DATAPULSE TECHNOLOGY LIMITED: PROPOSED PURCHASE OF HOTEL AROPA IN SEOUL

The analysis was prepared by Mak Yuen Teen with significant assistance provided by Jonathan Lim for the financial analysis of the proposed hotel acquisition. Jonathan has over 10 years of experience in valuations and accounting with major accounting firms. Inputs were also obtained from several individuals who are knowledgeable about the real estate and hospitality industries, valuation, and tax.

Limitations and disclaimers

We have made our best effort to ascertain that everything we say in this report is accurate. Our analysis has been based on information in the circular and publicly available data, and we are not responsible for their accuracy. You should obtain independent professional advice if you have any doubts about the analysis.

Background

On 14 March 2019, Datapulse Technology Limited's ("Datapulse") shareholders will vote on the company's proposed acquisition of Hotel Aropa, together with six other resolutions. The Board believes that the acquisition would reduce reliance on existing businesses, provide diversified returns and streams of revenue and potential earnings for Datapulse, and allow Datapulse to participate in the growth prospects of the hospitality industry in Asia.

Post-completion, Hotel Aropa will be held in a real estate investment trust ("REIT"). When deciding how to vote, shareholders may want to consider at least three things:

1. Reasonableness of the purchase price;
2. Clarity of certain terms and conditions e.g., management fees; and
3. Substance of the proposed structure.

1. Reasonableness of the purchase price

The key transaction details for the hotel are shown in Table 1.

Table 1: Transaction details

Description	Details
Purchase price	KRW 35 billion or $42.7 million

Description	Details
Vendor	Hotel Prima Co., Ltd, joint-stock company in Korea
Name and Location	Hotel Aropa: Bukchang-dong, Jung-gu, Seoul, Korea
Completed	2013. Refurbished in 2016
Number of rooms	127
Land area	742 square metres
Gross floor area	5,758 square metres
Lease period	Freehold
Facilities	• F&B outlets: Two • Meeting rooms • Public bath house
Trustee	Kookmin Bank Co., Ltd
Asset management company	IGIS Asset Management Co., Ltd
Property manager	Potentially ICP Ltd

Source: Announcements and circular to shareholders

The KRW 35 billion purchase represents a 2% discount to Hotel Aropa's market value of KRW 35.7 billion as determined by CBRE Korea Co., Ltd ("CBRE"). Table 2 shows extracts from the valuation report.

Table 2: Extracts from CBRE valuation report

Sale Date	Hotel	Rating	Rooms	Sale Price (KRW)	Price Per Room (KRW)
Jun-18	Hotel Capital	3	287	140,000,000,000	487,804,878
Apr-18	KY Heritage	4	215	73,000,000,000	339,534,884
Apr-17	Ellui Hotel Gangnam, Seoul	3	139	80,888,800,000	581,933,813
Mar-17	Ninetree Premier Hotel Myeongdong II, Seoul	3	408	134,893,020,024	330,620,147
Oct-16	Aventree Hotel Jongno, Seoul	3	155	44,600,000,000	287,741,935
Aug-16	Tmark Grand Hotel Myeongdong, Seoul	4	576	198,000,000,000	343,750,000

Note: Information obtained from the valuation report on the Hotel issued by the Independent Valuer.

Occupancy Rate, Revenue and EBITDA

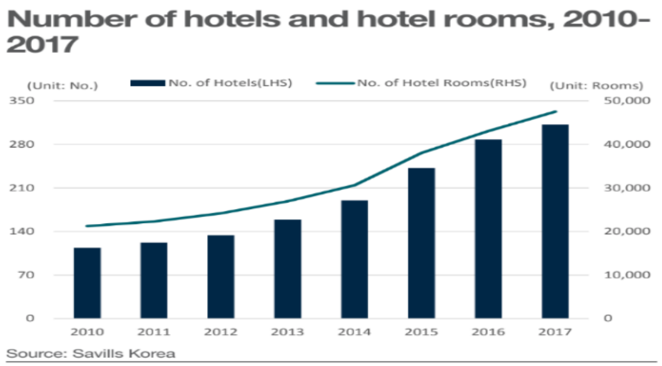
Period	2017A	1H2018A
Occupancy	57.5%	67.7%
Revenue	2,102,121,513	1,206,466,660
EBITDA	646,602,635	423,344,429

