



## ASCENDAS HOSPITALITY TRUST

A stapled group comprising:

<b>Ascendas Hospitality Real Estate Investment Trust</b> (a real estate investment trust constituted on 13 March 2012 under the laws of the Republic of Singapore) managed by <b>Ascendas Hospitality Fund Management Pte. Ltd.</b>	<b>Ascendas Hospitality Business Trust</b> (a business trust constituted on 13 March 2012 under the laws of the Republic of Singapore) managed by <b>Ascendas Hospitality Trust Management Pte. Ltd.</b>
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## ACQUISITION OF IBIS AMBASSADOR SEOUL INSADONG

### 1. INTRODUCTION

#### 1.1 The Acquisition

Ascendas Hospitality Fund Management Pte. Ltd., the manager of Ascendas Hospitality Real Estate Investment Trust (“**A-HREIT**”), and Ascendas Hospitality Trust Management Pte. Ltd. (“**Trustee-Manager**”), the trustee-manager of Ascendas Hospitality Business Trust (“**A-HBT**”) (collectively, the “**Managers**”), are pleased to announce that A-HBT has today entered into a conditional sale and purchase agreement (“**Sale and Purchase Agreement**”) with The Korean Teachers’ Credit Union and KT&G Corp (the “**Vendors**”) to acquire a 98.8% interest in “Ibis Ambassador Seoul Insadong” (“**Hotel**”), located at 31 Samil-daero 30-gil, Jongno-gu, Seoul, Republic of Korea.

A-HBT shall acquire the interest in the Hotel through the acquisition of a 98.8% interest in Richmond Private Jongno Business Hotel Real Estate Trust No. 1 (“**Trust No. 1**”), which owns 100% of the Hotel. Ascendas (Korea) Pte. Ltd. (“**AKPL**”, and together with A-HBT, the “**Purchasers**”), a wholly-owned subsidiary of the Sponsor, will acquire the remaining 1.2% interest in Trust No. 1 from the Vendors. The existing trustee of Trust No. 1 is KEB Hana Bank Co., Ltd. and the existing manager of Trust No. 1 is Richmond Asset Management Co., Ltd.

The acquisition of the Hotel (“**Acquisition**”) is expected to complete by the end of December 2018 (“**Completion**”).

## 1.2 Information on the Hotel

The freehold Hotel is strategically located near Jung-gu, one of the major business districts in Seoul, where many large Korea corporates and financial institutions are based. The Hotel is also conveniently located in close proximity to prominent tourist destinations including the Insadong retail precinct, Changdeokgung Palace and Jongmyo Shrine. Completed in 2013, the facilities offered by the 363-room Hotel include a restaurant, a bar, two meeting rooms, a gym, a sauna, as well as 24 car park spaces.

The Hotel is easily accessible via the Jongno 3-ga Station, which is located a short walking distance away from the Hotel. Jongno 3-ga Station, which runs three lines of the Seoul subway, offers excellent connectivity to other parts of the city.

The Hotel is currently leased to and operated by Ambasstel, Inc. ("**Master Lessee**") under a master lease agreement entered into between Trust No. 1 and the Master Lessee ("**Master Lease Agreement**"). Upon Completion, the Master Lease Agreement will continue to be in effect, and the Hotel will continue to be leased to the Master Lessee. The Master Lessee is part of Ambassador Hotel Group, a hotel group which opened its first hotel in the 1950s. Ambassador Hotel Group, which has a collaboration with AccorHotels via a joint investment in a hotel management company, currently operates more than 20 hotels across South Korea.

## 2. DETAILS OF THE ACQUISITION

### 2.1 Purchase Consideration and Valuation

An independent property valuer, Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Independent Property Valuer**"), was commissioned by the Trustee-Manager to value the Hotel. The independent valuation report prepared by the Independent Property Valuer as at 27 June 2018 valued the Hotel at approximately KRW80.0 billion (approximately S\$97.6 million<sup>1</sup>), based on the discounted cashflow analysis approach.

