to \$1.14294 and JPY1.00 to \$0.01227 | 213.9 | 54.0 | 267.9 |
| | Associated costs of the acquisitions (including applicable stamp duties, legal and other professional fees and expenses) | 18.3 | 0.7 | 19.0 |
| | Total Costs | 232.2 | 54.7 | 286.9 |
| (b) | Sources of Funds (\$'million) | | | |
| | Debt financing | 82.2 | 54.7 | 136.9 |
| | Issuance of Perpetual Securities | 150.0 | - | 150.0 |
| | Total Sources of Funds | 232.2 | 54.7 | 286.9 |

- (a) the Manager’s management fees payable for the Australia Acquisition and the acquisition of the S-Residence Properties were paid 50% in Units; and
- (b) the Manager’s management fees payable for the remaining 40% interest in each of the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property were assumed to be paid based on the fee structure for the existing 60% interest held by Ascott REIT, which remains unchanged before and after the proposed acquisition of the remaining 40% interest in each of the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property by Ascott REIT.

The table below sets out the pro forma financial effects of the Target Acquisitions under the three different cases on Ascott REIT's DPU and distribution yield for FY2014, as if the Target Acquisitions were completed on 1 January 2014.

| | FY2014 | | | | | |
|--------------------------------------|-----------------------------------|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Scenario 1 only | | Scenario 2 only | | Scenarios 1 and 2 | |
| | Existing Portfolio ⁽¹⁾ | Enlarged Portfolio ⁽²⁾ | Existing Portfolio | Enlarged Portfolio | Existing Portfolio | Enlarged Portfolio |
| Distributable Income (\$'000) | 125,624 ⁽³⁾ | 127,61 | 125,624 ⁽³⁾ | 127,546 | 125,624 ⁽³⁾ | 129,532 |
| Units in issue ('000) | 1,535,023 ⁽⁴⁾ | 1,537,428 ⁽⁵⁾ | 1,535,023 ⁽⁴⁾ | 1,535,993 ⁽⁵⁾ | 1,535,023 ⁽⁴⁾ | 1,538,399 ⁽⁵⁾ |
| DPU (cents) | 8.20 | 8.32 | 8.20 | 8.32 | 8.20 | 8.44 |
| Distribution yield (%) | 6.5 ⁽⁶⁾ | 6.6 ⁽⁶⁾ | 6.5 ⁽⁶⁾ | 6.6 ⁽⁶⁾ | 6.5 ⁽⁶⁾ | 6.6 ⁽⁶⁾ |
| Earnings per Unit (cents) | 7.92 | 9.44 | 7.92 | 8.03 | 7.92 | 9.55 |

Notes:

- (1) "Existing Portfolio" means the existing portfolio of Ascott REIT, as disclosed in the annual report of Ascott REIT for FY2014.
- (2) "Enlarged Portfolio" means the Existing Portfolio and the Target Properties.
- (3) Based on the audited consolidated financial statements of Ascott REIT for the financial year ended 31 December 2014 (the "2014 Audited Consolidated Financial Statements").
- (4) Number of Units in issue as at 31 December 2014.
- (5) The Manager's acquisition fee was assumed to be paid in Units based on an issue price of \$1.21 on 1 January 2014. The Units issued as payment of the Manager's fees were assumed to be issued at the same prices as those that were actually issued as payment for management fees for the existing properties for FY2014.
- (6) Computed based on the closing Unit price of \$1.27 on 31 December 2014.

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 2014:

| | | Scenario 1 only | Scenario 2 only | Scenarios 1 and 2 |
|-----|--|-----------------|-----------------|-------------------|
| (a) | Costs (\$'million) | | | |
| | Aggregate purchase consideration for the acquisitions based on the exchange rates of A\$1.00 to \$1.07634 and JPY1.00 to \$0.01104 | 200.0 | 48.6 | 248.6 |
| | Associated costs of the acquisitions (including applicable stamp duties, legal and other professional fees and expenses) | 17.4 | 0.7 | 18.1 |
| | Total Costs | 217.4 | 49.3 | 266.7 |
| (b) | Sources of Funds (\$'million) | | | |
| | Debt financing | 67.4 | 49.3 | 116.7 |
| | Issuance of Perpetual Securities | 150.0 | - | 150.0 |
| | Total Sources of Funds | 217.4 | 49.3 | 266.7 |