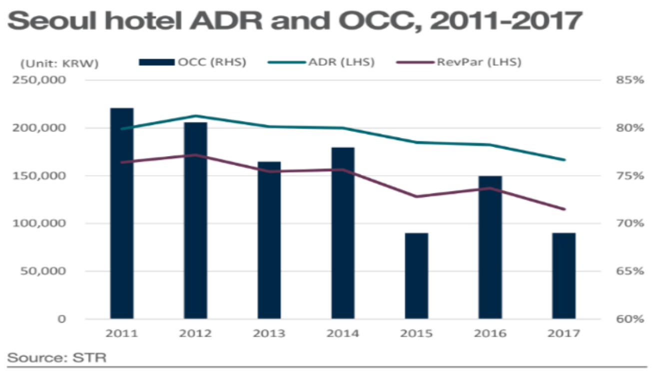
Note: Historical performance figures have been provided by the Hotel Vendor.

At first glance, the proposed acquisition seems like a good deal. Reviews for Hotel Aropa on travel websites such as TripAdvisor (276 reviews over the period July 2013-Jan 2019) are generally positive. In addition, Datapulse will be paying KRW 275 million per room, which is lower than the range for recent transactions provided by CBRE. However, the following factors and valuation inputs need to be considered:

- **Occupancy rates:** Page 26 of the circular shows Datapulse expects occupancy rates of 82% (Year 1) to 92% (Year 10) over the forecast period, which appear high relative to historical occupancy rates of 57% and 68%. A Savills report published for the first half year of 2018 shows the supply of hotels and rooms in South Korea has been increasing, and more is expected in areas such as Jung-gu, Dongdaemun-gu, Gangnam-gu, and the Mapo-gu area. The same report mentions that roughly 10,000 AirBnb rooms in Seoul have not been included in hotel stock statistics. These may explain the decline in average daily rates and occupancy rates from 2011 to 2017.

Table 3: Extracts from Savills – Spotlight Seoul Hospitality





- **Net property income ("NPI") yield:** We have taken EBITDA for 2017 (KRW 646.6 million) and annualised 1H2018 (KRW 846.7 million) as proxies for NPI. Datapulse did not disclose the NPI for the proposed acquisition, but EBITDA would approximate NPI as Hotel Aropa is currently not held in a REIT. Once Hotel Aropa is transferred to the REIT; EBITDA would be lower than NPI because of deductions for management, trustee and other fees.

  Against the KRW 35 billion purchase price, the NPI yield and earnings multiple fall in the ranges of 1.8% to 2.4%, and 41x to 54x respectively (Refer to **Appendix A** for calculations). Compared to the NPI yields (earnings multiple) of of 4.1% (24x) and 4.6% (22x) disclosed by Ascendas Hospitality Trust ("Ascendas") for its 2018 hotel acquisitions in Seoul, the NPI yield for Hotel Aropa is much lower and the earnings multiple much higher.

- **Sensitivity analyses:** Using the KRW 35 billion purchase price, we have considered the following:
  a. implied NPI yields under four occupancy rate scenarios (57.5%-85%), holding EBITDA (NPI) margin constant at 35% (based on 1H2018A margin for Hotel Aropa)
  b. implied EBITDA (NPI) margins using the same occupancy rate scenarios, holding NPI yield constant at 4.6% (based on one of the Seoul hotels purchased by Ascendas).

We performed these computations using the capitalisation of income method, which is commonly used by real estate valuers as shown in **Appendix B**. We have assumed that all revenue relates to rooms because the circular did not provide a breakdown of revenue by rooms and other facilities.

