

4 September 2003



### **Proposed Acquisition of Ultro Building by A-REIT**

The Board of Directors of Ascendas-MGM Funds Management Limited, the manager (the “Manager”) of Ascendas Real Estate Investment Trust (“A-REIT”), is pleased to announce that Bermuda Trust (Singapore) Limited (the “Trustee”), as trustee of A-REIT, and Ultro Technologies Limited (“Ultro”) have on 4 September 2003 entered into a Put and Call Option Agreement (the “Option Agreement”) in respect of the sale and lease-back of the Ultro Building (the “Property”) located at 1 Changi Business Park Avenue 1 Singapore 486058 for a purchase price of S\$18.0 million (the “Purchase Price”).

The Property is a 5-storey fully air-conditioned hi-tech industrial complex office comprising 4 levels of production and office space, a warehouse on the ground floor and a semi-basement carpark with 61 parking lots. The Property has a lettable area of 10,127 sqm on a land area of 4,761 sqm (subject to survey). The land is held on a 30 year lease commencing 1 February 2001, with an option to renew for a further term of 30 years. Since its completion in January 2002, the Property has been occupied by Ultro. Ultro is an electronics solution provider listed on Singapore Exchange Securities Trading Limited (the “SGX-ST”) with core competencies in the distribution and manufacturing of electronic components.

## **Rationale for the Acquisition**

The acquisition of the Property will further diversify A-REIT's property portfolio and tenancy mix, extend A-REIT's lease expiry profile and enhance returns to unitholders.

## **Proposed Sale and Lease-Back of the Property**

The transaction is conditional upon the approval of Ultro shareholders at an extraordinary general meeting to be convened by Ultro and the approval of Jurong Town Corporation ("JTC") for the sale and lease-back of the Property. Under the terms of the Option Agreement, the approval of Ultro shareholders and JTC is to be obtained within eight weeks from 4 September 2003 and the Option Agreement is exercisable for a period of seven days commencing after the date of obtaining both the Ultro shareholders' approval and JTC's approval.

Upon exercise of the Option Agreement, Ultro and the Trustee will enter into a sale and purchase agreement (the "Sale and Purchase Agreement") for the acquisition of the Property. On the date of the Sale and Purchase Agreement, possession of the Property will be handed over to the Trustee and the Trustee and Ultro will enter into a lease agreement (the "Lease Agreement") for the lease-back of the Property by the Trustee to Ultro for a term of 10 years.

Under the terms of the Sale and Purchase Agreement, the Trustee will pay to Ultro a sum equal to 92 per cent. of the Purchase Price (which includes the option fee of S\$0.5 million paid under the Option Agreement) on the date of the Sale and Purchase Agreement and handover of possession of the Property to the Trustee, at which beneficial ownership of the Property will pass to the Trustee. The balance 8 per cent. of the Purchase Price will be paid on legal completion.

The Purchase Price of S\$18.0 million was negotiated on a willing-buyer and willing-seller basis, and is supported by an independent valuation from Jones Lang LaSalle Property Consultants Pte Ltd (“Jones Lang LaSalle”). In addition, A-REIT is expected to incur estimated acquisition costs of S\$0.85 million.

Under the Lease Agreement, the commencing gross rental is S\$1.8 million per annum with stepped increases of 2.5 per cent. per annum until the end of the term under the Lease Agreement. The land rent for the Property payable to JTC will be paid by Ultro for the term of the Lease Agreement.

The Manager currently proposes that the acquisition will be fully debt-funded and it is estimated that A-REIT’s gearing will rise from 20.5 per cent. (as at 30 June 2003) to 24.3 per cent. after the completion of the proposed acquisition of both the Ultro Building and the Ghim Li Building (please refer to the Manager’s separate announcement of today’s date for further details of the proposed acquisition of the Ghim Li Building).

### **Valuation of Property**

Jones Lang LaSalle has prepared an independent valuation report as at 1 August 2003 on the Property. The report was prepared in accordance with instructions issued by the Trustee and valued the Property at S\$18.0 million. The valuation was prepared using the income and discounted cash flow methods as well as using direct comparison and replacement cost methods.

### **Financial impact on A-REIT**

The net asset value per unit of A-REIT at 30 June 2003 was \$0.89 after adjusting for the distributable income for the three months ended 30 June 2003. 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 in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, the Manager will arrange for a valuation of the Property at least once every 12 months.

The pro forma financial effect of the acquisition of the Property on the earnings per unit of A-REIT for the financial period from 19 November 2002 to 31 March 2003, as if A-REIT had purchased the Property on 19 November 2002 (the date of listing of A-REIT on the SGX-ST), and held and operated the Property through to 31 March 2003, would be to increase distributable income per unit by an amount of 0.08 cents per unit for the said financial period (equivalent to 0.22 cents per unit when annualised).

Based on the lease-back arrangement described above, the Property is expected to deliver a property yield of 8.91 per cent. (before acquisition costs) in the first year (8.51 per cent. after acquisition costs).

### **Other Information**

The Option Agreement has been entered into by the Trustee and Ultro. 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, the Sale and Purchase Agreement, the Lease Agreement or any other transaction contemplated in relation to the purchase of the Property by A-REIT from Ultro or the lease-back of the Property by A-REIT to Ultro.

By Order of the Board  
Ascendas-MGM Funds Management Limited,  
Manager of Ascendas Real Estate Investment Trust (A-REIT)

Tay Hsiu Chieh  
Company Secretary  
4 September 2003

*The value of units in A-REIT (“Units”) and the income 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 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.*

*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.*

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