The table below sets out the pro forma financial effects of the Target Acquisitions under the three different cases on the consolidated NAV as at 31 December 2014, as if the Target Acquisitions were completed on 31 December 2014.

| | As at 31 December 2014 | | | | | |
|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Scenario 1 only | | Scenario 2 only | | Scenarios 1 and 2 | |
| | Existing Portfolio | Enlarged Portfolio | Existing Portfolio | Enlarged Portfolio | Existing Portfolio | Enlarged Portfolio |
| NAV (\$'000) | 2,106,078 ⁽¹⁾ | 2,119,665 ⁽²⁾ | 2,106,078 ⁽¹⁾ | 2,106,989 ⁽²⁾ | 2,106,078 ⁽¹⁾ | 2,120,576 ⁽²⁾ |
| Units in issue ('000) | 1,535,023 ⁽³⁾ | 1,536,764 ⁽⁴⁾ | 1,535,023 ⁽³⁾ | 1,535,740 ⁽⁴⁾ | 1,535,023 ⁽³⁾ | 1,537,481 ⁽⁴⁾ |
| NAV per Unit (\$) | 1.37 | 1.38 | 1.37 | 1.37 | 1.37 | 1.38 |

Notes:

- (1) Based on the 2014 Audited Consolidated Financial Statements.
- (2) Based on Unitholders' funds.
- (3) Number of Units in issue as at 31 December 2014.
- (4) The Manager's acquisition fee was assumed to be paid in Units based on an issue price of \$1.27 on 31 December 2014.

8.4 Pro Forma Capitalisation

The table below sets out the pro forma capitalisation of Ascott REIT as at 31 December 2014, as if the Target Acquisitions under the three different cases were completed on 31 December 2014.

| | As at 31 December 2014 | | | | | |
|-----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| | Scenario 1 only | | Scenario 2 only | | Scenarios 1 and 2 | |
| | Actual (\$'000) | As Adjusted (\$'000) | Actual (\$'000) | As Adjusted (\$'000) | Actual (\$'000) | As Adjusted (\$'000) |
| Short-term debt: | | | | | | |
| Secured debt | 96,422 | 96,422 | 96,422 | 96,886 | 96,422 | 96,886 |
| Unsecured debt | 149,938 | 149,938 | 149,938 | 149,938 | 149,938 | 149,938 |
| Finance lease | 2,988 | 2,988 | 2,988 | 2,988 | 2,988 | 2,988 |
| Total short-term debt | 249,348 | 249,348 | 249,348 | 249,812 | 249,348 | 249,812 |
| Long-term debt: | | | | | | |
| Secured debt | 847,058 | 914,452 | 847,058 | 938,423 | 847,058 | 1,005,817 |
| Unsecured debt | 444,578 | 444,578 | 444,578 | 444,578 | 444,578 | 444,578 |
| Finance lease | 9,928 | 9,928 | 9,928 | 9,928 | 9,928 | 9,928 |
| Total long-term debt | 1,301,564 | 1,368,958 | 1,301,564 | 1,392,929 | 1,301,564 | 1,460,323 |
| Total debt | 1,550,912 | 1,618,306 ⁽²⁾ | 1,550,912 | 1,642,741 ⁽²⁾ | 1,550,912 | 1,710,135 ⁽²⁾ |
| Unitholders' funds | 2,106,078 ⁽¹⁾ | 2,119,665 | 2,106,078 ⁽¹⁾ | 2,106,989 | 2,106,078 ⁽¹⁾ | 2,120,576 |
| Total Capitalisation | 3,656,990 | 3,737,971 | 3,656,990 | 3,749,730 | 3,656,990 | 3,830,711 |

Notes:

- (1) Based on the 2014 Audited Consolidated Financial Statements.
(2) After the completion of the Target Acquisitions under the three different cases, the aggregate leverage of Ascott REIT would range from 38.5% to 39.9% as at 31 December 2014, on a pro forma basis:

| | As at 31 December 2014 | Scenario 1 only | Scenario 2 only | Scenarios 1 and 2 |
|---|------------------------|-----------------|-----------------|-------------------|
| Aggregate Leverage as at 31 December 2014 | 38.5% | 38.2% | 39.9% | 39.5% |

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 PricewaterhouseCoopers Corporate Finance Pte Ltd (the “**IFA**”) to advise the Independent Directors in relation to the Target Acquisitions. A copy of the letter from the IFA to the Independent Directors containing its advice in relation to the Target Acquisitions (the “**IFA Letter**”) to the Independent Directors, containing its advice in full, is set out in **Appendix A** of the Circular and Unitholders are advised to read the IFA Letter carefully.