The purchase consideration for 100% of the Hotel is KRW77.5 billion (approximately S\$94.5 million) ("**Property Consideration**") to be adjusted for the net working capital of

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<sup>1</sup> Based on an exchange rate of KRW820: S\$1.00. Unless otherwise indicated in this announcement, all conversions from Korean Won into Singapore Dollar in this announcement are based on an exchange rate of KRW820 : S\$1.00.

Trust No. 1 as at Completion (“**Post-Completion Adjustments**”). The Property Consideration was negotiated on a willing-buyer, willing-seller basis and took into account the independent valuation on the Hotel undertaken by the Independent Property Valuer.

A-HBT’s proportion of the Property Consideration amounts to KRW76.5 billion (or approximately S\$93.3 million) (“**A-HBT Portion of Property Consideration**”).

Upon Completion, Trust No. 1 intends to retain the existing bank borrowings of KRW39.5 billion (approximately S\$48.2 million). The Property Consideration, taking into account the Post-Completion Adjustments and net of the existing bank borrowings of Trust No. 1, is payable in cash by the Purchasers to the Vendors upon Completion.

## **2.2 Estimated Total Costs of the Acquisition**

The estimated total costs of the Acquisition to A-HBT (in proportion to its 98.8% interest in the Hotel and subject to Post-Completion Adjustments) are approximately KRW78.1 billion (or approximately S\$95.2 million) (“**Total Acquisition Costs**”), comprising:

- (i) the A-HBT Portion of Property Consideration of KRW76.5 billion (approximately S\$93.3 million);
- (ii) the acquisition fee payable to the Trustee-Manager for the Acquisition, in accordance with the trust deed<sup>2</sup>, of KRW765.4 million (approximately S\$0.9 million) in respect of the A-HBT Portion of Property Consideration; and
- (iii) the estimated professional fees and other transaction expenses incurred or to be incurred in connection with the Acquisition (inclusive of financing related expenses and due diligence costs) of approximately KRW791.4 million (approximately S\$1.0 million).

## **2.3 Certain Terms of the Sale and Purchase Agreement**

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions, including a change of the asset management company for Trust No. 1.

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<sup>2</sup> Refers to the trust deed dated 13 March 2012 (as amended) constituting A-HBT.

## 2.4 Certain Terms of the Master Lease

Upon Completion, the Master Lessee will continue to lease and operate the Hotel. The Master Lease Agreement has a lease term of 20 years commencing in December 2013. Pursuant to the Master Lease Agreement, the rent payable by the Master Lessee is based on a pre-determined percentage of the total revenue of the Hotel, with a minimum rent payable by the Master Lessee.

## 2.5 Appointment of Asset Manager

Prior to the completion of the Acquisition, Ascendas Asset Management Co., Ltd. (“**AAMC**” or the “**Asset Manager**”) will also be appointed to replace Richmond Asset Management Co., Ltd, the existing manager of Trust No. 1, pursuant to an amended and restated trust agreement (the “**A&R Trust Agreement**”) to be entered into between Ascendas Asset Management Co., Ltd., as the collective investment company of Trust No. 1, and KEB Hana Bank Co., Ltd., as trustee of Trust No. 1, on the date of completion. The Asset Manager is a wholly-owned subsidiary of Ascendas Investment Pte Ltd (“**AIPL**”), which is also the sole shareholder of the Trustee-Manager. AAMC is a licensed asset manager under Korean law.

In providing the Services, the Asset Manager is required to exercise the standard of care, skill, prudence and diligence customarily expected of an asset manager providing such services.

Under the A&R Trust Agreement, the fees payable by the Purchasers to the Asset Manager comprise base management fees and disposition fees (collectively, the “**Asset Manager’s Fees**”). The Asset Manager’s Fees shall, in accordance with the A-HBT Trust Deed, reduce the final amount of fees payable by A-HBT to the Trustee-Manager pursuant to the A-HBT Trust Deed.

