



(Constituted in the Republic of Singapore
pursuant to a trust deed dated 9 October 2002 (as amended))

ANNOUNCEMENT

A-REIT'S PROPOSED ACQUISITION OF WISMA GULAB

1. INTRODUCTION

1.1 Proposed Acquisition

Ascendas-MGM Funds Management Limited (the “**Manager**”), the manager of Ascendas Real Estate Investment Trust (“**A-REIT**”), has agreed to acquire Wisma Gulab located at 190 MacPherson Road in Singapore (the “**Property**”) for A-REIT (the “**Proposed Acquisition**”). The Property is currently owned by RSH Holdings Pte Ltd (“**RSH**”).

The Board of Directors of the Manager hereby announces that HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”), as trustee of A-REIT, has entered into a conditional put and call option agreement (the “**Option Agreement**”) with RSH on 24 September 2004, pursuant to which:

- 1.1.1 in consideration of the payment of S\$0.557 million (the “**Option Fee**”), which will constitute part of the purchase price of the Property by the Trustee, RSH has granted to the Trustee a call option (the “**Call Option**”) to require RSH to enter into an agreement for the sale of the Property (on the terms and conditions of the sale and purchase agreement appended to the Option Agreement (the “**Sale and Purchase Agreement**”)) to the Trustee; and
- 1.1.2 the Trustee has granted RSH a put option (the “**Put Option**”) to require the Trustee to enter into an agreement for the purchase of the Property (on the terms and conditions of the Sale and Purchase Agreement) from RSH.

1.2 Disclosure Requirements Under the Listing Manual

The Manager is making this announcement in compliance with Rule 1010 of the Listing Manual (the “**Listing Manual**”) of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) because the Proposed Acquisition constitutes a “discloseable transaction” under Chapter 10 thereof.

2. INFORMATION ON THE PROPERTY

2.1 Description

- 2.1.1 The Property comprises a nine-storey light industrial building for office and warehousing use by RSH Limited (the “**Tenant**”). Strategically located at the corner of Genting Road and MacPherson Road, it is readily accessible via the Pan Island Expressway (“**PIE**”) from the city centre and Changi International Airport.

- 2.1.2 Completed in year 1992, the Property sits on freehold land covering an area of 5,070 sqm and has net lettable area of 11,821 sqm.

2.2 Property Value

The Property was valued at S\$55.7 million in a valuation report dated 15 September 2004 prepared by Colliers International Consultancy & Valuation (Singapore) Pte Ltd (“**Colliers International**”) in accordance with the instructions issued by the Trustee. The valuation was prepared using the income and discounted cash flow methods as well as the direct comparison and replacement cost methods.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 The Option Agreement

The principal terms of the Option Agreement are as follows:

- 3.1.1 **Purchase to be on the terms and conditions of the Sale and Purchase Agreement:** The Call Option granted by RSH to the Trustee and the Put Option granted by the Trustee to RSH provide for the sale and purchase of the Property to be on the terms and conditions of the Sale and Purchase Agreement in the event that either the Trustee or RSH becomes entitled to exercise, respectively, the Call Option or the Put Option and so exercises its option.
- 3.1.2 **Conditions precedent:** The rights of the Trustee and RSH to exercise, respectively, the Call Option and the Put Option depend upon the following conditions (the “**Relevant Conditions**”) being fulfilled by 30 December 2004 (or such other date as may be determined in accordance with the Option Agreement, (the “**Target Date**”), unless otherwise waived by the Trustee in writing:
- (i) A-REIT obtaining satisfactory financing for the Proposed Acquisition; and
 - (ii) the approval of the shareholders of RSH Limited for the sale of the Property.
- 3.1.3 **Purchase Price:** The purchase price of the Property is S\$55.7 million, out of which S\$43.5 million (including the Option fee) will be paid upon completion of the Proposed Acquisition. Payment for the remaining S\$12.2 million will be paid in two deferred payments of S\$5.0 million and S\$7.2 million, effected at the end of the 5th and 7th years of ownership, respectively. The deferred payments are subject to the proviso that if the 15-year leaseback of the Property to the Tenant, the holding company of RSH, is terminated for tenant default as at the end of the 5th year of ownership or, as the case may be, at the end of the 7th year of ownership, then the Trustee (in its capacity as trustee of A-REIT) shall not be obliged to pay the first deferred payment and/or, as the case may be, the first and the second deferred payments and the purchase price shall be deemed to be reduced by an amount equivalent to such first deferred payment amount or, as the case may be, such first and second deferred payment amounts. The purchase price of the Property was arrived at on a willing-buyer, willing-seller basis, taking into account various

commercial factors, including the anticipated net property income of the Property.

The Option Fee was paid by the Trustee upon the execution of the Option Agreement. The Option Fee is wholly refundable *inter alia*, in the event that any of the Relevant Conditions are not met by the Target Date but will otherwise be applied towards the purchase price of the Property upon entry of the Sale and Purchase Agreement between RSH and the Trustee.