Having considered the factors and the assumptions set out in its letter, and subject to the qualifications set out therein, the IFA is of the view that the Target Acquisitions, the Citadines on Bourke Melbourne New SR Management Agreement and the Pre-Existing Asset Management Agreement are on normal commercial terms and are not prejudicial to the interests of Ascott REIT and its minority Unitholders.

Based on the opinion of the IFA and the rationale for and benefits of the Target Acquisitions, the Independent Directors (which include the Audit Committee), believe that the Target Acquisitions, the Citadines on Bourke Melbourne New SR Management Agreement and the Pre-Existing Asset Management Agreement are on normal commercial terms and would not be prejudicial to the interests of Ascott REIT and its minority Unitholders.

Accordingly, the Independent Directors recommend that Unitholders vote at the EGM in favour of the Resolutions.

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 under the three different cases 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 | Scenario 1 only | | | Scenario 2 only | | | Scenarios 1 and 2 | | |
|---|--------------------------|-------------------------|------------|--------------------------|-------------------------|------------|--------------------------|-------------------------|------------|
| | Ascott REIT (\$ million) | The Target Acquisitions | Relative % | Ascott REIT (\$ million) | The Target Acquisitions | Relative % | Ascott REIT (\$ million) | The Target Acquisitions | Relative % |
| The net profits attributable to the assets acquired, compared with Ascott REIT's net profits | 23.2 ⁽¹⁾ | 2.9 | 12.5 | 23.2 ⁽¹⁾ | 0.8 | 3.4 | 23.2 ⁽¹⁾ | 3.7 | 15.9 |
| The aggregate value of the consideration given, compared with Ascott REIT's market capitalisation based on the total number of issued Units | 1,971.7 ⁽²⁾ | 197.2 | 10.0 | 1,971.7 ⁽²⁾ | 48.8 | 2.5 | 1,971.7 ⁽²⁾ | 246.0 | 12.5 |

Notes:

- (1) Based on the unaudited financial statements of Ascott REIT for the quarter ended 31 March 2015.
(2) Based on the market capitalisation of Ascott REIT on 24 June 2015, which is the market day preceding the date of 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 22 June 2015, the direct and deemed interests and voting rights of the Directors who have interest in the Units are as follows:

| Name of Director | Direct Interest | | Deemed Interest | |
|------------------------|-----------------|-------|-----------------|---|
| | No. of Units | % | No. of Units | % |
| Lim Jit Poh | 78,295 | 0.005 | - | - |
| Lim Ming Yan | 263,509 | 0.017 | - | - |
| (TA) Tay Boon Hwee | - | - | - | - |
| Ku Moon Lun | 70,911 | 0.005 | - | - |
| Lee Chee Koon | 36,000 | 0.002 | - | - |
| Tan Beng Hai | - | - | - | - |
| Zulkifli Bin Baharudin | 19,972 | 0.001 | - | - |

Note:

- (1) The percentage is based on 1,540,358,078 Units as at 22 June 2015.

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 to the Manager, as at 22 June 2015, the direct and deemed interests of the Substantial Unitholders are as follows:

| Name of Substantial Unitholder | Direct Interest | | Deemed Interest | |
|---|-----------------|-------|-----------------|-------|
| | No. of Units | % | No. of Units | % |
| Temasek Holdings (Private) Limited ("THPL") | - | - | 725,116,275 | 47.07 |
| CapitaLand Limited ("CL") | - | - | 707,791,057 | 45.95 |
| The Ascott Limited ("TAL") | 369,110,400 | 23.96 | 338,680,657 | 21.99 |
| Somerset Capital Pte Ltd ("SCPL") | 243,517,200 | 15.81 | - | - |
| Ascott Residence Trust Management Limited ("ARTML") | 95,163,457 | 6.18 | - | - |

Notes:

- (1) The percentage is based on 1,540,358,078 Units as at 22 June 2015.
- (2) By virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore, THPL is deemed to have an interest in 725,116,275 units in Ascott REIT in which its subsidiary and associated companies, which are independently managed portfolio companies, have or are deemed to have an interest. THPL is not involved in business or operating decisions of its independently managed portfolio companies, including those regarding such companies' positions in the voting units of Ascott REIT.
- (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 Target Acquisitions, other than through their respective unitholdings in Ascott REIT.

