

ASCENDAS HOSPITALITY TRUST

A stapled group comprising:

Ascendas Hospitality Real Estate Investment Trust (a real estate investment trust constituted on 13 March 2012 under the laws of the Republic of Singapore) managed by Ascendas Hospitality Fund Management Pte. Ltd.	Ascendas Hospitality Business Trust (a business trust constituted on 13 March 2012 under the laws of the Republic of Singapore) managed by Ascendas Hospitality Trust Management Pte. Ltd.
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ACQUISITION OF THE SERVICED APARTMENTS COMPONENT AT 224 – 252 LA TROBE STREET, MELBOURNE, AUSTRALIA

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., the trustee-manager of Ascendas Hospitality Business Trust (“**A-HBT**”) (collectively, the “**Managers**”), are pleased to announce that The Trust Company (RE Services) Limited (the “**Purchaser**”), as trustee for the Ascendas Australia Hotel Trust (“**AAHT**”)¹, has today entered into a contract of sale (“**Contract**”) with UEM Sunrise (La Trobe Street) Pty Ltd² (the “**Vendor**”) to acquire the serviced apartments component of a mixed-use development at 224 – 252 La Trobe Street, Melbourne, Australia (the “**Property**”).

1.2 Information on the Property

The Property is part of an iconic 92-storey mixed-use development named Aurora Melbourne Central (“**Development**”), strategically located in the heart of the Melbourne Central Business District (“**CBD**”). Currently under construction, the Development will comprise the Property, residential units, retail and office space and carparks. The Property is expected to be completed in the second half of 2019.

¹ AAHT is owned by A-HBT (99%) and A-HREIT (1%).

² The Vendor is a wholly-owned subsidiary of UEM Sunrise Berhad, a property developer listed on Bursa Malaysia

Upon completion, the Development will be one of the tallest buildings in the Melbourne CBD and will have direct access to Melbourne Central Railway Station. The Development faces Melbourne Central Shopping Centre across the road and is located within close proximity to renowned attractions such as Queen Victoria Market, the State Library of Victoria, the Royal Exhibition Building and the Melbourne Museum.

The Property, with freehold tenure, will comprise 252 units of serviced apartments. These serviced apartments will be located on levels 10 to 32 of the Development, and the Property will have its own dedicated entrance, lobby, lifts and facilities. Some of the features of the Property include a restaurant, swimming pool, gymnasium, executive lounge and car park spaces.

In due course, the Managers will be selecting a suitable operator for the Property, which is expected to be branded as an upscale accommodation.

1.3 Income Support Deed

Concurrently and in connection with the Contract, the Vendor and Ascendas Hotel Investment Company Pty Ltd (“**AHIC**”)¹ have entered into an income support deed (“**Income Support Deed**”) pursuant to which the Vendor will top up any shortfall in the event that gross operating profit (“**GOP**”) derived from the Property during the first two years of operation (“**Income Support Period**”) is less than a pre-determined GOP.

The Vendor will also pay to AHIC the excess of a pre-determined amount of owners corporation levy payable by the Purchaser (“**Owners Corporation Levy**”) for a period of three years.

2. DETAILS OF THE ACQUISITION

2.1 Purchase Consideration

An independent property valuer, CBRE Valuations Pty Ltd (“**CBRE**”), was commissioned by the Managers to value the Property. Based on the valuation report prepared by CBRE as at 26 November 2015, the Property was valued at AUD128.0 million (or

¹ AHIC is an indirect wholly-owned subsidiary of A-HBT.

approximately S\$130.6 million¹), derived having regard to capitalisation analysis, discounted cashflow analysis and direct comparison valuation approaches.

The purchase consideration of AUD120.0 million (or approximately S\$122.4 million²) (“**Purchase Consideration**”) payable in cash to the Vendor in connection with the acquisition of the Property (“**Acquisition**”) was negotiated on a willing-buyer and willing-seller basis and took into account the independent valuation on the Property undertaken by CBRE. The Purchaser will make a payment of AUD5.0 million to the Vendor as deposit (“**Deposit**”) upon execution of the Contract. The balance of the Purchase Consideration shall be paid on the date on which the certificate of practical completion in respect of the Property is issued to the Purchaser and Vendor (“**Date of Practical Completion**”).

