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## SGX-ST Announcement

For immediate release

31 July 2007

# ALLCO REIT TO ACQUIRE COSMO PLAZA, OSAKA, JAPAN

## 1. Introduction

The Board of Directors of Allco (Singapore) Limited, as manager ("**Manager**" or "**Allco Singapore**") of Allco Commercial Real Estate Investment Trust ("**Allco REIT**") (SGX:ALLC), wishes to announce that it has signed, via a special purpose vehicle, a sale and purchase agreement with Yugen Kaisha Turtle Property ("**Vendor**") on 31 July 2007 ("**Agreement**") for the acquisition ("**Acquisition**") of Cosmo Plaza, 15, Nankokita 1-chome, Suminoe-ku, Osaka, Japan (the "**Property**").

## 2. Information on the Property

The Property has freehold tenure and comprises a fourteen-storey, high quality commercial building, which includes retail on level one, an auditorium and meeting room facilities on levels two and three and offices on levels four to fourteen. The Property also has two basement parking areas with multiple mechanical car stackers providing 234 car parking spaces. The Property's total net lettable area is 6,308.62 tsubo or 224,482.57 sq ft<sup>1</sup> with an average office floor plate of approximately 16,339.75 sq ft.

The Property is located in Nanko Cosmo Square, within Suminoe Ward, Osaka. The Property is linked by undercover sheltered walkways to a train station on the Nanko Port Town Line and to the surrounding buildings including the adjacent 5-star Hyatt Regency Hotel. The Nanko Port Town Line is part of the Mass Transit system of Osaka which currently serves the area from Central Osaka Station to Trade Center - Mae, with a 20 to 25 minute commuting time. Travelling time by taxi from central Osaka to the Property is approximately 15 minutes.

The Property is being acquired on an assumed initial property yield of 5.19% for the first twelve months.

## 3. Value of the Property

The Property was independently valued at ¥6.57 billion (S\$83.3 million<sup>2</sup>) as at 30 May 2007 by K.K. Halifax Associates in accordance with instructions issued by British and Malayan Trustees Limited, as trustee of Allco REIT ("**Valuation**"). The Valuation was prepared using the cost approach, income capitalisation approach and discounted cash flow analysis.

<sup>1</sup> Calculated as 1 tsubo = 34.5 sq ft (Tsubo is a unit of measure in Japan.)

<sup>2</sup> ¥6.57 billion based on an exchange rate of S\$1.00:¥78.9 as at 31 July 2007.

## **4. Principal Terms of the Acquisition**

### **4.1 Purchase Consideration**

The purchase consideration for the Property taking into account all the fittings, mechanical and electrical services, plant and equipment is ¥6.5 billion (S\$82.4 million<sup>3</sup>) ("**Purchase Consideration**")<sup>4</sup>.

### **4.2 Completion**

The Purchase Consideration will be paid upon completion of the Acquisition, which is expected to take place on or around 10 August 2007.

### **4.3 Asset Management Agreement**

Prior to or upon completion of the Acquisition, Allco REIT or its nominee will enter into an asset management agreement with JDP Asset Management Inc ("**JDP**"). JDP is a local Japanese professional asset management company which will provide strategic asset management in respect of the Property. The key personnel of JDP are fluent in both English and Japanese and will work closely with Allco Singapore to manage the Property.

### **4.4 Property Management Agreement**

The current property management agreement in respect of the Property will continue until it expires on or about 10 August 2008. Urban Community Co., Ltd, as existing property manager, will continue to be responsible for the day-to-day management of the Property until a new property manager is appointed through a tender process to be conducted prior to the expiry of the current property management agreement.

## **5. Rationale and Key Benefits of the acquisition**

The acquisition of the Property is in line with Allco REIT's investment strategy. The directors of the Manager believe that the acquisition of the Property offers the following key benefits to Allco REIT and its Unitholders:

### **5.1 Yield accretion**

The Manager expects that the acquisition of the Property will be accretive to Allco REIT's distribution per unit in the Forecast Period 2007 and the Projection Year 2008 (as defined in the Circular dated 26 June 2007 respectively).