Sensitivity Analysis 1 – Constant EBITDA (NPI) margin of 35%

NPI yields would fall in the range of 2.1%-3.2% if Datapulse is able to maintain its 1H2018 EBITDA (NPI) margin of 35%. However, Datapulse would require the occupancy rate to be at 85% in perpetuity to achieve a 3.2% NPI yield.

Sensitivity 2 – Constant NPI yield of 4.6%

Ascendas acquired the Ambassador Seoul Insadong at an NPI yield of 4.6%, representing an implied multiple of 22x. To achieve a similar yield and multiple, Hotel Aropa's NPI margins would have to be in the range of 51%-75%.

Table 4: NPI margins at other hospitality trusts

Year	2015	2016	2017
Ascendas Hospitality Trust	42.2%	44.8%	42.9%
Far East Hospitality Trust	90.4%	90.2%	89.7%
CDL Hospitality Trusts	79.5%	76.1%	74.3%

Note: Ascendas's figures are for financial years 2016-2018
Source: Capital IQ

Against Hotel Aropa's historical EBITDA (NPI) margins of 30%-35%, achieving margins of 51%-75% would require aggressive cost management and/or consistently high occupancy rates. As shown above, NPI margins for three major hospitality trusts were between 42% and 90% over the period 2015-2017.

Achieving NPI margins like those of Far East or CDL would require an operating model where most, if not all revenue, is derived from rental income under master lease agreements. Datapulse will be operating a model closer to Ascendas. NPI margins would be lower because of higher operating expenses and having to engage third-party operators (potentially related party for Datapulse) to run the hotel operations.

In addition, public information lists Hotel Aropa's address as 17-1, 17-2 and 17-7 Bukchang-dong, Jung-gu, Seoul, South Korea. The adjacement map shows the actual location of the hotel in Bukchang-dong.

Yet the initial announcement dated 17 December describes the hotel as being "located **in the bustling shopping and tourist area of Myeongdong/Namdaemun**". However, Daniel Voellm, the Asia-Pacific Managing Partner of hotel consulting firm HVS commented on the purchase as follows: "Overall, the valuation is attractive as Seoul hotels go, though the location in Bukchang-dong is not as prime as nearby Myeongdong…Any active asset management could help to enhance yields for the buyer further[1]."

In the circular, the location for Hotel Aropa is described as: "…a 127-room multiscale hotel located **near the Myeongdong district** in the prime Namdaemun area of Central Seoul…"

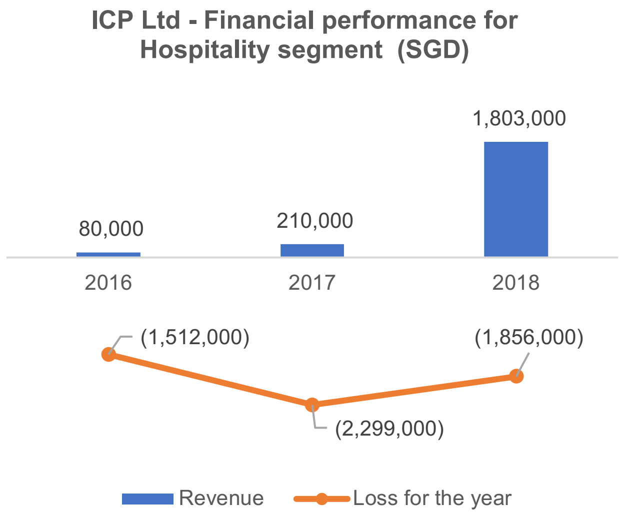
Therefore, while the original announcement said the hotel is "**located in the bustling shopping and tourist area of Myeongdong/Namdaemun**", the circular says it is "**located near the Myeongdong district in the prime Namdaemun area of Central Seoul**". There is a difference between "in" and "near".