2.2 Certain Terms and Conditions of the Agreements

2.2.1 Certain Terms and Conditions of the Contract

- (i) For the period commencing from the date of the execution of the Contract up to the Date of Practical Completion, the Purchaser will receive from the Vendor an interest of 5.5% per annum on the Deposit, to be paid on a six-monthly basis;
- (ii) the Contract is subject to and conditional on the Purchaser obtaining a statement of no objection from the Treasurer (as referred to in the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*) for the purchase of the Property; and
- (iii) the Contract is also subject to and conditional on the Purchaser obtaining a private ruling to be issued by the State Revenue Office of Victoria, which states that the Property is not ‘residential property’ for the purposes of Section 3 of the Duties Act 2000 (“**Private Ruling**”). If the Private Ruling is refused or not issued within 120 days from the date of the Contract, the Purchaser may terminate the Contract.

¹ Based on an exchange rate of AUD1.00 : S\$1.02.

² Based on an exchange rate of AUD1.00 : S\$1.02.

2.2.2 Certain Terms and Conditions of the Income Support Deed

- (i) The Vendor shall pay any excess amount should the Owners Corporation Levy exceed AUD350,000 per annum, for a period of three years commencing from the date that the first payment of the Owners Corporation Levy is due;
- (ii) In the event the GOP achieved in the first year of operation (“**Year One GOP**”)¹ falls below AUD10,330,000 (“**Target Year One GOP**”), the Vendor shall pay to AHIC, the lesser of: (i) the amount by which the Target Year One GOP exceeds the Year One GOP, if any; and (ii) AUD2,650,000 (“**Year One GOP Top Up Amount**”); and
- (iii) In the event the GOP achieved in the second year of operation (“**Year Two GOP**”)² falls below AUD10,900,000 (“**Target Year Two GOP**”, and together with Target Year One GOP, “**Target GOP**”), the Vendor shall pay to AHIC the lesser of: (i) the amount by which the Target Year Two GOP exceeds the Year Two GOP, if any; and (ii) AUD350,000 plus any unutilised portion of the Year One GOP Top Up Amount.

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 **Prime Location of the Property**

The Acquisition is consistent with the growth strategy of A-HTRUST to acquire properties in key cities.

Melbourne, which is the second most populous city in Australia, is a major corporate centre while also renowned for its extensive annual calendar of festivals, exhibitions and major sporting events. Part of the iconic Development, the Property is located in the heart of the Melbourne CBD and is in close proximity to a number of attractions. The Property is easily accessible and will also be well-served by a comprehensive transportation network.

¹ Commencing on the Date of Practical Completion.

² Commencing on the first anniversary of the Date of Practical Completion.

3.1.1 Melbourne is a key corporate centre and a major leisure destination

An important economic hub, Melbourne is headquarter to some of Australia's largest corporations, including Australia and New Zealand Banking Group Limited, BHP Billiton, Crown Resorts Limited, Foster's Group, National Australia Bank and Telstra Corporation Limited. The city is also a leading financial centre and is ranked 11th amongst financial centres in Asia Pacific, based on the latest Global Financial Centres Index¹. Based on a report on the economic performance of Australian cities, Melbourne was the second largest economy in Australia for the year ended June 2014 after Sydney and was estimated to have contributed approximately 17.7% of Australia's gross domestic product².

Melbourne, which has garnered several accolades such as "world's friendliest city (2014)"³, and "most liveable city (2015)"⁴, is also designated as a UNESCO City of Literature⁵. A key attraction is the city's rich annual calendar of events, which is anchored by three major annual international sporting events: the Australian Open, the Melbourne Cup and the Formula One Australian Grand Prix. The city also offers several tourist attractions such as Queen Victoria Market, the National Gallery of Victoria as well as the UNESCO World Heritage-listed Royal Exhibition Building.

Melbourne is well-served by its train system, an extensive tram network, as well as four airports. Melbourne Airport, which is the city's main international and domestic gateway, is one of the busiest airports in Australia.

3.1.2 Property is strategically situated in the heart of the city centre

The Property is strategically situated in the heart of Melbourne CBD. The Melbourne Central Shopping Centre, which offers a wide variety of retail, dining and entertainment options, is located opposite the Property. Several of the city's key attractions such as Queen Victoria Market, the State Library of Victoria, the Royal Exhibition Building and the Melbourne Museum are also located in close proximity to the Property. The Property is also in the vicinity of RMIT University.

