



## Comprising

### FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 12 June 2014 under the laws of the Republic of Singapore)

managed by **Frasers Hospitality Asset Management Pte. Ltd.**

### FRASERS HOSPITALITY BUSINESS TRUST

(a business trust constituted on 20 June 2014 under the laws of the Republic of Singapore)

managed by **Frasers Hospitality Trust Management Pte. Ltd.**

## ASSET ENHANCEMENT INITIATIVES FOR RETAIL COMPONENT OF ANA CROWNE PLAZA KOBE FOR GREATER SYNERGIES WITH THE HOTEL MANAGEMENT

*Unless otherwise indicated in this announcement, all conversions from Japanese Yen amounts into Singapore Dollar amounts in this announcement are based on an exchange rate of JPY80.0 = S\$1.00.*

### 1. INTRODUCTION

1.1 Frasers Hospitality Asset Management Pte. Ltd., as manager of Frasers Hospitality Real Estate Investment Trust (“**FH-REIT**”, and as manager of FH-REIT, the “**REIT Manager**”), and Frasers Hospitality Trust Management Pte. Ltd., as trustee-manager of Frasers Hospitality Business Trust (“**FH-BT**” and together with FH-REIT, the stapled group, Frasers Hospitality Trust or “**FHT**”, and the trustee-manager of FH-BT, the “**Trustee-Manager**”, and together with the REIT Manager, the “**Managers**”), are pleased to announce that:

- (a) Y.K. Toranomom Properties (“**YKTP**”), a wholly-owned subsidiary of the TCC Group<sup>1</sup>, as the master lessee of the retail component of ANA Crowne Plaza Kobe (the “**Kobe Retail Mall**”), plans to commit up to JPY4.25 billion (approximately S\$53.13 million) towards various asset enhancement initiatives to uplift the Kobe Retail Mall (the “**AEI**”). The AEI is in line with FH-REIT’s plan to renovate and rejuvenate the hotel component of ANA Crowne Plaza Kobe (the “**Kobe Hotel Component**”); and
- (b) in connection with the undertaking of the AEI works, Deutsche Trust Company Limited Japan (which holds the legal title to ANA Crowne Plaza Kobe, and acting as trustee for the benefit of Kobe Excellence TMK<sup>2</sup>) (the “**ANA Crowne Plaza Kobe Trustee**”), as the master lessor, and YKTP, as the master lessee, have today entered into an addendum agreement (the “**Retail MLA Addendum**”) to amend the existing master lease agreement in respect of the retail component of ANA Crowne Plaza Kobe (the “**Existing Retail MLA**”, and the Existing Retail MLA as amended by the Retail MLA Addendum, the “**Retail MLA**”)<sup>3</sup>.

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1 “**TCC Group**” refers to the companies and entities in the TCC Group which are controlled by Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi.

2 As disclosed in the prospectus of FHT dated 30 June 2014 and registered by the Monetary Authority of Singapore (“**MAS**”) on 30 June 2014 (the “**Prospectus**”), FH-REIT holds ANA Crowne Plaza Kobe through a trust beneficiary interest (“**TBI**”), in the form of a beneficiary interest in a Japanese trust known as “Kobe Excellence TMK” that holds the TBI in ANA Crowne Plaza Kobe.

3 A summary of the terms of the Existing Retail MLA entered into between YKTP and the ANA Crowne Plaza Kobe Trustee

In addition to the entry into the Retail MLA Addendum, the Project Management Agreement (as defined below) was entered into, together with YKTP granting the Deed of Undertaking (as defined below) and FH-REIT entering into the Novation Agreement and Side Letter (each as defined below) (collectively, the “**Transactions**”). (Please see paragraph 2 below for further details on the Transactions.)

**1.2** The Transactions will enable FH-REIT to reap synergies of rejuvenating and managing the Kobe Retail Mall and the Kobe Hotel Component as an integrated development, and to drive increased footfall and better performance for ANA Crowne Plaza Kobe. (See paragraph 4 below for further details.)

**1.3 Background information on the Kobe Retail Mall and the Existing Retail MLA**

ANA Crowne Plaza Kobe was acquired by FH-REIT as part of its initial portfolio. As disclosed in the Prospectus, ANA Crowne Plaza Kobe comprises the Kobe Hotel Component with 593 rooms and the retail component, the Kobe Retail Mall, which currently comprises over 70 retail stores and dining outlets, a supermarket and a performing theatre. The master lessee of the Kobe Hotel Component is K.K. Shinkobe Holding, which is a wholly-owned subsidiary of Frasers Centrepoint Limited (“**FCL**”).