[1] Article – Singaporean Investor buys Seoul Hotel for $31 million

2. Clarity over terms and conditions

Little is known about the master lease agreement ("MLA") signed between REF Trust and RK One. But we do know that RK One may procure the services of ICP Ltd ("ICP") to manage Hotel Aropa. Aw Cheok Huat, Datapulse's Chairman, is also the Chairman of ICP. He and his son own 23.8% of ICP shares and ACH owns 10% of Datapulse shares. This means that, economically, his family's interests are more aligned with ICP than Datapulse.

The lack of details also raises the following questions:



Source: ICP Annual reports

- **Quality of the hotel manager:** Being new to the hospitality business, Datapulse should work with an experienced hotel manager. ICP has only been in the hospitality business since 2016. Revenue from ICP's hospitality segment only grew from $80,000 in 2016 to $1.8 million in 2018, and over the same period, ICP incurred losses of $1.9 million on average. To ensure Datapulse has availed itself to the best services on offer, we would like to understand the Board's process of sourcing, selection, evaluation, and justification for selecting vendors;
- **MLA terms:** What are the terms in the MLA? REITs such as CDL Hospitality Trusts typically sign MLAs to mitigate the volatility of the hotel industry, whereby they receive minimum fixed revenue plus a variable part that is linked to the hotel operator's revenue and gross profits[2]; and
- **Fees payable to managers:** Other than the disclosure that hotel management fees are typically between 1% and 3% of gross revenue and incentive fees are between 5 and 9% of gross operating profit. (excluding base fee), the Datapulse circular does not provide further details on agreements between the REIT and service providers. As shown below, the annual reports of three major hospitality trusts provide details such as:

[2] In its 2018 transactions, Ascendas Hospitality Trust discloses MLA terms such as the payment period and formula

Table 5: Fees payable by various SGX-listed Hospitality trusts

Description	Frasers Hospitality Trust	Far East Hospitality Trust	CDL Hospitality Trusts
REIT Management fees	• Base fee: 0.3% of value of property value • Performance fee: 5.5% of distributable income May be paid in cash or stapled securities.	• Base fee: 0.3% of value of property value • Performance fee: 4.0% of net property income May be paid in cash, units, or a combination of both	• Base fee: 0.25% of value of property value • Performance fee: 5.0% of net property income May be paid in cash, stapled securities, or a combination of both
Trustee fees	Fixed rate	Minimum of $20,000 per month or up to 0.02% of property value	Minimum of $10,000 per month or up to 0.1% of property value
Development management fee	3% of total project costs incurred in a development project undertaken by REIT manager	3% of total project costs incurred in a development project undertaken by REIT manager	NA
Acquisition and divestment fees	• 0.5% for acquisitions from related parties • 1% for all other acquisitions • 0.5% for divestments	• 0.75% for acquisitions from related parties • 1% for all other acquisitions • 0.5% for divestments	• 1% for all acquisitions • 0.5% for divestments

Source: Annual reports

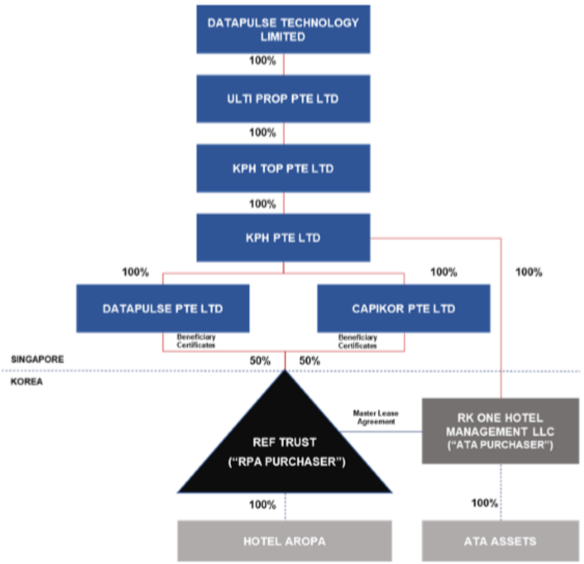
Historical EBITDA for Hotel Aropa may be lower once we account for the additional costs of the REIT structure. We believe these details are important as Datapulse has never owned or operated a hotel, and shareholders would be keen to compare agreement terms with industry peers. Along with these terms, shareholders should also consider the relative alignment of interests if ICP is selected as the hotel manager. Aw Cheok Huat as ICP's largest shareholder would have more economic interest at ICP than at Datapulse.