### **5.2 Entry into the Japanese market**

The acquisition will provide Allco REIT with a strategic foothold in Japan, the world's second largest economy, and will serve as a springboard for further expansion into Japan. The acquisition will allow Unitholders to benefit from the improving Japanese economy and rising office rentals.

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<sup>3</sup> ¥6.50 billion based on an exchange rate of S\$1.00:¥78.9 as at 31 July 2007.

<sup>4</sup> All references to Purchase Consideration in this announcement exclude expenses associated with the acquisition and consumption tax.

### **5.3 Asset, income and geographical diversification**

The acquisition is expected to improve the income diversification of Allco REIT, thereby reducing the reliance by Allco REIT on income streams from any single property. The acquisition is also in line with Allco REIT's regional growth strategy and will allow Allco REIT to diversify its portfolio of assets geographically beyond Singapore and Australia. The Property will represent 6.1% of Allco REIT's total assets upon completion.<sup>5</sup>

### **6. Method of Financing and Financial Effects of the Acquisition<sup>6</sup>**

The acquisition will be funded entirely by debt. The weighted average cost of debt funding for the acquisition of the Property is approximately 2.57%. Following completion of the Acquisition, Allco REIT's leverage (calculated as gross borrowings divided by total assets) is expected to increase from 19.4% to approximately 24.8%, which is within the aggregate leverage limit as set out in the guidelines for real estate investment trusts in Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

An acquisition fee of 1% of the Purchase Consideration is payable to the Manager in connection with the acquisition of the Property.

### **7. Directors' and Controlling Unitholders' Interests**

None of the directors of the Manager or controlling Unitholders of Allco REIT has any interest, direct or indirect, in the Acquisition.

### **8. Disclosure under Rule 1010 (13) of the Listing Manual**

Chapter 10 of the Listing Manual classifies transactions by Allco REIT into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, inter alia, the following bases:

- (a) the net profits attributable to the assets acquired or disposed of, compared with Allco REIT's net profits;
- (b) the aggregate value of the consideration given, compared with Allco REIT's market capitalisation; and
- (c) the number of Units issued by Allco REIT as consideration for the acquisition of the Property, compared with the number of Units previously in issue.

Based on the Purchase Consideration and Allco REIT's market capitalisation of S\$775.97 million as at 31 July 2007, the relative figure for the basis of comparison set out in sub-paragraph 8.1 (b) above is 10.62%.<sup>7</sup>

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<sup>5</sup> Represented by Purchase Consideration as a percentage of Total Assets as at 30 June 2007 plus the Purchase Consideration.

<sup>6</sup> The Manager is unable to show the effect of the acquisition on the distribution per unit, and on the net tangible asset per unit, for the most recently completed financial year assuming that the acquisition had been effected at the beginning and at the end of that financial year, as the relevant historical financial information is not available.

<sup>7</sup> The relative figures for the basis of comparison set out in paragraph 8.1(a) is not available because, as stated in footnote 6 above, the relevant historical financial information is not available. The basis of the comparison set out in paragraph 8.1(c) is inapplicable as no new Units will be issued as consideration for the acquisition.

**9. Director's Service Contracts**

No person is proposed to be appointed as a director of the Manager in connection with the proposed Acquisition.

**10. Documents for inspection**

A copy of the Agreement and a copy of the Valuation will be made available for inspection during normal business hours at the Manager's registered office for three months from the date of this announcement.

By Order of the Board

Nicholas Paul McGrath  
Chief Executive Officer  
Allco (Singapore) Limited  
(Company Registration No.: 200503404G)  
As Manager of Allco Commercial Real Estate Investment Trust

31 July 2007

## IMPORTANT NOTICE

This announcement 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 costs), 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.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

The value of Allco REIT units ("**Units**") and the income derived from them, if any, may fall or 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 should note that they 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 Singapore Exchange Trading Limited ("**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This publication is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Allco REIT is not necessarily indicative of the future performance of Allco REIT.