Please refer to paragraph 7.2 of this announcement for further details.

### 3. RATIONALE FOR THE ACQUISITION

The Managers believe that the Acquisition will bring the following key benefits to the stapled securityholders of A-HTRUST (“**Stapled Securityholders**”):

#### 3.1 Expansion in market with good growth prospects

The Acquisition is A-HTRUST’s second acquisition in Seoul following the acquisition of The Splaisir Seoul Dongdaemun (previously known as KY-Heritage Hotel Dongdaemun) in May 2018 (“**Dongdaemun Hotel Acquisition**”)<sup>3</sup>. The Acquisition allows A-HTRUST to expand its presence in a country with sound hospitality fundamentals and good growth prospects.

##### 3.1.1 A gateway city in Asia

South Korea is the fourth largest economy in Asia and having enjoyed steady gross domestic product growth in the past few years, the economy is forecasted to continue the growth trend in the next five years<sup>4</sup>.

Seoul is the capital city of South Korea and also the business and financial centre of South Korea. Ranked as a top 15 financial centre in Asia Pacific<sup>5</sup>, the city is home to some of the largest South Korean corporations, 13 of which are listed on the Fortune Global 500<sup>6</sup>.

A gateway city in Asia, Seoul has also cemented its place as a top MICE (meetings, incentives, conferences and exhibitions) destination globally. In 2017, Seoul retained third position amongst global cities for number of international meetings held<sup>7</sup>.

The city is a popular leisure destination and despite a decline in international arrivals to Seoul in 2017, Seoul remains one of the most visited cities in Asia, making it to the list of the top 10 most visited cities in Asia<sup>8</sup>. Seoul boasts a wide

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<sup>3</sup> Please refer to the announcement dated 27 April 2018 (the “**Dongdaemun Announcement**”) for further information on the Dongdaemun Hotel Acquisition, which was completed on 21 May 2018.

<sup>4</sup> Source: International Monetary Fund – World Economic Outlook.

<sup>5</sup> Source: The Global Financial Centres Index 24 (September 2018 edition).

<sup>6</sup> Source: Fortune Global 500 (2018).

<sup>7</sup> Source: Union of International Associations.

<sup>8</sup> Source: Euromonitor International: Top 100 City Destinations Ranking (WTM London 2017 Edition).

variety of offerings to tourists from shopping experience to cultural landmarks. Some of its attractions include the renowned Myeongdong and Dongdaemun shopping precincts. The city is also home to the ancient palaces, including Changdeokgung Palace, which is listed on the UNESCO World Heritage list<sup>9</sup>. Lotte World, comprising the world's largest indoor amusement park<sup>10</sup>, is one of the most popular theme parks in Asia, attracting 6.7 million visitors in 2017<sup>11</sup>.

Seoul is well-served by extensive transportation networks of subway and buses, as well as two airports. Incheon International Airport is the largest airport in South Korea and is regularly ranked amongst the top airports globally.

### **3.1.2 Strategic location**

The Hotel is located in central Seoul and near to one of the major business districts in the city. Popular leisure destinations such as the retail precinct of Insadong, the ancient royal palaces of Gyeongbokgung and Changdeokgung, and the cultural Bukchon Hanok Village are also located in close proximity to the Hotel. Ikseondong Hanok Village, an increasingly popular area with retail shops and cafes, is within walking distance. Given its location near the business precinct and prominent places of interest, the Hotel caters to both leisure and corporate guests.

The Hotel is easily accessible via the bus and subway networks. It is well-served by the nearby Jongno 3-ga Station, which is a short walking distance away. Jongno 3-ga Station runs three lines of the Seoul Subway and offers excellent connectivity to the other parts of the city.