10.3 Interested Person Transactions and Interested Party Transactions

As at 22 June 2015, TAL directly and/or through its wholly-owned subsidiaries and through its interest in the Manager, has (i) direct and deemed interests of approximately 45.95% in Ascott REIT and (ii) wholly-owns the Manager, and is therefore regarded as a Controlling Unitholder²⁰ of Ascott REIT and a Controlling Shareholder²¹ of the Manager respectively under the Property Funds Appendix and the Listing Manual.

TAL holds a 100% interest in Ascott Investment Holdings Ltd through TAHL, a wholly-owned subsidiary of TAL. Citadines Melbourne on Bourke (BVI) Limited is an indirect wholly-owned subsidiary of TAHL and Citadines Melbourne on Bourke Land Pty Ltd is a direct wholly-owned subsidiary of TAHL. AIMPL is an indirect wholly-owned subsidiary of TAHL. Ascott Investment Holdings Ltd and Somerset Retail Holdings Pte Ltd are direct wholly-owned subsidiaries of TAHL. Citadines Kyoto Gojo (S) Pte. Ltd. and Citadines Kyoto Gojo Godo Kaisha are indirect wholly-owned subsidiaries of TAHL. CRL Investment Pte Ltd is an indirect wholly-owned subsidiary of TAHL. CJKK is an indirect wholly-owned subsidiary of CapitaLand Limited. Accordingly, for the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, Citadines Melbourne on Bourke (BVI) Limited, Citadines Melbourne on Bourke Land Pty Ltd, the CSML Trustee, Ascott Investment Holdings Ltd and Somerset Retail Holdings Pte Ltd, Citadines Kyoto Gojo (S) Pte. Ltd. and Citadines Kyoto Gojo Godo Kaisha (collectively, the “**TAHL Vendors**”), AIMPL and CJKK are Interested Persons²² and Interested Parties²³ of Ascott REIT.

As such, the Target Acquisitions, the Citadines on Bourke Melbourne New SR Management Agreement and the Pre-Existing Asset Management Agreement will constitute Interested Person Transactions under Chapter 9 of the Listing Manual and Interested Party Transactions under Paragraph 5 of the Property Funds Appendix for which Unitholders’ approval is required.

In approving Ordinary Resolution (1) and Ordinary Resolution (2), Unitholders have approved the Citadines on Bourke Melbourne New SR Management Agreement and the Pre-Existing Asset Management Agreement provided that there are no changes to the basis of determining the fees charged or terms as 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

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

- (a) holds directly or indirectly, 15% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or
- (b) in fact exercises control over the property fund.

21 “**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.

22 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**”.

23 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.

rental, rates and/or basis of the fees charged thereunder which will adversely affect Ascott REIT.

10.4 Directors' Service Contracts

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

10.5 Disclosure Pursuant to Rule 704(31) of the Listing Manual

The Manager also wishes to announce that TMK4 (the "**Japan Borrower**"), which is to be assumed by Ascott REIT upon Completion, had on 28 March 2012 entered into a loan agreement (*kinsen shohi taishaku keiyaku-sho*) (the "**Loan Agreement**") with Mitsubishi UFJ Trust and Banking Corporation (the "**Lender**") and on 5 December 2012 entered into a bond subscription agreement (*ARC-CapitaLand Four tokutei mokuteki kaisha dai-3-kai ippann tanpo-tuski tokutei shasai (tekikaku kikan tousehika gentei) sogaku hikiuke keiyaku-shosho*) (the "**Bond Subscription Agreement**") with Credit Saison Co., Ltd. (the "**Bondholder**"). Both the Loan Agreement and the Bond Subscription Agreement include a condition which refers to the unitholding interests of the controlling unitholders of and/or restricts the change in control of Ascott REIT (the "**Covenant**").

Please refer to **Appendix B** for details on the Covenant.

The aggregate level of facilities which may be affected by a breach of the Covenant is \$1,519.2 million (excluding interest) as at the date of this announcement.

As at the date of this announcement, there is no breach of the Covenant.