3.1.4 Termination of the Option Agreement: If any of the Relevant Conditions (other than those which the Trustee has confirmed in writing to RSH as having been waived by the Trustee) is not fulfilled by the Target Date, the Option Agreement shall cease and determine and, save for the obligation of RSH to refund the Option Fee to the Trustee, neither party shall have any further claim against the other for costs, damages, compensation or otherwise.

3.2 The Sale and Purchase Agreement

The Sale and Purchase Agreement provides that the Tenant will lease the Property for 15 years upon completion at an initial annual rental income of S\$3.5 million with stepped rental increases of 3.0 per cent. per annum at the beginning of the 2nd year to 6th years of ownership; 4.5 per cent. per annum at the beginning of the 7th year to 10th years of ownership and 3.0 per cent. per annum at the beginning of the 11th year to 15th years of ownership.

4. RATIONALE AND BENEFIT OF THE PROPOSED ACQUISITION TO A-REIT

4.1 The Proposed Acquisition is in Line with Manager's Investment Strategy

The Manager aims to achieve distribution growth and to enhance the value of A-REIT's property portfolio over time through, *inter alia*, selectively acquiring additional properties that meet the Manager's investment criteria. The Proposed Acquisition will be in line with the investment strategy of the Manager as it is currently expected that the Property will be accretive to A-REIT's distributable income. Based on the initial payment of S\$43.5 million of the purchase price of the Proposed Acquisition, the Property is expected to deliver a property yield of 7.9 per cent. (before acquisition costs) in the first year. The Manager currently estimates the acquisition costs for the Property to be S\$2.5 million.

4.2 Diversification of A-REITs Portfolio

The Proposed Acquisition will further diversify A-REIT's portfolio of properties as well as the tenant-mix in A-REIT's properties. It is also the first freehold property to be acquired by A-REIT and it will complement the existing leasehold properties.

5. METHOD OF FINANCING AND THE FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The Manager is currently reviewing various modes of financing the Proposed Acquisition. It may employ additional borrowings and/or funds from new equity raisings to finance the Proposed Acquisition. At the time of this Announcement, no decision has been made. The Manager's financing plans in this regard will be announced as soon as they have been finalised.

Assuming the Proposed Acquisition is funded at an assumed optimal gearing level of 30 per cent. debt and 70 per cent. equity, and that A-REIT had purchased, held and operated the Property for the whole of the financial year ended 31 March 2004, the annualised pro forma financial effect on A-REIT's distributable income per unit in A-REIT ("Unit") would have been 0.13 cents.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

Mr Lew Syn Pau, Chairman of the Board of Directors of the Manager is also an independent director on the Board of Directors of the Tenant, RSH Limited. None of the other directors of the Manager and none of the substantial unitholders of A-REIT has any interest, direct or indirect, in the Proposed Acquisition.

7. OTHER INFORMATION

7.1 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Proposed Acquisition or any other transaction contemplated in relation to the Proposed Acquisition.

7.2 Disclosure Under Rule 1010(13) of the Listing Manual

7.2.1 Chapter 10 of the Listing Manual classifies acquisitions by A-REIT into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, *inter alia*, the following bases:

- (i) the profits attributable to the assets acquired or disposed of, compared with A-REIT's net profits;
- (ii) the aggregate value of the consideration given, compared with A-REIT's market capitalisation; and
- (iii) the number of units issued by A-REIT ("Units") as consideration for the Proposed Acquisition, compared with the number of Units previously in issue.

7.2.2 Based on A-REIT's audited financial statements for the financial year ended 31 March 2004, the relative figure for the basis of comparison set out in subparagraph 7.2.1(i) is 7.17 per cent.

7.2.3 Based on the purchase price of S\$55.7 million and A-REIT's market capitalisation as at 20 September 2004 (being the latest practicable date prior to the date of this Announcement), the relative figure for the basis of comparison set out in sub-paragraph 7.2.1(ii) is 4.54 per cent.

7.2.4 No Units will be issued as consideration for the Proposed Acquisition, therefore the basis in sub-paragraph 7.1.2 (iii) is not applicable to the Proposed Acquisition.

7.3 Documents for Inspection

Copies of the following documents are available for inspection during normal business hours (prior appointment will be appreciated) at the registered office of the Manager at 75 Science Park Drive, #01-03 CINTech II, Singapore 118255, for a period of 3 months commencing from the date of this Announcement:

7.3.1 the Option Agreement; and

7.3.2 the form of the Sale and Purchase Agreement (appended to the Option Agreement).

BY ORDER OF THE BOARD
ASCENDAS-MGM FUNDS MANAGEMENT LIMITED

Tay Hsiu Chieh

Company Secretary

24 September 2004

Important Notice

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of A-REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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