As disclosed in the Prospectus, the cash flows and performance of Kobe Retail Mall have yet to stabilise. Accordingly, the Existing Retail MLA was structured such that YKTP would assume all the economic benefits and losses attributable to Kobe Retail Mall and would reimburse FH-REIT for its costs arising from its legal ownership of Kobe Retail Mall, for as long as the master lease granted to YKTP under the Retail MLA (the “**Master Lease**”) is in place. The entry into the Transactions will provide for a mechanism to unwind the Master Lease upon completion of the AEI, with FH-REIT having certainty as to the costs of unwinding the Master Lease.

**2. FURTHER DETAILS OF THE TRANSACTIONS**

**2.1** The Retail MLA Addendum was negotiated on an arm’s length basis and was entered into to amend certain terms and conditions of the Existing Retail MLA for purposes of setting out, among others, the following arrangements in respect of the undertaking of the AEI works and the termination of the Retail MLA:

- (a) YKTP will undertake the AEI works and will finance and bear the costs and expenses of the AEI works, including any incidental or ancillary costs and expenses incurred by YKTP arising from the AEI works;
- (b) during the period commencing on the date when the net operating income of the Kobe Retail Mall turns positive and in any case, no later than 31 December 2023, the ANA Crowne Plaza Kobe Trustee is obliged to submit a written notice to YKTP (the “**Termination Notice**”) to terminate the Retail MLA;
- (c) upon termination of the Retail MLA, ANA Crowne Plaza Kobe Trustee shall pay to YKTP a termination sum (the “**Termination Sum**”), which is to be calculated based on the fair value of the Master Lease as of the date of termination of the Retail MLA (the “**Termination Date**”) as determined by a qualified independent valuer, taking into consideration the sum invested by YKTP from the date of the Retail MLA Addendum up to the Termination Date in connection with the AEI works (such sum being equivalent to (i) the loan amounts drawn down by YKTP for purposes of financing the

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was disclosed in the section of the Prospectus entitled “Certain Agreements relating to FHT, FH-REIT, FH-BT and the Properties – Agreements Relating to ANA Crowne Plaza Kobe – Retail Master Lease Agreement”.

AEI works and its related costs; and (ii) the corresponding financing costs (which shall be subject to a maximum cap of 1.5% per annum)). The Termination Date shall be a date falling as soon as reasonably practicable after the date of the Termination Notice (taking into account the time reasonably required for the transfer of the existing retail tenancies referred to in paragraph (e) below);

- (d) the Termination Sum payable to YKTP shall in all cases, be subject to a maximum cap of JPY4.25 billion (approximately S\$53.13 million); and
- (e) upon the issuance of the Termination Notice, YKTP will use its best endeavours to ensure that the existing retail tenancies as at the Termination Date are transferred to a wholly-owned special purpose company established to act as the new master lessee of Kobe Retail Mall.

For the avoidance of doubt, if the Retail MLA is terminated due to a sale of the Kobe Retail Mall by FH-REIT, YKTP shall also be entitled to be paid the Termination Sum. In connection with the Retail MLA Addendum, YKTP has also separately and concurrently granted a deed of undertaking in favour of Perpetual (Asia) Limited (in its capacity as trustee of FH-REIT) (the “**REIT Trustee**”) (the “**Deed of Undertaking**”). Pursuant to the Deed of Undertaking, YKTP undertakes to comply with, fulfil and satisfy all of its covenants, undertakings and obligations under the Retail MLA.

## 2.2 Entry into the Project Management Agreement

Pursuant to the Retail MLA Addendum, YKTP has today entered into a project management agreement (the form of which is appended to the Retail MLA Addendum) (the “**Project Management Agreement**”), with Frasers Hospitality Japan Trust Management GK, a Japanese *godo kaisha* (i.e. limited liability company) (the “**Frasers Manager**”, which is a wholly-owned subsidiary of Frasers Hospitality Trust Management Pte. Ltd. (“**FHTM**”)), and Xymax Real Estate Investment Advisors Corporation, as the project manager (the “**Project Manager**”).

