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ASCOTT RESIDENCE TRUST

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

ANNOUNCEMENT

**LAUNCH OF RIGHTS ISSUE
TO RAISE GROSS PROCEEDS OF APPROXIMATELY S\$442.7 MILLION**

1. Introduction

Ascott Residence Trust Management Limited (the "**Manager**"), in its capacity as manager of Ascott Residence Trust ("**Ascott REIT**") wishes to announce that it is undertaking an underwritten and renounceable rights issue (the "**Rights Issue**") to raise gross proceeds of approximately S\$442.7 million.

BNP Paribas, acting through its Singapore branch, and DBS Bank Ltd. have been appointed as the joint lead managers and underwriters for the Rights Issue (the "**Joint Lead Managers and Underwriters**").

To demonstrate its support for Ascott REIT and the Rights Issue, the sponsor of Ascott REIT, The Ascott Limited ("**TAL**"), has provided an irrevocable undertaking (the "**TAL Irrevocable Undertaking**") to each of (a) the Manager and (b) the Joint Lead Managers and Underwriters that it will accept and/or procure its subsidiaries to subscribe and pay in full for their total provisional allotment of Rights Units. (Please refer to paragraph 5 below entitled "Commitment of TAL" for further details.)

This commitment by TAL represents in aggregate approximately 44.16% of the Rights Units to be issued pursuant to the Rights Issue.

2. Principal Terms of the Rights Issue

Pursuant to the Rights Issue, 481,688,010 new units in Ascott REIT (“**Rights Units**”) will be offered at the rights ratio (“**Rights Ratio**”) of 29 Rights Unit for every 100 existing units in Ascott REIT (“**Existing Units**”) held as at the time and date on which the transfer books and register of unitholders of Ascott REIT (“**Unitholders**”) will be closed to determine the provisional allotments of Rights Units to the Eligible Unitholders (as defined herein) (the “**Rights Issue Books Closure Date**”) (fractional entitlements to be disregarded).

The Rights Issue would provide Unitholders with the opportunity to subscribe for their *pro rata* entitlement to the Rights Units (the “**Rights Entitlement**”) at an issue price of S\$0.919 per Rights Unit (“**Issue Price**”), which represents a discount of:

- (i) approximately 21.5% to the closing price of S\$1.17 per unit in Ascott REIT (“**Unit**”) on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 6 March 2017, being the last trading day of the Units prior to the announcement of the Rights Issue (“**Closing Price**”);
- (ii) 17.5% to the theoretical ex-rights price (“**TERP**”) of S\$1.114 per Unit which is calculated as follows:

$$\text{TERP} = \frac{\text{Market capitalisation of Ascott REIT based on the Closing Price} + \text{Gross proceeds from the Rights Issue}}{\text{Units outstanding after the Rights Issue}}$$

The Rights Units will be issued pursuant to the general mandate (the “**General Mandate**”) that was given by the Unitholders to the Manager for the issue of new Units, pursuant to an ordinary resolution obtained at an annual general meeting of Unitholders held on 14 April 2016.

The Rights Units will, upon allotment and issue, rank *pari passu* in all respects with the Existing Units in issue as at the date of issue of the Rights Units, including the right to any distributions which may accrue for the period from 1 January 2017 to 30 June 2017 as well as all distributions thereafter.

3. Use of Proceeds from the Rights Issue

The Manager intends to use the gross proceeds of approximately S\$442.7 million from the Rights Issue in the following manner:

- (i) approximately S\$381.6 million (equivalent to approximately 86.2% of the gross proceeds) will be used to part finance the remaining purchase price¹ for the

¹ Ascott REIT paid S\$20.25 million being the 5% deposit for the AOS Acquisition payable on execution of the sale and purchase agreement on 23 December 2013.

acquisition by Ascott REIT of the property known as Ascott Orchard Singapore¹ (the “**AOS Acquisition**”);

- (ii) approximately S\$56.0 million (equivalent to approximately 12.6% of the gross proceeds) will be used to part finance the proposed acquisition of two serviced residence properties in Germany (the “**German Properties**”², and the proposed acquisition of the German Properties, the “**German Acquisitions**”);
- (iii) approximately S\$3.4 million (equivalent to approximately 0.8% of the gross proceeds) will be used to pay for the underwriting commission; and
- (iv) approximately S\$1.7 million (equivalent to approximately 0.4% of the gross proceeds) will be used to pay the estimated professional fees and expenses and other fees and expenses expected to be incurred in connection with the Rights Issue.