### **3.1.3 Improving hotel market**

While international arrivals into South Korea and Seoul posted decline in 2017, the situation has improved in 2018, on the back of a successful hosting of the Winter Olympics in February 2018 and growing inbound across key source markets. Year-to-date (“YTD”) in September 2018, international visitors to South Korea posted year-on-year (“y-o-y”) growth of 12.1%<sup>12</sup>, and based on latest available

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<sup>9</sup> Source: United Nations Educational, Scientific and Cultural Organization.

<sup>10</sup> Source: Korea Tourism Organization.

<sup>11</sup> Source: TEA/AECOM 2017 Theme Index and Museum Index: The Global Attractions Attendance Report.

<sup>12</sup> Source: Korea Tourism Organization.

information up to September 2018, arrivals from its top source market, China, posted strong y-o-y growth for each consecutive month from March to September 2018<sup>13</sup>.

Marketing efforts by the government to attract visitors to South Korea and reduce reliance on its key source markets also appears to be making progress as YTD September 2018 saw the number of visitors from countries in South East Asia such as Malaysia, Thailand and Vietnam posting strong y-o-y growth<sup>14</sup>.

### **3.2 DPS accretive acquisition**

The Acquisition is expected to be accretive to the distribution per stapled security (“DPS”) of A-HTRUST. Based on the Total Acquisition Cost and the assumptions set out in paragraph 4.2 below, the pro forma DPS for the financial year ended 31 March 2018 (“FY2017/18”) is higher at 5.87 cents.

### **3.3 Operator with strong domain knowledge and international network**

The Master Lessee is part of Ambassador Hotel Group, an established hotel group in South Korea, which has a joint investment in a hotel management company with AccorHotels. Ambassador Hotel Group was founded in the 1950s and currently operates more than 20 hotels across South Korea. AccorHotels is a world leading hotel management company with a hotel network of close to 4,300 hotels and 41 million members under its loyalty programme as at 31 December 2017<sup>15</sup>.

The Hotel will continue to benefit from the unique partnership between Ambassador Hotel Group and AccorHotels as it taps on the strong domain knowledge of Ambassador Hotel Group and leverages on the extensive global network of AccorHotels.

The Acquisition will also further diversify the pool of master lessees that A-HTRUST has, reducing concentration of counterparty risk.

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<sup>13</sup> Source: Korea Tourism Organization.

<sup>14</sup> Source: Korea Tourism Organization.

<sup>15</sup> Source: AccorHotels Annual Report 2017

### 3.4 Improved income stability

The rent structure under the Master Lease Agreement is based on a pre-determined percentage of the Hotel's total revenue with a minimum rent payable by the Master Lessee. Accordingly, income to A-HTRUST will be in tandem with the performance of the Hotel, with no upper limit in income to A-HTRUST, while any downside risk will be mitigated by the minimum rent. On a pro forma basis, the proportion of net property income from hotels under master leases in FY2017/18 will increase from approximately 40% to approximately 51%<sup>16</sup>.

The Acquisition will also improve the weighted average lease expiry of the hotels under master leases to approximately 12 years from approximately 10 years as at 31 March 2018<sup>17</sup>.

### 3.5 Relatively new freehold asset

The Hotel is relatively new, having operated for approximately five years. As such, major capital expenditure is not expected in the near term, allowing cash resources to be conserved for other uses.

Further to the completion of the Dongdaemun Hotel Acquisition in May 2018 and the announcement of the acquisition of a portfolio of three hotels in Osaka ("**Osaka Portfolio Acquisition**")<sup>18</sup> in June 2018, the Hotel is the fifth freehold hotel to be added this year to the growing portfolio of A-HTRUST. Assuming the Acquisition and the Osaka Portfolio Acquisition are completed, the Hotel will bring the total number of freehold properties to 13 out of the 14 hotels in the portfolio.

### 3.6 Broadening of A-HTRUST's earning base and further diversification

The Acquisition is expected to benefit the Stapled Securityholders by broadening A-HTRUST's earnings base and further reducing its reliance on any single market or property. It also deepens A-HTRUST's presence in the Seoul hotel market following the completion of the Dongdaemun Hotel Acquisition in May 2018.