The Frasers Manager is a shell Japanese limited liability company which was acquired by FHTM (in its personal capacity) from a third party for a nominal consideration solely for purposes of entry into the Project Management Agreement. The Project Manager, which is an independent retail property manager with expertise in managing retail malls in Japan, has been appointed to provide specific project management services.

The terms and conditions of the Project Management Agreement were negotiated on an arm’s length basis. Pursuant to the Project Management Agreement, YKTP has appointed the Frasers Manager to manage and oversee the undertaking of the AEI works and perform certain oversight services (subject to the Frasers Manager acting in accordance with the annual business plan and budget for Kobe Retail Mall as approved by YKTP (the “**Annual Business Plan and Budget**”)), including managing the Project Manager in its performance of the project management services. The specific project management services to be performed by the Project Manager cover, among others, the construction and completion phases of the AEI works, leasing, marketing and ongoing management of the Kobe Retail Mall.

All fees payable to each of the Frasers Manager and the Project Manager for the provision of the oversight services and project management services respectively, shall be borne by YKTP. In addition, YKTP shall bear all other costs and expenses incurred by each of the Frasers Manager and the Project Manager in the course of performing their respective obligations under the Project Management Agreement which are agreed in the approved Annual Business Plan and Budget.

### 2.3 Entitlement Rights and Side Letter to the SPA

Pursuant to the share purchase agreement dated 23 June 2014 (the “**Share Purchase Agreement**”)<sup>1</sup> relating to the sale and purchase of the issued share capital of Excellence Prosperity TMK Pte. Ltd. entered into between the REIT Trustee, as purchaser, and Excellence Prosperity (Singapore) Pte. Ltd. (“**Excellence Prosperity Singapore**”), as seller, Excellence Prosperity Singapore, as disclosed in the Prospectus, is granted certain rights and benefits arising from termination of the Retail MLA, including the right to be paid a sum of a value to be mutually agreed between the parties, which is to take into consideration the discounted cash flow valuation of the underlying retail leases (as determined by two independent valuers) (the “**Entitlement Rights**”). With the entry into the Retail MLA Addendum and the revised arrangements where the Termination Sum will be paid to YKTP on termination of the Retail MLA, the Entitlement Rights are no longer relevant. Accordingly, the REIT Trustee has also entered into the following ancillary agreements:

- (a) a novation agreement with Excellence Prosperity Singapore<sup>2</sup> and Excellence Prosperity Ltd (the “**BVI Shareholder**”), an entity within the TCC Group and the sole shareholder of Excellence Prosperity Singapore, pursuant to which all of Excellence Prosperity Singapore’s rights, benefits, title, interest, obligations and liabilities under the Share Purchase Agreement will be transferred to the BVI Shareholder (the “**Novation Agreement**”); and
- (b) a side letter to the Share Purchase Agreement with the BVI Shareholder (the “**Side Letter**”). Pursuant to the Side Letter, the BVI Shareholder will irrevocably and unconditionally waive all its Entitlement Rights under the Share Purchase Agreement.

### 3. INTERESTED PERSON TRANSACTION

As at the date of this announcement, the FCL Group<sup>3</sup> held an aggregate direct and indirect interest in 408,630,405 stapled securities in FHT (“**Stapled Securities**”), which is equivalent to approximately 22.25% of the total number of Stapled Securities in issue as at the date of this announcement, and is therefore regarded as a “*controlling unitholder*” of FH-REIT and FH-BT under the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”). In addition, as the Managers are wholly-owned subsidiaries of FCL, the FCL Group is therefore regarded as a “controlling shareholder” of the REIT Manager and the Trustee-Manager under the Listing Manual.

The TCC Group is a controlling shareholder of the FCL Group. Accordingly, for purposes of Chapter 9 of the Listing Manual, YKTP and the BVI Shareholder (being subsidiaries or associates of a “*controlling unitholder*” of FH-REIT and FH-BT and a “*controlling shareholder*” of the Managers) are “*interested persons*” of FH-REIT and FH-BT. Accordingly, the Transactions are “*interested person transactions*” under Chapter 9 of the Listing Manual.

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1 A summary of the terms of the Share Purchase Agreement entered into between the REIT Trustee and Excellence Prosperity Singapore was disclosed in the section of the Prospectus entitled “Certain Agreements relating to FHT, FH-REIT, FH-BT and the Properties – Agreements Relating to ANA Crowne Plaza Kobe – Share Purchase Agreement – (a) Excellence Prosperity TMK Pte. Ltd.”.

