

# Acquisition of KY- Heritage Hotel Dongdaemun

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27 April 2018



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# 1

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## Transaction Overview

# Acquisition in line with growth strategy

- ✦ Acquisition of KY-Heritage Hotel Dongdaemun (“**Hotel**”) is in line with A-HTRUST’s strategy to acquire to invest in markets with sound hospitality fundamental and growth potential

Parties	<ul style="list-style-type: none"><li>• Ascendas Korea Hospitality No 1 Professional Investors Private Real Estate Investment LLC (“<b>Purchaser</b>”)<sup>1</sup></li><li>• KY-Development Co., Ltd. (“<b>Vendor</b>”)</li></ul>
Purchase Consideration	<ul style="list-style-type: none"><li>• KRW73.0 billion (S\$90.1 million<sup>2</sup>)</li></ul>
Independent Valuation	<ul style="list-style-type: none"><li>• KRW75.4 billion (S\$93.1 million<sup>2</sup>) by CBRE Korea Co., Ltd.</li></ul>
Estimated Net Property Income (“NPI”) Yield	<ul style="list-style-type: none"><li>• 4.1%</li></ul>
Operator	<ul style="list-style-type: none"><li>• Leaseback agreement with Vendor up to 30 June 2018</li><li>• Master lease with established hotel management to commence with effect from 1 July 2018, rent comprise fixed rent and variable component</li></ul>



1. Upon completion, the Purchaser will be owned by A-HBT (98.7%) and Ascendas (Korea) Pte Ltd (1.3%), a wholly-owned subsidiary of Ascendas Land International Pte Ltd (“ALI”). ALI is a controlling stapled securityholder of A-HTRUST and also the Sponsor of A-HTRUST.
2. Based on an exchange rate of KRW810: S\$1.00.

# Quality asset to enhance portfolio

- ✦ The hotel is well located and easily accessible by various modes of transportation



**Guest Room**



**Conference Room**



**Gym**



**Restaurant**

## Location

- 226 Jangchoongdan-ro, Jung-gu, Seoul, Korea

## Land Tenure

- Freehold

## Hotel Type

- 4-star

## Completion of development

- 2015

## Facilities

- a restaurant
- a café
- two conference rooms
- a gym



# 2

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## Rationale for the Acquisition

# Rationale for the Acquisition

- 1 Excellent Location**
  - ✓ Hotel strategically located in the prominent Dongdaemun area, a wholesale and retail precinct and a popular tourist destination
  - ✓ Improving hotel market
- 2 DPS Accretive Acquisition**
  - ✓ The Acquisition is expected to be accretive to DPS
- 3 Relatively New Freehold Asset**
  - ✓ Minimal capital expenditure expected in the next few years
  - ✓ Adds another freehold asset to the portfolio
- 4 Potential Upside**
  - ✓ Opportunity to enhance asset value from hotel rebranding and repositioning under established hotel operator
- 5 Improved Income Stability**
  - ✓ Master lease agreement to be in place with effect from 1 July 2018, provides downside protection with potential upside
- 6 Broaden Earning Base**
  - ✓ Reduce reliance on any single property within the portfolio

## 1

# Entry into gateway city

- ✕ The Hotel is situated in Seoul, which is a gateway city in Asia
  - ✓ A leading financial centre, ranked within top 10 amongst financial centres in Asia Pacific<sup>1</sup>
  - ✓ Headquarters to some of South Korea's largest corporations
  - ✓ A top MICE destination, ranked 3<sup>rd</sup> in 2016<sup>2</sup>
- ✕ The city is also a popular destination for tourists and offers a number of attractions



**Changdeokgung Palace (UNESCO World Heritage listed)**

1. Source: The Global Financial Centres Index 23 (March 2018).

2. Source: Union of International Associations.

Source of images: Korea Tourism Organization, Seoul Tourism Organization.



**Dongdaemun Retail Precinct**



**Dongdaemun Design Plaza**



1

# Hotel is strategically located



Source: Google Map.

