Year in Review

As a value-driven company, The Ascott Group (Ascott) strives to deliver strong, sustainable returns to our stakeholders. In 2007, Ascott continued to seek innovative ways for growth and closed the year with record profit.

Following the successful launch of Ascott Residence Trust (ART), the world's first pan-Asian serviced residence real estate investment trust, in 2006, we launched the first private equity fund dedicated to investing in serviced residences across China.

Ascott China Fund (ACF) was launched to optimise capital allocation and propel our growth in China; we raised a total capital commitment of US$500 million. The fund, which is 33% owned by Ascott, will be used to acquire suitable properties and greenfield sites in China for the development of serviced residences or rental housing properties.

2007 was also a good year for ART which is 28% owned by Ascott. ART's portfolio value grew by 74% to S$1.49 billion from S$856 million when it was first listed in March 2006. It also expanded from an initial portfolio of 2,068 units in 12 properties to 3,461 units in 36 properties by end-2007.

Thanks to the support of our residents, partners and the industry, Ascott garnered 20 corporate, brand and property awards regionally and internationally.

RECORD PROFIT

Ascott's revenue increased by 7% to S$435.3 million; net profit was up 8% to S$177.3 million. The Group's profit from operating assets registered a 25% growth to S$52.5 million. This was attributed to better operating performances in most of the markets where we operate as well as higher fee-based income from managing ACF and ART.

STRONG PIPELINE FOR FUTURE PORTFOLIO GAINS

Ascott re-invested divestment proceeds into higher-yielding assets and the enhancement of existing properties for better yield and operating performance. We divested six properties in China, Singapore, United Kingdom and Vietnam; divestment proceeds totalled S$524.3 million and total net divestment gain was S$112.8 million.

The divestment proceeds were re-deployed to acquire and incubate more quality assets, to pave the way for greater future portfolio gain. We committed a total of S$576 million in 13 investments in China, Germany, India, Japan, Malaysia, Russia, Singapore and United Kingdom.

CONSOLIDATING LEADERSHIP POSITION

We aggressively expanded our portfolio under three brands – Ascott, Somerset and Citadines. We added more than 3,000 units to our portfolio through acquisitions and managements contracts. As part of our expansion we ventured into three more countries and 10 more cities, including Tbilisi in Georgia, Astana and Aktau in Kazakhstan and Moscow, Russia. By end-2007, Ascott's global portfolio reached 20,449 units in 55 cities across 23 countries.

We built on the Master Development Agreement (MDA) signed with The Rattha Group in 2006. The agreement set out to launch seven new properties with at least 1,000 serviced residence units in India by 2010. In 2007, we secured our fourth and fifth properties bringing the total number of units under construction to 1,178. In addition to Bangalore, Chennai and Hyderabad, we are seeking opportunities to expand into New Delhi and Mumbai.

From left:
Lim Chin Beng, Chairman
Jennie Chua, President & CEO

Having fully acquired the Citadines Apart'hotel chain in 2004, Ascott has grown the brand beyond Europe to Asia. Since then, we have opened Citadines serviced residences in Bangkok, Hong Kong, Shanghai, Suzhou and Xi'an. More announcements were made in the year to bring Citadines to more cities in Asia, such as Chennai, Chongqing, Hyderabad, Kyoto, Munich, Singapore and Tokyo.

BUILDING LEADERSHIP AND TALENT POOL

Ascott's management bench strength was boosted with appointments of new senior management members, functional heads at the corporate office, and country heads for our overseas operations.

To develop future leaders and support our global expansion, we continued to invest in our people and set up Ascott Centre for Excellence, a global training centre in Singapore.

RETURNING TO COMMUNITY

Ascott partnered volunteer welfare organisations and local communities in our home base, Singapore, and around the world. Together with these organisations, our employees and residents built homes and provided financial support to help our next generation live a better life and achieve their dreams.

LOOKING AHEAD

On 8 January 2008, CapitaLand announced its voluntary cash offer for Ascott with the intention of delisting Ascott. The offer has since closed on 11 March 2008, on which CapitaLand held 98.35% of the total number of shares in issue, and notices exercising the right of compulsory acquisition under Section 215(1) of the Singapore Companies Act have been issued to shareholders. Accordingly, the trading of Ascott's shares on the SGX-ST has been suspended since 12 March 2008, and Ascott will be delisted from the Main Board of the SGX-ST subsequent to such compulsory acquisition.

Ascott had in the past two years embarked on the development of a capital efficient business model with the establishment of ART and ACF to propel its growth. It is envisaged that when Ascott is privatised, this approach to achieve sustainable growth can be accelerated given CapitaLand's extensive track record and experience. As a private entity, Ascott will also enjoy greater ease in tapping CapitaLand's more established real estate development and financial services to strengthen its leadership position in the market.

Lim Chin Beng
Chairman

Jennie Chua
President & CEO

12 Mar 2008