2 Pursuant to a Special Resolution passed at an extraordinary general meeting of Excellence Prosperity Singapore held on 14 April 2016, it was resolved that Excellence Prosperity Singapore be wound up pursuant to Section 290(1)(b) of the Companies Act, Chapter 50 of Singapore. Consequently, the Novation Agreement was entered into as a distribution in *specie* of the assets of Excellence Prosperity Singapore to the BVI Shareholder (which is the sole contributory of Excellence Prosperity Singapore).

3 “**FCL Group**” means FCL and its subsidiaries and entities held or managed, directly or indirectly, by FCL.

Based on the audited financial statements of FHT for the financial year ended 30 September 2016, the net tangible assets (“NTA”) of FHT as at 30 September 2016 was S\$1.24 billion. The maximum amount of the Termination Sum (which as stated in paragraph 2.1(d) above, is subject to a maximum cap of JPY4.25 billion (approximately S\$53.13 million)) payable to YKTP pursuant to the terms of the Retail MLA Addendum (aggregated with other interested person transactions with the TCC Group for the current financial year) is approximately 4.27% of FHT’s NTA as at 30 September 2016.

The value of the Transactions (aggregated with other “*interested person transactions*” with the TCC Group) exceeds 3.0% of FHT’s NTA but does not exceed 5.0% of FHT’s NTA. Accordingly, the approval of holders of Stapled Securities (“**Stapled Securityholders**”) at an extraordinary general meeting is not required for entry into the Transactions.

#### **4. RATIONALE FOR AND KEY BENEFITS OF THE TRANSACTIONS**

The Managers believe that the rationale for and benefits of the Transactions to Stapled Securityholders are as follows:

##### **4.1 No immediate capital outlay for FH-REIT**

The undertaking of the AEI works is meant to reposition and uplift the Kobe Retail Mall with the objective of improving the performance of the property. The AEI works include, among others, the replacement of mechanical and electrical equipment, installation of additional escalators and refurbishment of interior furnishings and restrooms.

With the Transactions, FH-REIT will incur no immediate capital outlay in respect of the AEI works as YKTP has committed (in the Retail MLA Addendum) to financing and bearing the costs and expenses of the AEI works, including any incidental or ancillary costs and expenses arising from the AEI works. FH-REIT will pay YKTP the Termination Sum only upon termination of the Retail MLA.

##### **4.2 Opportunity for Stapled Securityholders to reap the economic benefits arising from the rejuvenation and management of ANA Crowne Plaza Kobe as an integrated development**

Located near the centre of Kobe City which is one of Japan’s 10 largest cities, the Kobe Retail Mall is directly connected to the Shin-Kobe subway station and the Shinkansen Shin-Kobe station, providing easy access to Osaka and Tokyo.

Domestic tourist arrivals to Kobe City and domestic tourist spend have been growing at a compound annual growth rate of 3% and 7% respectively from 2010 to 2015<sup>1</sup>. Foreign tourist arrivals have also increased, but at a much higher rate of 40% per annum from 2011 to 2015<sup>2</sup>.

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1 Source: <http://www.city.kobe.lg.jp/information/data/statistics/sightseeing/> <Last accessed on 28 February 2017>. The City of Kobe has not provided its consent to the inclusion of the information extracted from the relevant website published by it and is therefore not liable for such information. While the Managers have taken reasonable actions to ensure that the information from the relevant website of the City of Kobe is reproduced in its proper form and context, and that the information is extracted accurately and fairly from the relevant website, neither the Managers nor any other party has conducted an independent review of the information contained in the relevant website nor verified the accuracy of the contents of the relevant information.

2 Source: <http://www.mlit.go.jp/kankochou/siryou/toukei/shukuhakutoukei.html> <Last accessed on 28 February 2017>. The Japan Tourism Agency, Ministry of Land, Infrastructure Transport and Tourism has not provided its consent to the inclusion of the information extracted from the relevant website published by it and is therefore not liable for such information. While the Managers have taken reasonable actions to ensure that the information from the relevant website of the Japan Tourism Agency is reproduced in its proper form and context, and that the information is extracted accurately and fairly from the relevant website, neither the Managers nor any other party has conducted an independent review of the information contained in the relevant website nor verified the accuracy of the contents of the relevant information.

With the upcoming 2020 Olympics and the Japanese government easing visa restrictions to attract more tourists to the country, the rising international and domestic tourist arrivals will bode well for the tourism and retail markets in Kobe City.