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 the Circular up to and including the date falling three (3) months after the date of the Circular:

- (i) the Sale and Purchase Agreements;
- (ii) the IFA Letter;
- (iii) the full valuation reports of the Target Properties;
- (iv) the 2014 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 Target Acquisitions, 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

Kang Siew Fong / Regina Tan
Joint Company Secretaries
25 June 2015

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

| | Target Property Name | Address | Serviced Residence / Asset Management Company | Number of Apartment Units | Gross Floor Area (sq m) | Title | Appraised Value ⁽¹⁾ |
|--------------------------------|--|---|---|---|-------------------------|----------|--|
| Ordinary Resolution (1) | | | | | | | |
| 1 | Citadines on Bourke Melbourne Property | 131-135 Bourke Street, Melbourne, Victoria 3000, Australia | AIMPL | 380 | 28,427.0 | Freehold | A\$156.0 million (equivalent to \$164.9 million) |
| 2 | Citadines Shinjuku Tokyo Property | 1-28-13 Shinjuku, Shinjuku-ku, Tokyo | Ascott International Management Japan Company Limited | 160 ⁽²⁾ | 6,197.1 | Freehold | JPY7.7 billion (equivalent to \$85.0 million) |
| 3 | Citadines Karasuma-Gojo Kyoto Property | 432 Matsuyacho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto-shi, Kyoto | Ascott International Management Japan Company Limited | 124 ⁽²⁾ | 4,835.1 | Freehold | JPY3.7 billion (equivalent to \$40.7 million) |
| Ordinary Resolution (2) | | | | | | | |
| 1 | S-Residence Hommachi Marks Property | 2-3-6, Tokuicho, Chuo-ku, Osaka | CJKK | 110 | 3,679.5 | Freehold | JPY7.4 billion (equivalent to \$82.3 million) |
| 2 | S-Residence Tanimachi 9 chome Property | 4-29, Ikutamamaemachi, Tennoji-ku, Osaka | CJKK | 102 (excluding 2 retail units) | 3,171.2 | Freehold | |
| 3 | S-Residence Midoribashi Serio Property | 3-17-6, Nakamoto, Higashinari-ku, Osaka | CJKK | 98 (excluding 2 retail units) | 2,903.8 | Freehold | |
| 4 | S-Residence Fukushima Luxe Property | 7-22-9, Fukushima, Fukushima-ku, Osaka | CJKK | 178 (excluding 1 retail unit) | 6,568.0 | Freehold | |
| | TOTAL | | | 1,152 ⁽²⁾ (excluding 5 retail units) | 55,781.7 | | \$372.9 million |

Notes:

- (1) Based on the average of two independent valuations by the Independent Valuers as of 30 April 2015, in relation to the Target Properties.
- (2) Ascott REIT currently has a 60% indirect interest in the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property through its existing 60% indirect interest in Citadines Shinjuku TMK and Citadines Kyoto Gojo TMK respectively. The apartment units for the Citadines Shinjuku Tokyo Property and the Citadines Karasuma-Gojo Kyoto Property currently form part of the Existing Portfolio.

APPENDIX B

Details of the Covenant

In general, the Loan Agreement and the Bond Subscription Agreement contain one or more of the following Covenants:

It is an event of default if:

- Without the consent of the Lender/Bondholder, CapitaLand Singapore Management Limited and ArcResidential Japan Investments Limited (as the sponsor's shareholder in the transaction) (collectively the "**Sponsor's Shareholder**") sell, create security interest over or dispose of their shares in ARC-CapitaLand Residence Japan Private Limited (as the sponsor of the transaction) (the "**Sponsor**").

A sale does not constitute an event of default when all of the following conditions are satisfied:

- The Sponsor's Shareholder sells all of the shares in the Sponsor which the Sponsor's Shareholder holds to (i) a Singapore REIT which is managed and operated solely by a subsidiary wholly owned by The Ascott Limited (the "**REIT**") or (ii) an SPV which has been incorporated in Singapore by the REIT for the sole purpose of making such SPV hold the shares in the Sponsor and which is managed and operated solely by a subsidiary wholly owned by The Ascott Limited.
- The Ascott Limited or its wholly-owned subsidiary holds 45% or more of the shares issued by the REIT.
- TMK4 gives the Lender/Bondholder prior written notice about the sale of the shares with documentary evidence which shows that the conditions in Items (a) and (b) above have been satisfied.