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<sup>16</sup> Assuming the Dongdaemun Hotel Acquisition, the Osaka Portfolio Acquisition and the divestment of the two Beijing hotels were completed on 1 April 2017 ("**Divestment**"). Please refer to the announcement dated 29 January 2018 for further information on the Divestment, which was completed on 18 May 2018.

<sup>17</sup> Based on the fixed rent component of the respective master leases and assuming the Acquisition, the Dongdaemun Hotel Acquisition and the Osaka Portfolio Acquisition were completed on 31 March 2018.

<sup>18</sup> Please refer to the announcement dated 18 June 2018 for further information on the Osaka Portfolio Acquisition.



## 4. METHODS OF FINANCING AND FINANCIAL EFFECTS

### 4.1 Methods of Financing

The Total Acquisition Costs (subject to Post-Completion Adjustments), net of the existing bank borrowing of Trust No. 1, is intended to be fully funded by external debt.

### 4.2 Financial Effects

#### 4.2.1 Assumptions

The pro forma financial effects of the Acquisition presented in this section are **strictly for illustrative purposes only** and do not reflect the actual financial performance or position of A-HTRUST after the completion of the Acquisition.

The pro forma financial effects have been prepared based on the latest audited financial statements of A-HTRUST for the financial year from 1 April 2017 to 31 March 2018 (“**FY2017/18**”), taking into account the following assumptions:

- (i) the Total Acquisition Costs, net of existing bank borrowings of Trust No. 1, are funded by external debt;
- (ii) pro forma financials of the Acquisition are in proportion to A-HBT’s 98.8% interest in the Hotel upon Completion;
- (iii) the pro forma financial effects below take into account (a) the scenario assuming that the Divestment, the Dongdaemun Hotel Acquisition and the Osaka Portfolio Acquisition (collectively, the “**Transactions**”) have not yet occurred; and (b) the scenario assuming the Transactions have already occurred;
- (iv) with respect to the scenario assuming that the Divestment has already occurred, the financial effects do not take into account any distribution of the net proceeds to Stapled Securityholders and assume the repayment of a loan amounting to approximately S\$160 million;
- (v) with respect to the scenario assuming that the Dongdaemun Hotel Acquisition has already occurred, the financial effects assume that the

Dongdaemun Hotel Acquisition was fully funded by the proceeds from the Divestment; and

(vi) the exchange rate of KRW820 : S\$1.00.

#### 4.2.2 Pro Forma Net Property Income<sup>19</sup>

**FOR ILLUSTRATION PURPOSES ONLY:** The table below sets out the pro forma net property income attributable to the Acquisition for FY2017/18:

	FY2017/18
Net property income attributable to the Acquisition (S\$ '000)	4,320

#### 4.2.3 Pro Forma Net Asset Value and Aggregate Leverage

**FOR ILLUSTRATION PURPOSES ONLY:** The table below sets out the pro forma financial effects of the Acquisition and the Transactions, as the case may be, on the net asset value (“NAV”) per stapled security and aggregate leverage<sup>20</sup> as at 31 March 2018, as if the Acquisition and the Transactions, as the case may be, was completed on 31 March 2018:

##### Net Asset Value

	Actual as at 31 March 2018	After the Acquisition and before the Transactions	After the Acquisition and after the Transactions
NAV per Stapled Security (S\$)	0.92	0.92	1.04

<sup>19</sup> Rule 1010(7) of the Listing Manual requires that the issuer discloses the net profits attributable to the Acquisition. The net property income attributable to the Acquisition is disclosed instead, as in the case of a property trust, net property income is a close proxy to the net profits attributable to its assets.

<sup>20</sup> Computed based on actual and pro forma (as the case may be) total borrowings and total assets of A-HTRUST as at 31 March 2018.

