

# ASCENDAS REAL ESTATE INVESTMENT TRUST

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

## ANNOUNCEMENT

### A-REIT'S PROPOSED ACQUISITION OF A PROPERTY BEING DEVELOPED BY ASCENDAS FOR INFINEON TECHNOLOGIES

#### 1. INTRODUCTION

##### 1.1 Proposed Acquisition

Ascendas-MGM Funds Management Limited (the "**Manager**"), the manager of Ascendas Real Estate Investment Trust ("**A-REIT**"), has identified a property in Singapore (the "**Property**") for acquisition by A-REIT (the "**Proposed Acquisition**"). The Property is owned by Ascendas Land (Singapore) Pte Ltd ("**Ascendas**"), a company incorporated in Singapore and a related corporation of the Manager.

The Board of Directors of the Manager hereby announces that Bermuda Trust (Singapore) Limited (the "**Trustee**"), as trustee of A-REIT, has, in contemplation of the Proposed Acquisition, entered into a conditional put and call option agreement (the "**Option Agreement**") with Ascendas on 22 September 2003, pursuant to which:

- 1.1.1 Ascendas granted to the Trustee a call option (the "**Call Option**") to require Ascendas to enter into an agreement for the sale of the Property (in the form and on the terms 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 granted Ascendas a put option (the "**Put Option**") to require the Trustee to enter into an agreement for the purchase of the Property (in the form and on the terms of the Sale and Purchase Agreement) from Ascendas.

##### 1.2 Disclosure Requirements Under the Listing Manual

As at the date of this Announcement, Ascendas holds an aggregate direct and indirect interest in 108,274,640 units in A-REIT ("**Units**"), comprising approximately 19.8% of the total number of Units in issue, and is therefore a "controlling unitholder" (as defined in the Listing Manual (the "**Listing Manual**") of Singapore Exchange Securities Trading Limited) of A-REIT. Both as a "controlling unitholder" and as a related corporation of the Manager, Ascendas is regarded as an "interested person" of A-REIT for the purposes of Chapter 9 of the Listing Manual. The Manager is making this announcement because the value of the Proposed Acquisition, which constitutes an "interested person transaction" under Chapter 9 of the Listing Manual, exceeds the thresholds specified therein for the requirement to make such an announcement.

The Manager is also making this announcement in compliance with Rule 1010 of the Listing Manual because the Proposed Acquisition also constitutes a "discloseable transaction" under Chapter 10 of the Listing Manual.

## **2. INFORMATION ON THE PROPERTY**

### **2.1 The Land and the Building**

The Property comprises the whole of Pte Lot A20639 at Kallang Sector, Singapore (the “**Land**”) as well as the building, car parks, common areas and other amenities to be built thereon (collectively, the “**Development**”).

Ascendas has accepted a letter of offer dated 25 April 2003 from Jurong Town Corporation (“**JTC**”) for licence and lease of the Land. In due course, Ascendas will enter into an agreement for lease (the “**JTC Agreement for Lease**”) with JTC and, subject to fulfilment of certain conditions, a lease of the Land for a leasehold interest of 30 years commencing from 1 July 2003, with an option to renew for a further term of 17 years, will be issued by JTC.

The Development is presently under construction by Ascendas under a development agreement (the “**Development Agreement**”) with the tenant to-be of the Property, Infineon Technologies Asia Pacific Pte Ltd (the “**Tenant**”). Pursuant to the Development Agreement, the Tenant will enter into a 12-year lease agreement (the “**Lease Agreement**”) with Ascendas when the construction works are completed and a temporary occupation permit (“**TOP**”) in respect of the Property is obtained. It is currently expected that the TOP will be obtained by the third quarter of 2004.

The Tenant is the world’s sixth largest semiconductor manufacturer. Upon completion, the Property will house all of the Tenant’s regional headquarter functions for the Asia Pacific region, including its sales and marketing, logistics and research and development competencies, under one roof.

### **2.2 Property Value**

The Manager intends to have the Property valued by an independent valuer before convening an extraordinary general meeting of the unitholders of A-REIT (“**Unitholders**”) to seek the approvals set out in sub-paragraph 3.1.2(i) below.

## **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 terms and conditions of the Sale and Purchase Agreement:** The Call Option granted by Ascendas to the Trustee and the Put Option granted by the Trustee to Ascendas 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 Ascendas becomes entitled to exercise, respectively, the Call Option or the Put Option and so exercises its option.