## Dongdaemun Wholesale and Retail Precinct

- Renowned leisure destination
  - 2<sup>nd</sup> most popular tourist destination in Seoul

## Dongdaemun Design Plaza

- Prominent city landmark
- Comprises museum, conferencing and exhibition space

## Dongdaemun History & Culture Park Subway Station

- Minutes walk from the Hotel
- Provides excellent connectivity to other parts of the city

KY-Heritage Hotel Dongdaemun

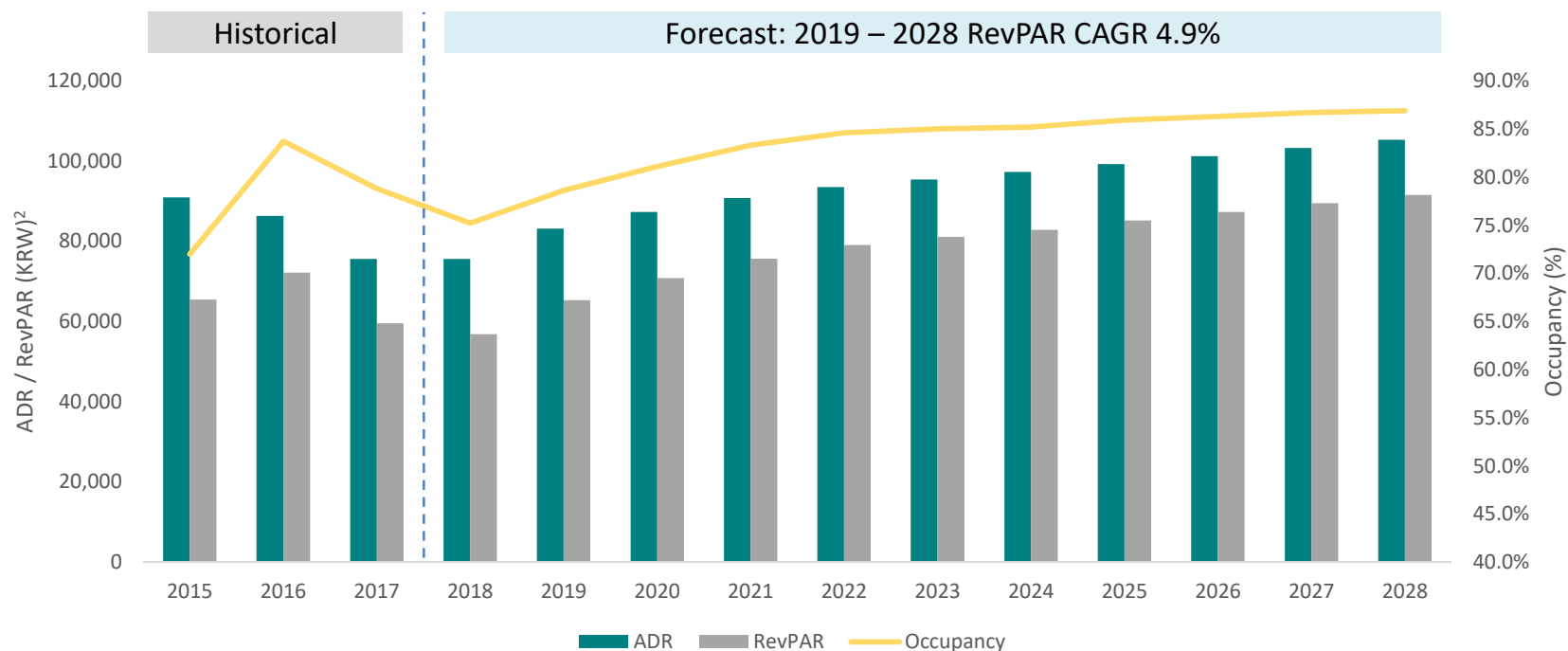


# 1

## Improving hospitality sector

- ✦ The hotel market in Seoul has been suppressed recently from supply of new room and factors such as political tensions with its neighbouring countries
- ✦ Going forward, the Seoul hotel market is poised for improvement due to factors such as (i) slower room supply growth rate, (ii) easing of political tensions, (iii) campaigns to drive domestic travelling and attract visitors from markets apart from its key source markets

