

MASNET Announcement
For immediate release
5 May 2003



Proposed Acquisition of OSIM Headquarters Building by A-REIT

5 May 2003, Singapore – Ascendas-MGM Funds Management Limited, the manager (the “Manager”) of Ascendas Real Estate Investment Trust (“A-REIT”), is pleased to announce the proposed acquisition by A-REIT of the OSIM Headquarters building located at 65 Ubi Avenue 1 Singapore 408939 (the “Property”) from OSIM International Ltd (“OSIM”) for a total purchase price of S\$35 million.

The Acquisition

Bermuda Trust (Singapore) Limited (as trustee of A-REIT) (the “Trustee”) and OSIM have today entered into a Put and Call Option Agreement (the “Option Agreement”) in respect of the sale and lease-back of the Property.

The transaction is conditional upon the approval of OSIM shareholders at an extraordinary general meeting to be convened by OSIM. Under the terms of the Option Agreement, the approval of OSIM shareholders is to be obtained within ten weeks from 5 May 2003 and the Option Agreement is exercisable for a period of seven days commencing after the date of obtaining of the OSIM shareholders’ approval.

Upon exercise of the Option Agreement, OSIM and the Trustee will enter into a Sale and Purchase Agreement (for the acquisition of the Property) and on completion of the sale and purchase of the Property (pursuant to the Sale and Purchase Agreement), they will enter into a Lease Agreement (for the lease-back

of the Property to OSIM for a term of 12 years). Under the terms of the Sale and Purchase Agreement to be entered into by the Trustee and OSIM upon the exercise of the Option Agreement, the Trustee will pay to OSIM S\$25 million on completion of the sale and purchase of the Property (expected to be in late July 2003). The balance of the purchase price of S\$10 million will be paid in two equal instalments of S\$5 million each on the first and second anniversary of the actual date of completion.

Under the proposed Sale and Purchase Agreement and Lease Agreement, ownership of the Property will be transferred to the Trustee. This excludes the mechanical, electrical & fitout costs ("Fitout") of the building, which continues to be carried in the books of the OSIM. Ownership of the M&E will revert to A-REIT at the end of the Lease Agreement.

The consideration of S\$35 million for the purchase of the Property, to be paid wholly in cash, was arrived at on a willing-buyer and willing-seller basis, and is supported by an independent valuation from Colliers International (see below).

The proposed annual rental payable in cash in year 1 is S\$2.61 million; year 2 is S\$3.14 million; year 3 is S\$3.26 million; year 4 is S\$3.34 million and thereafter at a 2.25 per cent. rental increase per annum until the end of lease term. The rental rates are in accordance with the prevailing rental market environment.

It is proposed that the acquisition would be fully funded by external borrowings and this would raise A-REIT's gearing to 24.7 per cent. from the current level of 19.6 per cent. (as at 31 March 2003).

The Property comprises an 8-storey warehouse and office space with lettable area of approximately 13,532 sqm. Built on a land area of 7,073 sqm, the

Property has a plot ratio of 2.5. The total land tenure is 60 years, with 54 years remaining. Currently, the Property is occupied by OSIM and its subsidiaries for their business operations.

Rationale for the Acquisition

The acquisition of the Property will further diversify the property portfolio of A-REIT and provide additional returns to unitholders.

Valuation of Property

Colliers International has prepared an independent valuation report dated 31 March 2003 on the Property. The report was commissioned by, and prepared for, the Trustee and valued the Property at S\$35 million. The valuation was prepared using the income and discounted cash flow methods as well as using direct comparison and replacement cost methods.

Copies of the Option Agreement (which appends the forms of the Sale and Purchase Agreement and the Lease Agreement) and valuation report are available for inspection during normal business hours at the Manager's registered office for 3 months from the date of this announcement.

Impact on A-REIT

The net asset value per unit at 31 March 2003 was \$0.89 after providing for the distribution payable to unitholders for the period ended 31 March 2003. The Property will be acquired for a purchase price of S\$35 million, which is in line with the independent external valuation of the Property. The Property will be recorded in the accounts of A-REIT initially at cost and accordingly the acquisition will have no impact on the net asset value per unit. In accordance with the Property Funds Guidelines issued by the Monetary Authority of

Singapore, the Manager will arrange for a further valuation of the Property each 12 months from date of acquisition.

The increase in net profit arising from the acquisition of the Property is \$2.32 million in the first year of ownership.

The pro forma financial effect of the acquisition of the Property on the earnings per unit of A-REIT for the financial year ended 31 March 2003, as if A-REIT had purchased the Property on 19 November 2002, (the date of listing of A-REIT on Singapore Exchange Securities Trading Limited), and held and operated the Property through to 31 March 2003, would be to increase earnings per unit by an amount of 0.11 cents per unit for the 133 days ended 31 March 2003 (equivalent to 0.29 cents per unit when annualised to a full 12-month period).

Based on the lease-back arrangement described above, the Property is expected to deliver a property yield of 9.28 per cent. (before acquisition costs) in the first year (8.72 per cent. after acquisition costs).

Other Information

The Option Agreement has been entered into by the Trustee and OSIM. No director of the Manager or controlling unitholder of A-REIT has any interest, direct or indirect, in the transaction. No person is proposed to be appointed as a director of the Manager in connection with the acquisition of the Property, the Option Agreement or any other transaction contemplated in relation to the purchase of the Property by the Trustee from OSIM.

By Order of the Board

Ascendas-MGM Funds Management Limited,

Manager of Ascendas Real Estate Investment Trust (A-REIT)

Tay Hsiu Chieh
Company Secretary
5 May 2003

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

For enquiries, please contact:

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