## Aggregate Leverage

	Actual as at 31 March 2018	After the Acquisition and before the Transactions	After the Acquisition and after the Transactions
Aggregate Leverage (%)	30.8	34.4	31.1

### 4.2.4 Pro Forma Distribution Per Stapled Security<sup>21</sup>

**FOR ILLUSTRATION PURPOSES ONLY:** The table below sets out the pro forma financial effects of the Acquisition on the DPS for FY2017/18, as if the Acquisition and the Transactions, as the case may be, were completed on 1 April 2017 and held and operated the Hotel through to 31 March 2018:

	Actual for FY2017/18	After the Acquisition and before the Transactions	After the Acquisition and after the Transactions
DPS (\$ cents)	5.86	5.87	6.35

## 5. INTEREST OF DIRECTORS AND CONTROLLING STAPLED SECURITYHOLDER

As at the date of this announcement and based on the information available to the Managers as at the date of this announcement, certain directors of the Managers hold direct and indirect interest in the Stapled Securities in A-HTRUST. Save as disclosed in this announcement and based on the information available to the Managers as at the date of this announcement, none of the Directors or the controlling Stapled Securityholder<sup>22</sup> has any interest, direct or indirect, in the Acquisition.

<sup>21</sup> Rule 1010(9) of the Listing Manual requires that the issuer discloses the effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year. The effect of the transaction on the DPS is disclosed instead as it is a more appropriate measure for a property trust.

<sup>22</sup> “controlling Stapled Securityholder” refers to any person with an interest in Stapled Securities constituting not less than 15.0% of all the Stapled Securities in issue.

## 6. OTHER INFORMATION

### 6.1 Directors' Service Contracts

No person is appointed as a director of the Managers in connection with the Acquisition or any other transaction contemplated in relation to the Acquisition.

### 6.2 Relative Figures Computed on the Bases set out in Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST", and the Listing Manual of the SGX-ST, "Listing Manual")

The relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual are set out below:

- (i) the net profits attributable to the assets acquired, compared with A-HTRUST's net profits; and
- (ii) the aggregate value of the consideration given, compared with A-HTRUST's market capitalisation.

Rule 1006(d) does not apply as no Stapled Securities will be issued as consideration for the Acquisition.

Bases	Acquisition (S\$ '000)	A-HTRUST (S\$ '000)	Relative figure (%)
Net property income attributable to the asset acquired compared to A-HTRUST's net property income <sup>(1)</sup>	4,320 <sup>(2)</sup>	78,324 <sup>(3)</sup>	5.5%
Consideration compared to A-HTRUST's market capitalisation	93,340 <sup>(4)</sup>	867,012 <sup>(5)</sup>	10.8%

**Notes:**

- (1) Based on net property income attributable to the Acquisition. In the case of a property trust, net property income is a close proxy to the net profits attributable to its assets.
- (2) Based on the pro forma net property income attributable to the Acquisition for FY2017/18.
- (3) Annualised based on net property income (excluding the net property income from the Beijing hotels which was divested in May 2018) as disclosed in A-HTRUST's unaudited financial statements for the financial period from 1 April 2018 to 30 September 2018.
- (4) Based on the A-HTRUST Portion of the Property Consideration of KRW76.5 billion and exchange rate of KRW820 : S\$1.00.
- (5) Based on the volume-weighted average price of A-HTRUST as at 27 November 2018, being the market day preceding the date of the Sale and Purchase Agreement.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the transaction will be regarded as being a discloseable transaction. Accordingly, Stapled Securityholders' approval for the Acquisition is not required under Chapter 10 of the Listing Manual. In any case, the Board of Directors of the Managers is of the view that the Acquisition will not change the risk profile of A-HTRUST and is in the ordinary course of business of A-HTRUST.

## **7. INTERESTED PERSON TRANSACTIONS**

### **7.1 Joint Investment**

As at 27 November 2018, Ascendas Land International Pte Ltd ("**ALI**") holds approximately 27.9% of the total number of the stapled securities in A-HTRUST in issue ("**Stapled Securities**"), and is accordingly a "controlling Stapled Securityholder" of A-HTRUST.