Notwithstanding its current intention, the Manager may, subject to relevant laws and regulations, use the gross proceeds from the Rights Issue at its absolute discretion for other purposes, including funding potential acquisitions.

Pending deployment, the net proceeds from the Rights Issue may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, or used to repay outstanding borrowings or for any other purpose on a short-term basis as the Manager may, in its absolute discretion, deem fit.

Any increase in Ascott REIT’s debt headroom, through a reduction of its existing borrowings, will enhance Ascott REIT’s flexibility in pursuing potential acquisitions by increasing its ability to raise acquisition financing, uplift its competitive positioning in the market through various asset enhancement plans and strengthen its balance sheet in the event of interest rate volatility.

The Manager will make periodic announcements on the utilisation of the proceeds from the Rights Issue as and when such funds are materially utilised and provide a status report on the use of the proceeds from the Rights Issue in the annual report of Ascott REIT. Where there is any material deviation from the stated use of proceeds, the Manager will announce the reasons for such deviation.

Each of the German Acquisitions constitutes an Interested Person Transaction under Chapter 9 of the Listing Manual and is subject to the approval of the Unitholders at an extraordinary general meeting to be convened. Please refer to Ascott REIT’s

1 Formerly known as Somerset Grand Cairnhill which was divested to affiliates of TAL, and has been redeveloped by TAL into an integrated development which includes Ascott Orchard Singapore.

2 The German Properties refer to (i) an effective interest of 93% in Citadines Michel Hamburg, a serviced residence property located at Ludwig-Erhard-Straße 7, 20459 Hamburg, Germany; and (ii) an effective interest of 93% in Citadines City Centre Frankfurt, a serviced residence property located at Europa-Allee 23, 60327 Frankfurt am Main, Germany. On 6 March 2017, The Ascott (Europe) N.V., a wholly owned subsidiary of Ascott REIT, entered into two conditional sale and purchase agreements to acquire, through the acquisition of shareholding interests, the German Properties. Each of the German Acquisitions constitutes an Interested Person Transaction under Chapter 9 of the Listing Manual and is subject to the approval of the Unitholders at an extraordinary general meeting to be convened. Please refer to Ascott REIT’s announcement dated 6 March 2017 in relation to the German Acquisitions for further details.

announcement dated 6 March 2017 in relation to the German Acquisitions for further details.

4. Rationale for the Rights Issue, the AOS Acquisition and the German Acquisitions

The Manager intends to use the gross proceeds from the Rights Issue to part fund the remaining purchase price¹ for the AOS Acquisition² and part finance the German Acquisitions.

The Rights Issue would provide Unitholders with the opportunity to subscribe for their pro rata entitlement to the Rights Units at the Issue Price which is at a discount of (i) approximately 21.5% to the Closing Price of S\$1.17 per Unit and (ii) approximately 17.5% to the TERP of S\$1.114 per Unit. Eligible Unitholders who do not wish to subscribe for the Rights Units may choose to sell their Rights Entitlements during the “nil-paid” rights trading period to realise the value of their Rights Entitlements.

The Rights Issue will increase the number of Units in issue by 481,688,010 Units. The increase in the total number of Units in issue pursuant to the Rights Issue may improve the trading liquidity of the Units after the Rights Issue.