3. Substance of the proposed structure

Last but not least, shareholders should consider the substance of the proposed holding structure for the hotel and its operations.

Datapulse has incorporated three wholly-owned (directly or indirectly) subsidiaries in Singapore and one in South Korea as a holding structure for the proposed acquisition.

Table 6: Holding structure after completion



Source: Datapulse circular to shareholders

The circular explains that:

- Definitive agreements were signed with South Korean company Hotel Prima Co., Ltd in December 2018. They comprise a conditional real property sale and purchase agreement ("RPA") to acquire the entire land and building, and a conditional asset transfer agreement ("ATA") for the assets, licences, contracts and employees of the hotel;

- REF Trust is a real estate fund established in South Korea, and will be the owner of the Hotel Aropa land and building;
- Hotel Aropa will be held by Kookmin Bank, the Trustee;
- IGIS Asset Management Co., Ltd ("IGIS") will be appointed as the asset management company and will provide services including but not limited to the management and valuation of the investment trust assets, preparation of accounting documents, management of the distribution of profits and the return of any sales proceeds; and
- An MLA will be signed between RK One and REF Trust.

Given the above, it appears the holding has been structured as a Corporate Restructuring REIT ("CR-REIT"). There are two types of REITs under South Korea law:

Table 7: REITs in South Korea – Key differences

Restrictions	Ordinary	Corporate Restructuring
Establishment with business licence	Similar	
Distribution of stocks	• Single shareholder cannot hold more than 30% of shares • More than 30% of shares should be publicly diversified to individual investors	No limits for CR-REIT
Business scope	Similar	
Composition of assets	More than 80% of a REIT company's total assets must be real estate, real estate securities (domestic and foreign) or cash on the last day of each quarter	In case of CR-REIT, more than 70% of total assets must be corporate restructuring-related properties
Disposal of real estate	• A REIT cannot sell properties within five years of purchase • A REIT cannot sell vacant land void of development	No limits for CR-REIT
Dividends	REIT must return more than 90% of profits to shareholders	No limit for CR-REIT

Source: Jones Lang Lasalle

In summary, a CR-REIT structure means: individual unitholders are not required; a property can be sold at any time; and there is no requirement to distribute profits as dividends to unitholders.

The intermediate holding companies between REF Trust and Datapulse provide additional layers of distance between the REIT and Datapulse, and may help to ring-fence potential investment risks (although if they lack commercial substance, the "corporate veil" may be pierced and those layers will not achieve their intended purpose).

However, Datapulse shareholders would not have control over what happens at the intermediate holding companies and ultimately, the REIT e.g., director fees of intermediate companies may not require the approval of Datapulse's shareholders, there may be "management" in these intermediate companies who are paid remuneration, or fees or charges may be paid to other parties through these intermediate companies. As such, the company should explain:

- The purpose for each layer of intermediate company;
- Why the ownership of REF Trust will be split between two companies;
- Who will be appointed as directors of these companies, whether anyone will be managing them, and how much the directors/management will be paid;
- The types of transactions that will be taking place between these companies, Datapulse, and the REIT, or with other parties; and any fees and charges involved;
- Whether these intermediate companies will remain wholly owned by Datapulse or its wholly-owned subsidiaries, or whether there will be other shareholders (once there are other shareholders, any management charges between the companies will no longer be a "zero sum" game for Datapulse shareholders);
- If the additional layers have been created for tax planning, has the Board obtained advice that this is legal and supported by commercial reasons; and
- How the REIT profits will be utilised i.e., how much will be retained for investments, and the proportion to be distributed as dividends. Will Datapulse shareholders receive dividends (if any) from REF Trust?