### Historical and Forecast Statistics for Seoul Hotel Market<sup>1</sup>



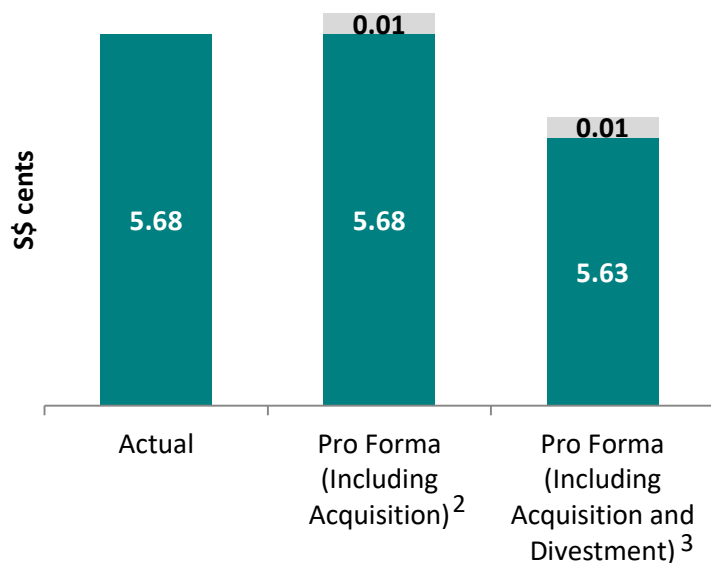
1. Source: Based on forecast from CBRE Korea Co., Ltd. for the competitive set of hotels within the vicinity of the Hotel.
2. ADR: Average Daily Rate, RevPAR: Revenue per Available Room.

## 2

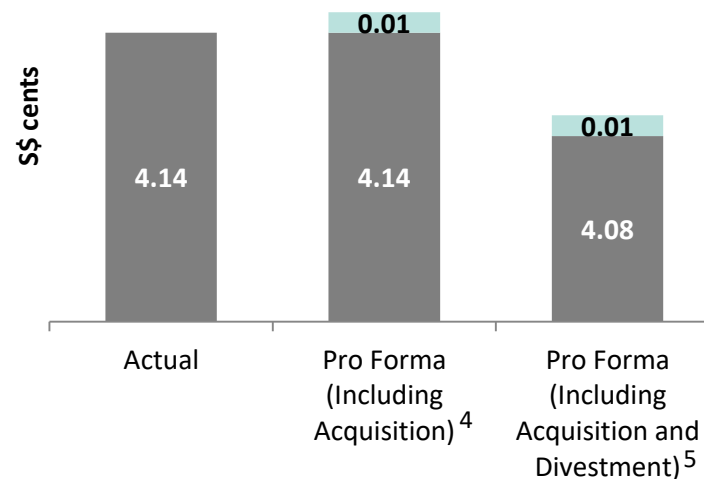
## DPS accretive acquisition with potential upside

- ✕ The Acquisition is intended to be fully funded by debt
- ✕ On a pro forma basis, the Acquisition is expected to be DPS accretive<sup>1</sup>
- ✕ Opportunity to enhance asset value from hotel rebranding and repositioning