The Manager believes that the AOS Acquisition, the German Acquisitions and the Rights Issue will bring the following key benefits to Ascott REIT and its Unitholders:

- (i) *Ascott Orchard Singapore and the German Properties are quality assets strategically located in prime areas of Singapore and Germany respectively which appeal to both business and leisure market segments*

Apart from being a brand new property (the Somerset Grand Cairnhill Property was built in 1989), Ascott Orchard Singapore represents an increase in the number of Apartment Units (from 146 to 220), bringing the total number of Apartment Units close to 12,000, and a longer lease term (from 70 years to 99 years of which approximately 96 years is the remaining lease period) as compared to the Somerset Grand Cairnhill Property.

The AOS Acquisition will allow Ascott REIT to retain a presence in the heart of Orchard Road, a major tourist attraction and retail and entertainment hub in Singapore. Ascott Orchard Singapore will be Ascott REIT’s second Ascott branded property in Singapore, leveraging on the success of the iconic brand in the hospitality industry and strengthening the brand presence and reputation in Singapore. The German Acquisitions will present Ascott REIT with an opportunity to acquire good quality assets in established and steadily growing hospitality markets of Hamburg and Frankfurt while strengthening Ascott REIT’s presence in Germany, where it currently owns three serviced residence properties.

- (ii) *Long term income stream through the master lease agreements for Ascott Orchard Singapore and the German Properties*

1 Ascott REIT paid S\$20.25 million being the 5% deposit for the AOS Acquisition payable on execution of the sale and purchase agreement on 23 December 2013.

2 The AOS Acquisition has been approved by the Unitholders during the extraordinary general meeting of Ascott REIT held on 27 July 2012.

The entry by Ascott REIT into master lease agreements in respect of Ascott Orchard Singapore and the German Properties is expected to increase the income stability of Ascott REIT. The fixed rent lease payments provide certainty of income stream to Ascott REIT.

(iii) *Enhanced attractiveness of Ascott REIT's portfolio*

The absolute size of Ascott REIT's asset base will increase from S\$4.8 billion to S\$5.3 billion, thereby raising Ascott REIT's profile among global investors. The German Acquisitions will also increase diversification of Ascott REIT's portfolio by expanding into a new city in Germany, being Frankfurt, and will increase Ascott REIT's exposure to Germany from 2.3%¹ to 4.4%.

(iv) *Provide opportunity for existing Unitholders to participate in equity fund raising*

The Rights Issue will provide Ascott REIT longer term capital financing from its existing Unitholders, offering them an opportunity to invest at a 17.5% discount vis-à-vis TERP and 21.5% discount vis-a –vis Closing Price as at 6 March 2017.

(v) *Enhanced financial flexibility from reduced gearing and increased debt headroom*

The Rights Issue, AOS Acquisition and German Acquisitions are expected to enhance Ascott REIT's financial flexibility by reducing gearing from 39.8% to 37.0%, strengthening its position in the event of interest rate volatility, and will also increase the debt headroom to approximately S\$754.4 million, favourably positioning Ascott REIT to evaluate future acquisitions opportunities.

5. Commitment of TAL

To demonstrate its support for Ascott REIT and the Rights Issue, TAL, which directly and through its wholly-owned subsidiaries, holds an aggregate interest in 733,514,003 Units (the "**TAL Initial Units**") representing approximately 44.16% of the issued units in Ascott REIT of 1,660,993,138 as at 6 March 2017, has, on 6 March 2017, provided an irrevocable undertaking (the "**TAL Irrevocable Undertaking**") to each of (a) the Manager and (b) the Joint Lead Managers and Underwriters that:

- (i) as at the Rights Issue Books Closure Date, TAL and its subsidiaries will together have an interest (either actual or deemed) in not less than the number of TAL Initial Units credited to securities accounts with The Central Depository (Pte) Limited (the "**CDP**") which are held in TAL's name and in the name of the Manager and Somerset Capital Pte Ltd or, as the case may be, the nominee(s) or custodian(s) of such subsidiary/entity (the "**Relevant Entities**") (each with registered addresses with CDP in Singapore);
- (ii) in accordance with the terms and conditions of the Rights Issue and in any case not later than the last day for acceptance and payment of the Rights Units ("**Closing Date**"), TAL will accept, procure that the Relevant Entities accept, and/or procure one or more of its existing subsidiaries and/or new subsidiaries set