**3.1.2 Conditions precedent:** The Trustee may exercise its Call Option by issuing and serving the Call Option Notice (as defined in the Option Agreement) on Ascendas and Ascendas may exercise its Put Option by issuing and serving the Put Option Notice (as defined in the Option Agreement) on the Trustee. The rights of the Trustee and Ascendas to serve, respectively, the Call Option Notice and the Put Option Notice are conditional upon the following conditions (the “**Relevant Conditions**”) being fulfilled by 25 April 2005 (or

such later date as the Trustee may in its absolute discretion specify in the event of a delay in fulfilling the Relevant Conditions described in subparagraphs 3.1.2(ii) – 3.1.2(v) below or such other date as the Trustee and Ascendas may mutually agree in writing) (the “**Target Date**”) or waived by the Trustee in writing:

- (i) obtaining the approval of the unitholders of A-REIT (“**Unitholders**”) at an extraordinary general meeting of Unitholders to be convened by the Trustee:
  - (a) for the Proposed Acquisition; and
  - (b) if applicable, for the issuance of new Units to fund (whether in whole or in part) the Proposed Acquisition;
- (ii) issuance of the TOP;
- (iii) signing of the Lease Agreement by Ascendas and the Tenant;
- (iv) signing of the JTC Agreement for Lease; and
- (v) signing of separate novation agreements between the Trustee, Ascendas and the Tenant under which all the rights, benefits and obligations of Ascendas under the Development Agreement and the Lease Agreement, respectively, will be novated to the Trustee, such novation to take effect from the date that either the Call Option or the Put Option is exercised.

**3.1.3 Purchase Price:** The purchase price of the Property is S\$50.9 million, subject to adjustment in accordance with the formulae stated in **Appendix 1** of this Announcement. 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.

An option fee of S\$509,000 (the “**Option Fee**”) was paid by the Trustee upon the execution of the Option Agreement. The option fee is wholly refundable in the event, *inter alia*, that any of the Relevant Conditions is not met by the Target Date or if the Relevant Conditions are met by the Target Date but neither the Call Option nor the Put Option is exercised within the relevant exercise periods, but will otherwise be applied towards the purchase price of the Property upon entry of the Sale and Purchase Agreement between Ascendas 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 Ascendas as having been waived by the Trustee) is not fulfilled by the Target Date, the Option Agreement shall *ipso facto* cease and determine and, save for the obligation of Ascendas to refund the Option Fee to the Trustee, neither party shall have any further claim against the other for costs, damages, compensation or otherwise.

**3.1.5 Further details:** Further details of the principal terms of the Option Agreement are set out in **Appendix 2** of this Announcement.

The Manager intends that the Trustee will exercise the Call Option to acquire the Property for A-REIT shortly after the TOP is obtained and after the Tenant has signed the Lease Agreement with Ascendas.

### **3.2 The Sale and Purchase Agreement**

The principal terms of the Sale and Purchase Agreement are as follows:

**3.2.1 Subject matter of purchase:** If the Trustee enters into the Sale and Purchase Agreement with Ascendas, it will be required to purchase the Property together with the plant and equipment relating thereto.

**3.2.2 Undertaking and indemnity by Ascendas:** Notwithstanding that the rights, benefits and obligations of Ascendas under the Development Agreement will be novated to the Trustee, Ascendas will undertake to the Trustee that:

- (i) Ascendas will, at its own cost and expense, undertake and perform all obligations under the Development Agreement which have not been performed or discharged prior to the novation of the Development Agreement, in accordance with the terms thereof;
- (ii) Ascendas will, at its own cost and expense, obtain the Certificate of Statutory Completion for the Development and remedy all defective and non-conforming works of the Development in accordance with the terms of the Development Agreement; and
- (iii) Ascendas will acknowledge and accept that it remains wholly responsible for the design of the Development.

The Sale and Purchase Agreement also contains provisions for Ascendas to indemnify the Trustee if Ascendas breaches the undertakings referred to in this sub-paragraph 3.2.2.

**3.2.3 Assignment of Bank Guarantee and Parent Guarantee:** Under the Sale and Purchase Agreement, Ascendas will be required to assign all its rights, title and interests under:

- (i) the bank guarantee in favour of Ascendas (as landlord before the novation of the Lease Agreement) to be furnished by the Tenant in lieu of cash payment for the security deposit under the Lease Agreement; and
- (ii) the guarantee in favour of Ascendas (as landlord before the novation of the Lease Agreement) issued by Infineon Technologies AG, the parent company of the Tenant, to guarantee the performance by the Tenant of its payment obligations under the Lease Agreement.