¹ Source: The Global Financial Centres Index 18 (September 2015)

² Source: SGS Economics and Planning - Australian Cities Accounts 2013-14 (November 2014)

³ Source: Conde Nast Traveler

⁴ Source: The Economist Intelligence Unit - Global Liveability Ranking 2015

⁵ Source: United Nations Educational, Scientific and Cultural Organization

The Property is well-connected through various modes of transport. Upon completion, the Property will be directly connected to the Melbourne Central Railway Station via underground access, and will also have direct access to Melbourne Central Shopping Centre and Emporium Melbourne. The Property is also easily accessible via the tram network which offers excellent connectivity to other parts of the city. The future CBD North station of the Melbourne Metro will also be located nearby¹.

3.1.3 Growing hospitality sector

Over the past decade, both international and domestic arrivals to Melbourne have been growing steadily.

For the year ended June 2015, Melbourne welcomed 2.2 million international visitors to the city. It was the second most visited city in Australia by foreigners, and saw an increase of 11% from the same period in the previous year². On the domestic front, overnight trips to Melbourne grew by 7% y-o-y to 8.1 million for the year ended June 2015, the second highest in the country³. For the same period, trip expenditure for these overnight trips in Melbourne was the highest in Australia, at AUD6.7 billion⁴.

3.2 DPS Accretive Acquisition

The Acquisition is expected to be accretive to the distribution per stapled security (“DPS”). Based on the Purchase Consideration of AUD120.0 million, and the assumptions set out in paragraph 4.2 below, the Acquisition is expected to improve pro forma DPS for the financial year ended 31 March 2015 (“FY2014/2015”) by 1.6% from 5.06 cents to 5.14 cents (assuming approximately 25% equity financing and 75% debt financing). Further, during the period up to practical completion of the Property, A-HTRUST will enjoy an interest income of 5.5% per annum on the Deposit.

¹ Source: Melbourne Metro Rail Project

² Source: Tourism Research Australia

³ Source: Tourism Research Australia

⁴ Source: Tourism Research Australia

3.3 Opportunity to Acquire a Brand New Asset at an Attractive Yield

Through the Acquisition, A-HTRUST will acquire a brand new asset. This allows the operations of the Property to be carried out smoothly in the first few years with minimal capital expenditure. Assuming the Acquisition was completed on 1 January 2015, the average age of A-HTRUST's existing portfolio will be reduced from 20 years to 18 years. The Property is estimated to contribute net property income ("NPI") of AUD9.1 million in its first year of operation, translating to an estimated NPI yield of 7.6%. Based on the NPI of the portfolio of A-HTRUST for FY2014/2015 and valuation as at 31 March 2015, the NPI yield of the portfolio of A-HTRUST for FY2014/2015 was 6.8%.

3.4 No Development Risk

During the course of construction, A-HTRUST will not undertake any of the risks in the construction of the Property which include (but are not limited) to construction cost-overruns, rising material costs and non-compliance with health, safety and environmental regulations. Apart from the Deposit to be paid upon signing of the Contract, there will be no further payments by A-HTRUST until practical completion of the Property.

3.5 Downside Protection During Initial Years of Operation

The Vendor has agreed to top up any shortfall in the event that the Target GOP during the Income Support Period is not achieved. This provides, to a certain extent, downside protection of A-HTRUST's income stream during the first two years of operation, which is the estimated time required for operation of the Property to be stabilised.

3.6 Broaden Earning Base

The Acquisition is expected to benefit Stapled Securityholders by broadening A-HTRUST's earning base, and further reducing reliance on any single property.

4. METHODS OF FINANCING AND FINANCIAL EFFECTS

4.1 Methods of Financing

The Deposit will be financed through internal cash resources. The Managers intend to finance the balance of the Purchase Consideration via a combination of equity, debt and/or hybrid securities. The proportion and the mode of financing will be determined closer to the Date of Practical Completion.

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 FY2014/2015, taking into account the Purchase Consideration and assuming that the Purchase Consideration (less Deposit) and costs in relation to the Acquisition are:

- (i) Scenario 1: funded by approximately 25% equity and 75% debt; and
- (ii) Scenario 2: fully funded by debt.

Whilst the operator and the type of contract (master lease or management contract) have not been determined, for the purpose of the pro forma financial effects, it is assumed that the Property will be operated under a management contract. For the purpose of pro forma financial effects of the Acquisition, the exchange rate is assumed to be AUD1.00 : S\$1.06 as at 31 March 2015.