¹ Based on the total asset value as at 31 December 2016 and adjusted for the AOS Acquisition.

up by it to hold Units, to subscribe and pay in full for, the Relevant Entities' total provisional allotment of Rights Units;

- (iii) unless required by applicable law or regulations or by an order of a court of competent jurisdiction, TAL will not, during the period commencing from the date of the announcement of the launch of the Rights Issue up to and including the date of the listing of the Rights Units, make any public statement or announcement regarding the Rights Issue, without first obtaining the prior written consent of the Manager and the Joint Lead Managers and Underwriters (such consent not to be unreasonably withheld or delayed); and
- (iv) save with the prior written consent of the Joint Lead Manager and Underwriters (such consent not to be unreasonably withheld or delayed) and subject to the terms and conditions in the TAL Irrevocable Undertaking, all the Units held and any Rights Units subscribed for by TAL and its subsidiaries will be subject to a lock-up arrangement during the period from the date of the TAL Irrevocable Undertaking to the date falling 60 days after the date on which the Rights Units are listed on the SGX-ST.

6. Underwriting of the Rights Issue

Save for the Rights Units to be subscribed for pursuant to the TAL Irrevocable Undertaking, the Rights Issue is fully underwritten by the Joint Lead Managers and Underwriters on the terms and subject to the conditions of a management and underwriting agreement entered into between the Manager and the Joint Lead Managers and Underwriters on 6 March 2017 (the "**Management and Underwriting Agreement**"). The Joint Lead Managers and Underwriters will be entitled to an aggregate commission of 1.3% of the Issue Price multiplied by the total number of Rights Units less the number of Rights Units subscribed for by TAL pursuant to the TAL Irrevocable Undertaking.

It should be noted that the Management and Underwriting Agreement may be terminated upon the occurrence of certain events, but the Joint Lead Managers and Underwriters are not entitled to rely on *force majeure* to terminate the Management and Underwriting Agreement on or after the date on which ex-rights trading commences (being 10 March 2017) (in compliance with Rule 818 of the Listing Manual of the SGX-ST (the "**Listing Manual**")).

7. Approval in-Principle

The SGX-ST has on 6 March 2017 given its approval in-principle for the listing and quotation of the Rights Units on the Main Board of the SGX-ST.

The SGX-ST's approval in-principle is not to be taken as an indication of the merits of the Rights Issue, the Rights Units, the Rights Entitlements, the Units, the Manager, Ascott REIT and/or its subsidiaries.

The listing approval is subject to the following conditions:

- (i) compliance with the SGX-ST's listing requirements;

- (ii) announcement of the Rights Issue in compliance with the timeline set out in Listing Rule 872(2)(b);
- (iii) a written undertaking from the Manager that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of the proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, Ascott REIT will disclose a breakdown with specific details on the use of proceeds for working capital in Ascott REIT's announcements on use of proceeds and in the annual report;
- (iv) a written undertaking from the Manager that it will comply with the confirmation given in Listing Rule 877(10) with regards to the allotment of any excess Rights Units; and
- (v) a written confirmation from financial institution(s) as required under Listing Rule 877(9) that TAL has sufficient financial resources to fulfil its obligations under the TAL Irrevocable Undertaking.

8. Eligibility to participate in the Rights Issue

Only Eligible Depositors and Eligible QIBs (“**Eligible Unitholders**”) are eligible to participate in the Rights Issue.

“**Eligible Depositors**” are Unitholders with Units standing to the credit of their securities accounts with CDP (but do not include securities sub-accounts) and whose registered addresses with CDP are in Singapore as at the Rights Issue Books Closure Date or who have, at least three Market Days¹ prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents, but exclude, subject to certain exceptions, Unitholders located, resident or with a registered address outside of Singapore.