The Board has only focused on the commercial viability of Hotel Aropa. Without a complete understanding of the impact of the proposed structure on shareholder's economic interests, shareholders would not be able to make an informed decision.

What next?

Based on historical occupancy rates and EDITDA margins/NPI yields, we estimate that Datapulse is paying a multiple of more than 40x for Hotel Aropa. Including professional fees and other transaction expenses of KRW 2.4 billion ($2.9 million), the multiple will be even higher. To achieve reasonable NPI yields/multiples (based on Ascenda's recent purchase of Seoul hotels), Hotel Aropa will have to achieve EBITDA margins and/or occupancy rates that are well above those that have been achieved historically.

In short, notwithstanding the 206-page circular, in our view, shareholders have not been provided with sufficient information to enable them to understand the following:

1. The purpose of the proposed structure with multiple layers of companies is, and how it is beneficial for the company and its shareholders;
2. Terms and conditions of the MLA and other service agreements;
3. The basis for the purchase price and assumptions about future occupancy rates, given the reported over-supply of hotel rooms in Seoul;
4. Whether the proposed acquisition involved competitive bidding or a negotiated sale process. And if other bidders were involved, the amounts they submitted;
5. How the hotel management company will be selected and whether ICP is likely to be the one, given that there is already a proposed resolution for IPTs between ICP and Datapulse (and bearing in mind the greater economic interest of the Datapulse chairman in ICP); and
6. Why their money should be invested in the hotel business through Datapulse, with the hotel possibly or probably managed by ICP, when shareholders can invest in other hospitality and hotel companies with significantly more experience.

Shareholders should seek answers to these questions and unless they are satisfied with the answers from the Board, they should vote against resolutions 1, 2 and 7 on the proposed expansion into the hotel and hospitality business, the purchase of Hotel Aropa in Seoul, and the IPT between Datapulse and ICP.

Appendix A – Computations to assess reasonableness of purchase price

Implied NPI yield and multiple for proposed acquisition

Period	**Unit**	**2017**	**1H2018 (Annualised)**
Occupancy	%	57.50%	67.70%
Revenue	KRW	2,102,121,513	2,412,933,320
EBITDA (NPI)	KRW	646,602,635	846,688,858
EBITDA (NPI) margin	**%**	**30.8%**	**35.1%**
Price	**KRW**	**35,000,000,000**	**35,000,000,000**
NPI Yield	**%**	**1.8%**	**2.4%**
Multiple	**%**	**54**	**41**

Source: Circular to shareholders and our own computation

Appendix A – Computations to assess reasonableness of purchase price

Sensitivity 1 – Constant EBITDA (NPI) margin of 35%

Scenario	Unit	One	Two	Three	Source/Description
Number of rooms	#	127	127	127	Circular
Hotel Occupancy	%	58%	70%	85%	Range derived based on 2017 performance and midpoint of forecast in circular
Average room rate - daily	KRW	80,000	80,000	80,000	Rounded up based on 2017 recomputation: Revenue ÷ Occupied rooms ÷ 365 days
Revenue	KRW	2,132,330,000	2,595,880,000	3,152,140,000	umber of rooms x Hotel occupancy x Average daily room rate x 365 days
EBITDA (NPI) margin	**%**	**35.0%**	**35.0%**	**35.0%**	1H2018 EBITDA ÷ 1H2018 revenue
EBITDA (NPI)	**KRW**	**746,315,500**	**908,558,000**	**1,103,249,000**	NPI yield x Price
NPI Yield	**%**	**2.1%**	**2.6%**	**3.2%**	
Price	**KRW**	**35,000,000,000**	**35,000,000,000**	**35,000,000,000**	Circular
Multiple	**X**	**47**	**39**	**32**	1 ÷ NPI yield