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

### **4.1 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 a purchase price of S\$50.9 million, the Property is expected to deliver a property yield of 8.2% (before acquisition costs) and 7.8% (after acquisition costs) in the first year. These yields are expected to be enhanced if the purchase price is adjusted in accordance with the formulae stated in **Appendix I** of this Announcement. The Manager currently estimates the acquisition costs for the Property to be S\$2.5 million.

### **4.2 Diversification of A-REITs Portfolio**

The acquisition of the Property by A-REIT will further diversify A-REIT's portfolio of properties as well as the tenant-mix in A-REIT's properties.

### **4.3 Improvement of A-REIT's Lease Expiry Profile**

The Lease Agreement with the Tenant which the Trustee will novate into as part of the Proposed Acquisition is for a 12-year term and provides for annual stepped rental increases. As such, it is expected that the acquisition of the Property will improve A-REIT's lease expiry profile.

## **5. METHOD OF FINANCING AND FINANCIAL EFFECTS OF ACQUISITION**

The Manager is currently reviewing various modes of financing the acquisition of the Property. It may employ additional borrowings or funds from new equity raisings, or a combination of both, 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. The plans will also be set out in a circular to Unitholders (the "**Circular**") to be issued in due course together with a notice of extraordinary general meeting of Unitholders which the Trustee will convene for the purpose of obtaining Unitholders' approval for, *inter alia*, the acquisition of the Property by A-REIT. Such an extraordinary general meeting is expected to be held at an appropriate time within the 6-month period prior to the completion of the Proposed Acquisition.

The Circular will also contain information relating to the financial effects of the Proposed Acquisition, such as the net property income which will be attributable to the Property as well as the impact of the Proposed Acquisition on the net tangible assets per Unit, the earnings per Unit, A-REIT's net gearing and the market capitalisation of A-REIT, as these matters can only be determined after the mode of financing has been finalised.

## **6. AUDIT COMMITTEE STATEMENT**

Having considered the terms and conditions of the Option Agreement and the Sale and Purchase Agreement as well as the rationale for the Proposed Acquisition set out in paragraph 4 above, the audit committee of the Manager (which comprises a

majority of independent Directors of the Manager) is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of A-REIT and its minority Unitholders.

## **7. OTHER INTERESTED PERSON TRANSACTIONS**

As at 22 September 2003, the value of all interested person transactions between A-REIT and Ascendas and/or related corporations of Ascendas for the current financial year was approximately S\$6,703,111. These transactions comprised all of A-REIT's interested person transactions during the current financial year (till 22 November 2003).

## **8. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS**

Certain Directors of Ascendas and its direct holding company, Ascendas Pte Ltd, collectively hold an aggregate direct and indirect interest in 451,000 Units.

Mr Lew Syn Pau, Chairman of Ascendas Pte Ltd, the direct holding company of Ascendas, is also the Chairman of the Board of Directors of the Manager. Ms Chong Siak Ching, the President and Chief Executive Officer of Ascendas Pte Ltd and a director of Ascendas, is also a director of the Manager. Ascendas holds an aggregate direct and indirect interest in 108,274,640 Units, comprising approximately 19.8% of the total number of Units in issue.

Save as disclosed herein and based on information available to the Manager, none of the Directors of Ascendas or the Manager, or the substantial Unitholders has any interest, direct or indirect, in the Proposed Acquisition.

## **9. OTHER INFORMATION**

### **9.1 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.

### **9.2 Documents for Inspection**

Copies of the following documents are available for inspection during normal business hours 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:

**9.2.1** the Option Agreement; and

**9.2.2** 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

22 September 2003

## APPENDIX 1

### FORMULAE FOR ADJUSTMENT OF PURCHASE PRICE

Under the Development Agreement, in the course of construction of the Development, the Tenant is entitled to request for additional building works and services in relation to the Development (in addition to pre-agreed specifications) by issuing a variation request.

If a variation request is made by the Tenant and the Tenant elects to proceed with its variation request upon receiving Ascendas' quotation for such additional building works and services, the Tenant shall issue a variation order to Ascendas confirming the Tenant's acceptance of the quoted cost of the variation ("**Agreed Variation Cost**"). The Development Agreement provides for adjustment of rents payable by the Tenant under the Lease Agreement due to such variation orders.