“**Eligible QIBs**” are “qualified institutional buyers” (as such term is defined in Rule 144A under the U.S. Securities Act of 1933, as amended) (a) whose identities have been agreed upon by the Manager and the Joint Lead Managers and Underwriters, (b) who have each provided to the Manager a signed investor representation letter (in the form to be attached to the Offer Information Statement (as defined herein) and (c) who are Eligible Depositors).

The Rights Units will be provisionally allotted to Eligible Unitholders under the Rights Issue at the Issue Price on the basis of their Unitholdings as at the Rights Issue Books Closure Date. Eligible Unitholders shall receive the Offer Information Statement (including the ARE² and the ARS³) at their respective Singapore addresses, and are at liberty to accept in part or in full, decline or otherwise renounce or trade (during the

1 “**Market Day**” refers to any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading.

2 The “**ARE**” refers to the application form for Rights Units and Excess Rights Units issued to Eligible Unitholders in respect of their Rights Entitlements under the Rights Issue.

3 The “**ARS**” refers to the application form and acceptance form for Rights Units to be issued to purchasers of the Rights Entitlements under the Rights Issue traded on the SGX-ST under the book-entry (scripless) settlement system.

Rights Entitlements trading period prescribed by the SGX-ST) their Rights Entitlements and are eligible to apply for Excess Rights Units (as defined herein).

The Rights Units represented by the provisional allotments (A) of (i) Eligible Unitholders who decline, do not accept, and elect not to renounce or sell their Rights Entitlements under the Rights Issue (during the Rights Entitlements trading period prescribed by the SGX-ST) and/or (ii) Ineligible Unitholders¹ which have not been sold during the Rights Entitlements trading period or (B) that have not been validly taken up by the original allottees, renounees of the Rights Entitlements or the purchasers of Rights Entitlements (collectively, “**Excess Rights Units**”) will be aggregated and used to satisfy Excess Rights Units applications (if any) or disposed of or otherwise dealt with in such manner as the Manager may, in its absolute discretion, deem fit.

Subject to the requirements of or otherwise waived by the SGX-ST, in the allotment of Excess Rights Units, preference will be given to the rounding of odd lots (if any) followed by allotment to the Unitholders who are neither directors of the Manager (“**Directors**”) nor Substantial Unitholders². Directors and Substantial Unitholders who have control or influence over Ascott REIT or the Manager in connection with the day-to-day affairs of Ascott REIT or the terms of the Rights Issue, or have representation (direct or through a nominee) on the board of Directors, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Units.

All dealings in and transactions of the provisional allotments of Rights Units through the SGX-ST will be effected under the book-entry (scripless) settlement system.

Eligible Unitholders who hold Units under the Central Provident Fund Investment Scheme or the Supplementary Retirement Scheme (“**SRS**”) or through a finance company or depository agent can only accept their provisional allotments of Rights Units by instructing their relevant bank, finance company or depository agent to do so on their behalf. **ANY APPLICATION MADE BY THE ABOVEMENTIONED UNITHOLDERS DIRECTLY TO CDP OR THROUGH ATMS WILL BE REJECTED.** Such Unitholders should refer to the Offer Information Statement to be lodged with the Monetary Authority of Singapore (“**MAS**”) for important details relating to the offer procedure in connection with the Rights Issue.

For practical reasons and in order to avoid any violation of the securities legislation or other relevant laws applicable in countries (other than in Singapore), unless otherwise determined by the Manager in its sole discretion, the Rights Units will not be offered to Unitholders who are not Eligible Unitholders, with registered addresses outside Singapore as at the Rights Issue Books Closure Date and who have not before at least three Market Days prior to the Rights Issue Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents (“**Foreign Unitholders**”). Accordingly, no provisional allotment of Rights Units will be made to Foreign Unitholders and no purported acceptance or application for Rights Units by Foreign Unitholders will be valid.

The Manager reserves the right, but shall not be obliged, to treat as invalid any application or purported application, or decline to register such application or purported

1 “**Ineligible Unitholders**” refer to Unitholders who are not Eligible Unitholders.