Appendix A – Computations to assess reasonableness of purchase price

Sensitivity 2 – Constant NPI yield of 4.6%

Scenario	Unit	One	Two	Three	Source/Description
Number of rooms	#	127	127	127	Circular
Hotel Occupancy	%	58%	70%	85%	Range derived based on 2017 performance and midpoint of forecast in circular
Average room rate - daily	KRW	80,000	80,000	80,000	Rounded up based on 2017 recomputation: Revenue ÷ Occupied rooms ÷ 365 days
Revenue	KRW	2,132,330,000	2,595,880,000	3,152,140,000	Number of rooms x Hotel occupancy x Average daily room rate x 365 days
EBITDA (NPI) margin	**%**	**75.5%**	**62.0%**	**51.1%**	
EBITDA (NPI)	**KRW**	**1,610,000,000**	**1,610,000,000**	**1,610,000,000**	NPI yield x Price
NPI Yield	**%**	**4.6%**	**4.6%**	**4.6%**	Ascendas presentation on acquisition of Ambassador Seoul Insadong
Price	**KRW**	**35,000,000,000**	**35,000,000,000**	**35,000,000,000**	Circular
Multiple	**X**	**22**	**22**	**22**	1 ÷ NPI yield

Appendix B – Valuation methods used by various hospitality trusts for financial reporting

The income capitalisation method is applied by dividing what is assumed to be a constant and perpetual stream of Net Property Income with an appropriate capitalisation rate.

Ascendas Hospitality Trust

Level 3 fair value measurements

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

2018 Group Description	Fair value at 31 March 2018 $'000	Valuation Methodologies	Unobservable inputs	Range
Recurring fair value measurements:				
Property, plant and equipment				
Freehold land	185,954	Discounted cash flow	Discount rate	8.00% to 9.50%
			Terminal yield	6.25% to 7.50%
		Capitalisation approach	Capitalisation rate	6.25% to 7.50%
Buildings	415,710	Discounted cash flow	Discount rate	8.00% to 9.50%
			Terminal yield	6.25% to 7.50%
			Occupancy rate	77% to 95%
			RevPAR	$110 to $290
		Capitalisation approach	Capitalisation rate	6.25% to 7.50%
Investment properties				
Hotels and serviced apartments	843,258	Discounted cash flow	Discount rate	4.20% to 6.50%
			terminal yield	4.50% to 5.00%
			Occupancy rate	81% to 97%
			RevPAR	$109 to $253
		Capitalisation approach	Capitalisation rate	4.00%
Disposal group classified as held for sale				
Property, plant and equipment				
Buildings	53,412	Discounted cash flow	Discount rate	8.50% to 8.75%
			Terminal yield	5.75% to 6.00%
			Occupancy rate	85% to 93%
			RevPAR	$60 to $126
		Capitalisation approach	Capitalisation rate	5.25% to 5.50%

CDL Hospitality Trusts

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	2017 Range	2016 Range
Singapore	Discounted cash flow and capitalisation methods	Hotel		
		Discount rate	7.00% - 7.75%	7.00% - 7.75%
		Terminal yield	5.00% - 5.75%	5.00% - 5.75%
		Capitalisation rate	4.50% - 5.25%	4.50% - 5.25%
	Discounted cash flow and capitalisation methods	Retail		
		Discount rate	7.50%	7.50%
		Terminal yield	5.50%	5.50%
		Capitalisation rate	5.25%	5.25%
New Zealand	Discounted cash flow and capitalisation methods	Discount rate	9.75%	10.75%
		Terminal yield	7.75%	7.75%
		Capitalisation rate	7.50%	7.50%
Germany	Discounted cash flow method	Hotel		
		Discount rate	5.90% - 8.00%	–
		Terminal yield	4.50% - 6.00%	–
	Discounted cash flow method	Retail and Office		
		Discount rate	5.75%	–
		Terminal yield	5.10%	–
Australia	Discounted cash flow method	Discount rate	7.50% - 9.00%	10.25% - 11.00%
		Terminal yield	5.50% - 6.75%	7.75% - 8.50%
Maldives	Discounted cash flow and capitalisation methods	Discount rate	10.00%	12.50% - 12.75%
		Terminal yield	8.00%	8.50% - 8.75%
		Capitalisation rate	7.50%	N/A