### Pro forma DPS for FY2016/17



### Pro forma DPS for 9MFY2017/18



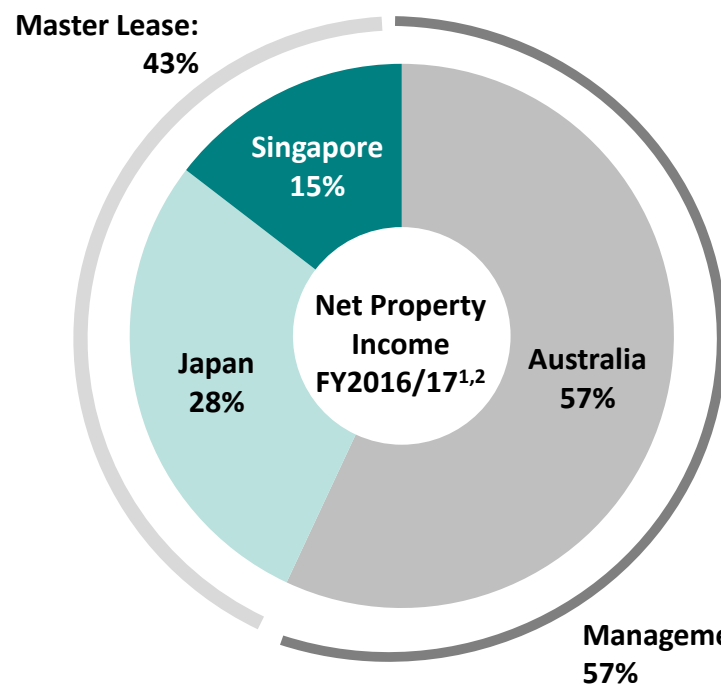
1. Please refer to the announcement on the Acquisition dated 27 April 2018 for further details on the financial effects of the Acquisition.
2. Assuming the Acquisition of the Hotel was completed on 1 April 2016.
3. Assuming the Acquisition and the divestment of the two hotels in Beijing ("Divestment") were completed on 1 April 2016. Please refer to the announcement dated 29 January 2018 for further information on the Divestment.
4. Assuming the Acquisition of the Hotel was completed on 1 April 2017.
5. Assuming the Acquisition and Divestment were completed on 1 April 2017.

## 5

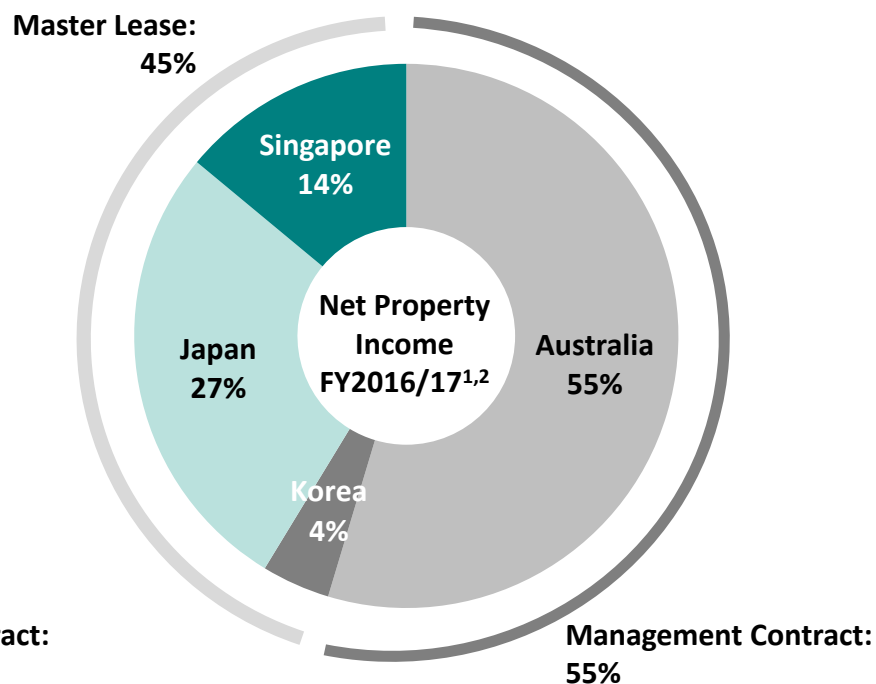
## Improved income stability

- ✦ Rent structure of master lease agreement to be entered into comprises fixed rent and variable component
- ✦ The fixed rent provides downside protection while variable component offers upside potential