2 “**Substantial Unitholders**” refer to Unitholders with interests in not less than 5.0% of all Units in issue.

application which (i) appears to the Manager or its agents to have been executed in any jurisdiction outside Singapore or which the Manager believes may violate any applicable legislation of such jurisdiction, or (ii) purports to exclude any deemed representation or warranty.

9. Offer Information Statement

In connection with the Rights Issue, the Manager will, following the lodgement of the offer information statement ("**Offer Information Statement**") with the MAS, issue and despatch the Offer Information Statement to Unitholders setting out, among other things, the details of the Rights Issue.

10. Indicative Timetable

An indicative timeline for the Rights Issue is set out below (all references are to Singapore dates and times):

Event	Date and Time
Last day of "cum-rights" trading for the Rights Issue	9 March 2017
First day of "ex-rights" trading for the Rights Issue	10 March 2017
Rights Issue Books Closure Date	14 March 2017 at 5.00 p.m.
Lodgement of the Offer Information Statement with the MAS	14 March 2017
Despatch of Offer Information Statement (together with the application forms) to Eligible Unitholders	17 March 2017
Commencement of trading of Rights Entitlements	17 March 2017
Last day of trading of Rights Entitlements	27 March 2017
Closing Date:	
Last date and time for acceptance of the Rights Entitlements and payment for Rights Units	31 March 2017 at 5.00 p.m. ⁽¹⁾ (9.30 p.m. for Electronic Applications through ATMs of Participating Banks)
Last date and time for application and payment for Excess Rights Units	31 March 2017 at 5.00 p.m. ⁽¹⁾ (9.30 p.m. for Electronic Applications through ATMs of Participating Banks)
Last date and time for acceptance of and payment by the renounee	31 March 2017 at 5.00 p.m.

Event	Date and Time
Expected date of issue of Rights Units	11 April 2017
Expected date for commencement of trading of Rights Units on the SGX-ST	11 April 2017

Note:

- (1) If acceptances of the Rights Entitlements and (if applicable) applications for Excess Rights Units, as the case may be, are made through CDP in accordance with the ARE and the ARS.

The Manager may, in consultation with the Joint Lead Managers and Underwriters and with the approval of the SGX-ST, modify the above timetable subject to any limitation under any applicable laws. In such an event, the Manager will announce the same via SGXNET. However, as at the date of this announcement, the Manager does not expect the above timetable to be modified.

BY ORDER OF THE BOARD

Ascott Residence Trust Management Limited
(Registration Number. 200516209Z)
As manager of Ascott Residence Trust

Karen Chan
Company Secretary
6 March 2017

IMPORTANT NOTICE

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

Any offering of Rights Units will be made in and accompanied by the Offer Information Statement. A potential investor should read the Offer Information Statement before deciding whether to subscribe for Rights Units under the Rights Issue. The Offer Information Statement may be accessed online at the website of the MAS at <http://masnet.mas.gov.sg/operasdrprosp.nsf> when it is lodged with the MAS. The MAS assumes no responsibility for the contents of the Offer Information Statement. The availability of the Offer Information Statement on the MAS website does not imply that the Securities and Futures Act, Chapter 289 of Singapore, or any other legal or regulatory requirements, have been complied with. The MAS has not, in any way, considered the investment merits of Ascott REIT. This announcement is qualified in its entirety by, and should be read in conjunction with the full text of the Offer Information Statement when it is lodged with the MAS.

The value of Units and the income derived from them may fall as well as rise. Units in Ascott REIT 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 holders of Units 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. The past performance of Ascott REIT is not necessarily indicative of the future performance of Ascott REIT.

This announcement is not for publication or distribution, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia) and is not to be distributed or circulated outside Singapore. Any failure to comply with this restriction may constitute a violation of United States securities laws or the laws of other jurisdictions. The nil-paid rights and Rights Units referred to herein have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities made in the United States would be made by means of a prospectus that may be obtained from the Manager and would contain detailed information about the Manager and Ascott REIT, as well as financial statements. No public offering of the securities is being made in the United States.

This announcement may contain forward-looking statements that involve risks and uncertainties. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.