Appendix B – Valuation methods used by various hospitality trusts for financial reporting

The income capitalisation method is applied by dividing what is assumed to be a constant and perpetual stream of Net Property Income with an appropriate capitalisation rate.

Far East Hospitality Trust

Information about significant unobservable inputs used in Level 3 fair value measurements

Description	Fair value at 31 December 2017 $'000	Valuation Techniques	Unobservable inputs	Range
Investment properties				
– *Hotels*	1,842,700	Discounted cash flow	Discount rate	7.50%
			Revenue per available room	$122 – $269
		Income capitalisation method	Capitalisation rate	4.5% – 5.0%
– *Serviced residences*	538,100	Discounted cash flow	Discount rate	6.5% – 7.5%
			Revenue per available unit	$174 – $287
		Income capitalisation method	Capitalisation rate	3.5% – 5.0%
		Direct comparison method	Price per square metre	$7,300 – $44,938
	2,380,800			

Appendix C - Net property income and NPI margin for Ascendas, CDL, and Far East. Extracted from their annual reports.

Ascendas Hospitality Trust

S$ '000	2016	2017	2018
Revenue	**215,109**	**203,634**	**203,259**
Property expenses			
Operations and maintenance	(23,013)	(18,541)	(19,167)
Hotel management fee	(6,982)	(6,324)	(6,278)
Property tax	(3,601)	(2,731)	(2,690)
Service and other taxes	(5,539)	(4,693)	(6,567)
Administrative and general expenses	(8,232)	(7,911)	(8,572)
Sales and marketing expenses	(8,371)	(7,732)	(8,355)
Employee benefits	(51,758)	(50,524)	(51,453)
Energy and utilities	(8,443)	(8,113)	(8,195)
Other property expenses	(8,300)	(5,841)	(4,757)
Property expenses	**(124,239)**	**(112,410)**	**(116,034)**
Net property income	**90,870**	**91,224**	**87,225**
NPI Margin	**42.2%**	**44.8%**	**42.9%**

Appendix C - Net property income and NPI margin for Ascendas, CDL, and Far East. Extracted from their annual reports.

CDL Hospitality Trusts

S$ '000	2015	2016	2017
Revenue	**172,410**	**180,857**	**204,315**
Property expenses			
Operations and maintenance	(13,657)	(9,583)	(12,836)
Employee benefits		(9,161)	(13,235)
Rental	(122)	(435)	(559)
Property tax	(8,876)	(9,915)	(9,649)
Other property expenses	(12,752)	(14,203)	(16,276)
Property expenses	**(35,407)**	**(43,297)**	**(52,555)**
Net property income	**137,003**	**137,560**	**151,760**
NPI Margin	**79.5%**	**76.1%**	**74.3%**

Far East Hospitality Trust

S$ '000	2015	2016	2017
Revenue	**114,617**	**109,055**	**103,825**
Property expenses			
Property tax	(7,754)	(7,457)	(7,101)
Property insurance	(133)	(121)	(122)
MSCT contribution	(65)	(85)	(141)
Retail and office expenses	(2,511)	(2,593)	(2,854)
Property manager fee	(497)	(444)	(453)
Property expenses	**(10,960)**	**(10,700)**	**(10,671)**
Net property income	**103,657**	**98,355**	**93,154**
NPI Margin	**90.4%**	**90.2%**	**89.7%**