As AKPL is a wholly-owned subsidiary of ALI, AKPL is a subsidiary of a "controlling Stapled Securityholder" of A-HTRUST. As such, for the purposes of the Listing Manual, AKPL is an "interested person" of A-HBT under the Listing Manual.

Accordingly, the joint investment by A-HBT with AKPL into Trust No. 1 in connection with the Acquisition ("**Joint Investment**") constitutes an "interested person transaction" under Chapter 9 of the Listing Manual.

Pursuant to the Joint Investment, the Total Acquisition Costs to be borne by A-HBT is approximately KRW78.1 billion (approximately S\$95.2 million), constituting 15.8% of the latest audited net tangible asset value of A-HBT and 9.2% of the latest audited net tangible asset value of A-HTRUST for the financial year ended 31 March 2018 ("**FY2017/18**"). As such, the Joint Investment will exceed 5.0% of S\$1,039.4 million, being the latest audited net tangible asset value of A-HTRUST for FY2017/18. Accordingly, under Rule 905 of the Listing Manual, A-HTRUST must make an announcement of the Joint Investment, but it is not required to seek the approval of Stapled Securityholders pursuant to Rule 916(2) of the Listing Manual.

Under Rule 916(2) of the Listing Manual, A-HTRUST is not required to seek the approval of the Stapled Securityholders for the Joint Investment if:

- (i) the risks and rewards are in proportion to the equity of each of A-HBT and AKPL;

- (ii) A-HTRUST confirms by an announcement that the Audit and Risk Committee of the Trustee-Manager is of the view that the risks and rewards of the Joint Investment are in proportion to the equity of each of A-HBT and AKPL and the terms of the Joint Investment are not prejudicial to the interests of A-HTRUST and its minority Stapled Securityholders; and
- (iii) AKPL does not have an existing equity interest in the Joint Investment prior to the participation of A-HBT in the Joint Investment.

The entry into the Joint Investment falls within the exception under Rule 916(2) of the Listing Manual because:

- (i) The risks and rewards of the Joint Venture are in proportion to the respective equity shareholdings of A-HBT and AKPL in Trust No. 1.
  - (a) A-HBT and AKPL are joint investors in Trust No. 1 and their interests in Trust No. 1 are 98.8% and 1.2%, respectively.
  - (b) Each of A-HBT and AKPL will fund the Acquisition on a pro rata basis.
  - (c) The rights and obligations of A-HBT and AKPL as shareholders of Trust No. 1 are proportionate to their respective shareholding proportions.
- (ii) Paragraph 7.3 of this announcement sets out a statement by the Audit and Risk Committee of the Trustee-Manager that it is of the view that the risks and rewards of the Joint Investment are in proportion to the equity of each of A-HBT and AKPL and the terms of the Joint Investment are not prejudicial to the interests of A-HTRUST and its minority Stapled Securityholders.
- (iii) AKPL does not have an existing equity interest in the Joint Investment prior to the participation of A-HBT in the Joint Investment.

Accordingly, the entry into the Joint Investment falls within the exception under Rule 916(2) of the Listing Manual, and the approval of the Stapled Securityholders for the Joint Investment is therefore not required.

## 7.2 Appointment of Asset Manager

As mentioned in paragraph 2.5 of this announcement, upon Completion of the Acquisition, AAMC will also be appointed to replace Richmond Asset Management Co., Ltd, the existing manager of Trust No. 1, to provide asset management services in respect of the Hotel, pursuant to the A&R Trust Agreement to be entered into on the date of Completion.

As at 27 November 2018, AIPL owns all of the shares in the Trustee-Manager, and is accordingly a “controlling shareholder” of the Trustee-Manager. As such, for the purposes of the Listing Manual, AAMC is an “interested person” under the Listing Manual.