As FH-REIT has already identified the Kobe Hotel Component for potential AEI, the entry into the Project Management Agreement will allow FH-REIT to have oversight of the AEI works for the Kobe Retail Mall and align its retail concept, tenancy mix and layout with the rejuvenation and branding of the Kobe Hotel Component.

Accordingly, the Transactions will enable FH-REIT to drive increased footfall and better performance as a result of the synergies of managing the Kobe Retail Mall and the Kobe Hotel Component as an integrated development.

#### **4.3 Certainty as to the costs of unwinding the Master Lease to FH-REIT**

The Managers note that in addition to the maximum cap, the Termination Sum will be computed based on the formula set out in paragraph 2.1(c) above, being based on the fair value of the Master Lease as at the Termination Date as determined by a qualified independent valuer, taking into consideration the sum invested by YKTP in connection with the AEI works. Accordingly, the Transactions provide FH-REIT with greater certainty as to the costs of unwinding the Master Lease.

The Managers further note that FH-REIT will be able to issue the Termination Notice to terminate the Retail MLA and Master Lease at any time prior to 31 December 2023 once the cash flow from the Kobe Retail Mall has stabilised and the net operating income is positive.

### **5. INTERESTS OF THE DIRECTORS**

As at the date of this announcement and based on information available to the Managers as at the date of this announcement, other than their interests in the Stapled Securities, the interests of the directors of the Managers (the “**Directors**”) in the Transactions are as follows:

- (a) Mr Choe Peng Sum is a Non-Executive Director of the Managers, Chief Executive Officer of Frasers Hospitality Pte. Ltd. (an entity within the FCL Group) and a director of other entities within the FCL Group other than the Managers; and
- (b) Mr Panote Sirivadhanabhakdi is a Non-Executive Director of the Managers, a director and the Group Chief Executive Officer of FCL, a director of other entities within the FCL Group other than the Managers, a director of various entities within the TCC Group (which is the controlling shareholder of the FCL Group) and holds 20.0% of the issued share capital of TCC Group Investments Limited. Mr Panote Sirivadhanabhakdi is also the son of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi.

### **6. OTHER INFORMATION**

#### **6.1 Director’s Service Contracts**

No person is proposed to be appointed as a director of the Managers in connection with the entry into the Transactions or any other transactions contemplated thereunder.

#### **6.2 Audit, Risk and Compliance Committees’ Statement**

Based on the rationale for the Transactions as set out in paragraph 4 above and that the Termination Sum will be computed based on the fair value of the Master Lease as at the Termination Date as determined by a qualified independent valuer, the Audit, Risk and

Compliance Committees of the Managers are of the opinion that the Transactions are on normal commercial terms and are not prejudicial to the interests of FHT and its minority Stapled Securityholders.

Directors of the Managers who are interested persons have abstained, and will abstain, from the Boards' approval of the Transactions.

## **7. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Managers<sup>1</sup> at 438 Alexandra Road, #21-00 Alexandra Point, Singapore 119958 for a period of three months from this announcement:

- (i) the Retail MLA Addendum;
- (ii) the Project Management Agreement;
- (iii) the Deed of Undertaking;
- (iv) the Novation Agreement; and
- (v) the Side Letter.

The trust deed constituting FH-REIT dated 12 June 2014 (as amended), the trust deed constituting FH-BT dated 20 June 2014 (as amended) and the stapling deed dated 20 June 2014 entered into between the REIT Manager, REIT Trustee and Trustee-Manager will also be available for inspection at the registered office of the Managers for so long as FHT is in existence.

By Order of the Board

**Frasers Hospitality Asset Management Pte. Ltd.**  
**(Company Registration No. 201331351D)**  
**(as manager of Frasers Hospitality Real Estate Investment Trust)**

**Frasers Hospitality Trust Management Pte. Ltd.**  
**(Company Registration No. 201401270M)**  
**(as trustee-manager of Frasers Hospitality Business Trust)**

Catherine Yeo  
Company Secretary  
2 March 2017

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<sup>1</sup> Prior appointment with the Managers (telephone number: +65 6276 4882) will be appreciated.

## **IMPORTANT NOTICE**

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

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

The value of Stapled Securities and the income derived from them, if any, may fall or rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, the Managers, the REIT Trustee or any of its/their affiliates. An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Managers to redeem 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.

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