### Before Acquisition of the Hotel



### After Acquisition of the Hotel



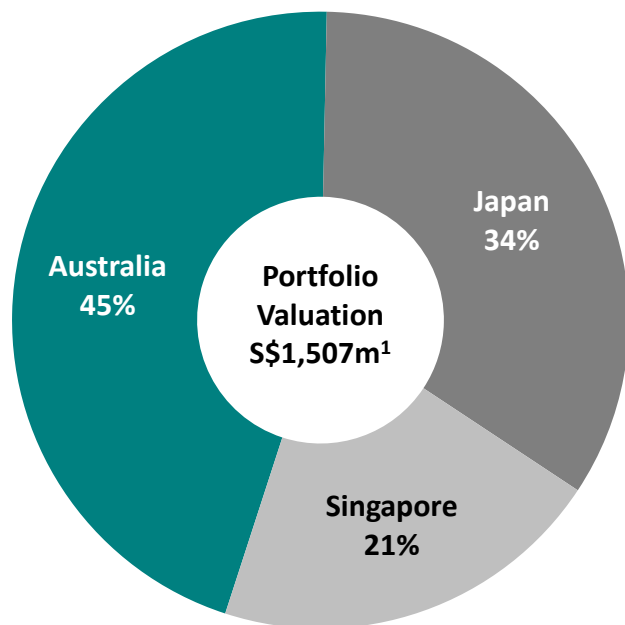
- Based on net property income of A-HTRUST for FY2016/17, excluding net property income of China portfolio which is in the process of divestment (please refer to announcement dated 29 January 2018 for further information on the divestment of the hotels in China).
- On pro forma basis. Please refer to the announcement on the Acquisition dated 27 April 2018 for further details on the financial effects of the Acquisition.

## 6

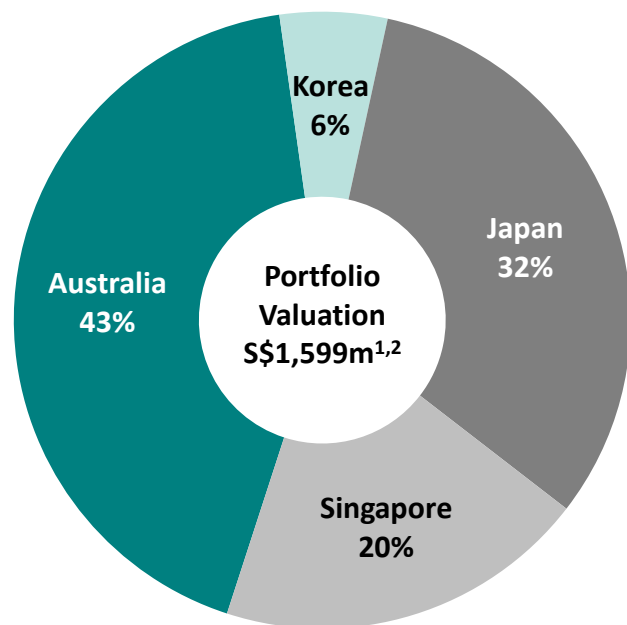
## Broaden earning base and reinforced diversity strategy

- ✕ The Acquisition reinforces A-HTRUST's strategy to invest in a well-diversified portfolio
- ✕ Entry in to the Seoul hotel market further diversifies the geographical spread of A-HTRUST's portfolio.

### Before Acquisition of the Hotel



### After Acquisition of the Hotel



1. As at 31 March 2017, excluding the valuation of China portfolio which is in the process of divestment (refer to announcement dated 29 January 2018 for further information on the divestment of the hotels in China)
2. Including the Hotel based on the latest valuation of the Hotel of KRW 75.4 billion and A-HBT 's 98.7% interest



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