Accordingly, the appointment of the Asset Manager pursuant to the A&R Trust Agreement will constitute an “interested person transaction” under Chapter 9 of the Listing Manual.

Under the A&R Trust Agreement, the Asset Manager’s Fees comprise base management fees and disposition fees. The Asset Manager’s Fees shall, in accordance with the A-HBT Trust Deed, reduce the final amount of fees received by the Trustee-Manager pursuant to the A-HBT Trust Deed.

The appointment of the Asset Manager pursuant to the A&R Trust Agreement, when aggregated with other interested person transactions with the Sponsor and its associates for the current financial year ending 31 March 2019 (excluding the Joint Investment and the joint investment in relation to the Dongdaemun Hotel Acquisition in respect of which the exception in Rule 916(2) of the Listing Manual will apply), will not exceed 5.0% of S\$1,039.4 million, being the latest audited net tangible asset value of A-HTRUST for FY2017/18. Accordingly, Rule 906 of the Listing Manual does not apply to the entry into the A&R Trust Agreement, and the approval of the Stapled Securityholders for the entry into the A&R Trust Agreement is therefore not required.

### 7.3 Statement from Audit and Risk Committee of the Trustee-Manager

Having considered the terms of the Joint Investment and the A&R Trust Agreement, the Audit and Risk Committee of the Trustee-Manager (“ARC”) is of the view that (i) the risks and rewards of the Joint Investment are in proportion to the equity of each of them; (ii) the appointment of the Asset Manager is on normal commercial terms; and (iii) the terms of the joint venture and the appointment of the Asset Manager are not prejudicial to the interests of A-HTRUST and its minority Stapled Securityholders.

### 7.4 Other Interested Person Transactions

The current total for the current financial year of:

- (i) all transactions entered into with the Sponsor and its associates to-date (a) (including the Joint Investment and the joint investment relating to the Dongdaemun Hotel Acquisition in respect of which the exception in Rule 916(2) of the Listing Manual applies), is estimated<sup>23</sup> to be approximately S\$203 million<sup>23</sup>, being more than 5.0% of S\$601.2 million, being the latest audited net tangible asset value of A-HBT for FY2017/18, and more than 5.0% of S\$1,039.4 million, being the latest audited net tangible asset value of A-HTRUST for FY2017/18; and (b) (excluding the Joint Investment and the joint investment relating to the Dongademun Hotel Acquisition, to which the exception in Rule 916(2) of the Listing Manual applies), is estimated to be less than 5.0% of S\$601.2 million, being the latest audited net tangible asset value of A-HBT for FY2017/18, and less than 5.0% of S\$1,039.4 million, being the latest audited net tangible asset value of A-HTRUST for FY2017/18; and
- (ii) all other interested person transactions entered into to-date (excluding those entered into with the Sponsor and its associates) is less than S\$100,000 in aggregate.

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<sup>23</sup> Taking into account, where relevant, with respect to the Joint Investment and the joint investment relating to the Dongademun Hotel Acquisition, (i) the total acquisition costs of both transactions; (ii) the estimated management fee payable to the Asset Manager for the remaining tenor of the respective master leases; and (iii) the estimated divestment fee payable to the Asset Manager.



## **8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Managers for a period of three months commencing from the date of this announcement:

- (i) Sale and Purchase Agreement; and
- (ii) the independent valuation report prepared by the Independent Property Valuer dated 27 June 2018.

By Order of the Board  
Mary Judith de Souza  
Joint Company Secretary  
Ascendas Hospitality Fund Management Pte. Ltd.  
(Company Registration No. 201133966D)  
As manager of Ascendas Hospitality Real Estate Investment Trust

By Order of the Board  
Mary Judith de Souza  
Joint Company Secretary  
Ascendas Hospitality Trust Management Pte. Ltd.  
(Company Registration No. 201135524E)  
As trustee-manager of Ascendas Hospitality Business Trust

28 November 2018

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