4.2.2 Pro Forma Net Profit

FOR ILLUSTRATION PURPOSES ONLY: The FY2014/2015 pro forma net loss attributable to the Acquisition¹ is approximately S\$2.2 million and S\$3.9 million under Scenario 1 and Scenario 2, respectively.²

4.2.3 Pro Forma Net Asset Value

FOR ILLUSTRATION PURPOSES ONLY: The table below sets out the pro forma financial effects of the Acquisition on the net asset value (“NAV”) per stapled security as at 31 March 2015, as if the Acquisition was completed on 31 March 2015:

	Before the Acquisition	After the Acquisition (Scenario 1)	After the Acquisition (Scenario 2)
NAV per stapled security (S\$)	0.74	0.74	0.74

4.2.4 Pro Forma Distribution Per Stapled Security³

FOR ILLUSTRATION PURPOSES ONLY: The table below sets out the pro forma financial effects of the Acquisition on the DPS⁴ for the financial year ended 31 March 2015, as if the Acquisition was completed on 1 April 2014:

	Before the Acquisition	After the Acquisition (Scenario 1)	After the Acquisition (Scenario 2)
DPS (cents)	5.06	5.14	5.22

¹ Based on estimated net loss before tax derived from the Property in the first year of operation post-completion.

² As it is assumed that the Property will be operated under a management contract, the Property is accounted for as property, plant and equipment, which will incur depreciation expense, resulting in pro forma losses attributable to the Property. Depreciation charged to the profit or loss is a non-cash item which is added back for the purpose of arriving at distributable income.

³ 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 real estate investment trust.

⁴ Based on estimated distributable income attributable to the Property in the first year post completion.

5. INTEREST OF DIRECTORS AND CONTROLLING STAPLED SECURITYHOLDERS

As at the date of this announcement and based on the information available to the Managers as at the date of this announcement, save for Stapled Securities in A-HTRUST held by certain directors of the Managers and the controlling Stapled Securityholders, none of the Directors or the controlling Stapled Securityholders have an interest, direct or indirect, in the Acquisition.

6. OTHER INFORMATION

6.1 Director's 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 SGX Listing Manual

The relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST 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 capitalization.

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 profit / (loss) attributable to the assets acquired compared to A-HTRUST's net profits ¹	Scenario 1	(2,227) ²	33,172 ³	(6.7)
	Scenario 2	(3,900) ²	33,172 ³	(11.8)
Consideration compared to A-HTRUST's market capitalisation		122,400 ⁴	720,984 ⁵	17.0

Notes:

- (1) Based on net profits / (losses) before tax.
- (2) Based on the pro forma net losses attributable to the Property for Scenario 1 and Scenario 2 as set out in paragraph 4.2.2 above.
- (3) Annualised based on net profits as disclosed in A-HTRUST's unaudited financial statement for the six-month period ended 30 September 2015.
- (4) Based on the Purchase Consideration of AUD120.0 million and exchange rate of AUD1.00 : S\$1.02.
- (5) Based on market capitalisation of A-HTRUST as at 2 December 2015, being the market day preceding the date of the Contract.

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.

6.3 Disclosure under Rule 1013(1) of the SGX Listing Manual

The Boards of Directors of the Managers are of the view that the Income Support Deed is beneficial to the Stapled Securityholders as it will provide stable income during the Income Support Period, taking into consideration the estimated time required for operation of the Property to be stabilised.

In the reasonable view of the Managers, the Target GOP during the Income Support Period is in line with market trading performance, on a stabilised basis, and will provide accretive distributable income.

Pursuant to the mechanism contained in the Income Support Deed, the Vendor shall top up any shortfall in the event the Property is not able to achieve the Target GOP during the Income Support Period. Please refer to paragraph 2.2.2 for further details.

In view of the terms of the Income Support Deed and the fact that the maximum amount of income support to be provided by the Vendor over the Income Support Period is AUD3.0 million (S\$3.1 million¹), which is equivalent to only 3.3% of the total net property income of A-HTRUST for FY2014/2015, no further safeguard was considered necessary to be provided.

7. DOCUMENTS FOR INSPECTION

Copies of the Contract, the Income Support Deed and the independent valuation report prepared by CBRE 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.

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

3 December 2015

¹ Based on an exchange rate of AUD1.00 = S\$1.02.

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 average daily room rates and occupancy, changes in operating expenses, including employee wages, benefits and training, 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. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Managers' current view of future events.

The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, the REIT Manager, the Trustee-Manager, The Trust Company (Asia) Limited (as trustee of A-HREIT) (the "**REIT Trustee**"), or any of their respective affiliates.

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

An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that Stapled Securityholders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

The past performance of A-HTRUST is not necessarily indicative of the future performance of A-HTRUST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities (including without limitation, the Stapled Securities) in the United States. 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), Canada or Japan. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (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 under the Securities Act. No public offering of securities is being made in the United States.