The Sale and Purchase Agreement provides that the purchase price of the Property will be increased based on the Agreed Variation Cost in accordance with the following formulae:

- (i) In respect of the first S\$2,000,000.00 of the Agreed Variation Cost, the purchase price shall be increased by an amount equivalent to such Agreed Variation Cost;
- (ii) In respect of the Agreed Variation Cost, if any, above the first S\$2,000,000.00 (the "**Excess Amount**"), the purchase price shall be further increased by additional amounts of S\$16,800 for every S\$16,000 or part thereof of the Excess Amount; and
- (iii) In respect of the Agreed Variation Cost, if any, above the first S\$4,000,000.00 (the "**Additional Excess Amount**"), Ascendas and the Trustee shall in good faith negotiate and agree on the further increase in purchase price (over and above the increase in purchase price determined in accordance with paragraphs (i) and (ii) above).

If the Trustee and Ascendas fail to agree on such increase in purchase price, then the purchase price shall be increased as follows: For every 1 cent increase in the rent payable under the Lease Agreement (arising from the Additional Excess Amount), the purchase price shall be further increased by a sum equal to the Additional Excess Amount multiplied by a factor of 1.05.



## APPENDIX 2

### CERTAIN PRINCIPAL TERMS OF THE OPTION AGREEMENT

#### 1. CALL OPTION NOTICE

The Call Option Notice may not be served on Ascendas:

- (i) except during the 14 days commencing after the latest of (a) 19 November 2003, (b) the date of expiry of seven days after the Trustee receives written notice from Ascendas that the Relevant Conditions described in sub-paragraphs 3.1.2(ii) – 3.1.2(v) in this Announcement have been fulfilled, (c) the date of expiry of seven days after Ascendas receives written notice from the Trustee that the Relevant Condition in sub-paragraph 3.2.1(i) in this Announcement has been fulfilled or (d) such other date as the Trustee or Ascendas may agree (the “**Option Exercise Period**”);
- (ii) unless the Relevant Conditions have been fulfilled;
- (iii) if either Ascendas or the Tenant has served any notice of termination on the other party under the Development Agreement and/or the Lease Agreement;
- (iv) if the Development Agreement and/or the Lease Agreement has been terminated;
- (v) if the gross floor area of the Development on completion is less than 26,924.7 square metres; and
- (vi) if the Put Option Notice is served on the Trustee before the Trustee serves the Call Option Notice on Ascendas during the Option Exercise Period.

#### 2. PUT OPTION NOTICE

The Put Option Notice may not be served on the Trustee:

- (i) except during the Option Exercise Period;
- (ii) unless the Relevant Conditions have been fulfilled;
- (iii) if the Call Option Notice is served on Ascendas before Ascendas serves the Put Option Notice on the Trustee during the Option Exercise Period;
- (iv) if prior to the date of delivery of the Put Option Notice, the whole or any material part of the Property is affected by compulsory acquisition or notice of compulsory acquisition by any competent authority;
- (v) if there has been material damage to the Property which has not been fully rectified as at the date of the delivery of the Put Option Notice, and the Trustee has not by written notice delivered to Ascendas prior to the date of delivery of the Put Option Notice, waived the benefit of this condition;
- (vi) (notwithstanding that the Sale and Purchase Agreement is not operative until the exercise of an option) if as at the date of delivery of the Put Option Notice, there is a breach in relation to any of the warranties set out in Schedule 2 to the Sale and Purchase Agreement (given by Ascendas) in any material respect;

- (vii) if either Ascendas or the Trustee has served any notice of termination on the other party under the Development Agreement and/or the Lease Agreement or if the Development Agreement and/or the Lease Agreement has been terminated;
- (viii) if the gross floor area of the Development on completion is less than 26,924.7 square metres; and
- (ix) if at any time prior to the expiry of the Option Exercise Period and the exercise of an option, the Trustee or its solicitors shall have received an unsatisfactory reply to legal requisitions on the Property and the Trustee has, prior to the date of delivery of the Put Option Notice, given written notice to Ascendas notifying of the same and the Trustee has not by written notice delivered to Ascendas prior to the expiry of the Exercise Period, waived the benefit of this condition.

### **APPENDIX 3**

#### **PAYMENT SCHEDULE**

The Trustee must pay the purchase price of the Property to Ascendas in cash instalments according to the payment schedule below:

- (i) on the date of the Sale and Purchase Agreement (which will be entered into upon the exercise of either the Call Option or the Put Option, after fulfilment of the Relevant Conditions), a deposit equal to 95% of the purchase price of the Property (inclusive of the Option Fee). Completion of the sale and purchase of the Property will take place at the same time as the payment of 95% of the purchase price; and
- (ii) within 7 days after the Trustee receives from Ascendas the Certificate of Statutory Completion relating to the Development, a sum equal to the balance 5% of the purchase price of the Property.