



PROPOSED ACQUISITION OF MARITIM HOTEL DRESDEN, GERMANY

1. INTRODUCTION

1.1 The Proposed Acquisition

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 FH-REIT (through FHT Property 1 B.V. (Commercial Register No.: 65886453) (the “**Purchaser**”), an indirect wholly-owned subsidiary of FH-REIT incorporated in The Netherlands) today entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Internos Global Investors Kapitalverwaltungsgesellschaft mbH, acting in its own name but on behalf of the special alternative investment fund “Internos Hotel Immobilien Spezialfonds” (the “**Vendor**”), to acquire the freehold property known as Maritim Hotel Dresden, located at Devrientstr. 10 and 12, Kleine Packhofstr. 17, 01067 Dresden, Germany (the “**Property**” or “**Hotel**”, and the acquisition of the Property, the “**Acquisition**”).

1.2 Information on the Property

Maritim Hotel Dresden is a freehold, 328-room hotel located in the historical city centre of Dresden, the capital of the eastern German state of Saxony. It is a heritage-listed building converted from a preserved grain warehouse in 2006. The Hotel adjoins the Dresden International Congress Centre which is one of the largest and most modern conference facilities in Germany, with halls and rooms spreading over four levels which can accommodate more than 6,000 visitors.

Maritim Hotel Dresden sits next to the State Parliament building overlooking the Elbe River. It is also located within the vicinity of major tourist attractions such as the Semper Opera House, Dresden Zwinger Palace and Dresden Frauenkirche (Church of Our Lady).

1.3 Information on the Master Lease

The Property is currently leased to Maritim Hotelgesellschaft mbH (the “**Master Lessee**”) under a master lease (the “**Master Lease Agreement**”) which is on a long term basis. The Master Lessee is part of the Maritim Hotel Group, which is one of Germany’s largest hotel chains. The Property will continue to trade under the upscale Maritim brand after the Acquisition.

On completion of the Acquisition, the existing master lease agreement with the Master Lessee (the “**Master Lease Agreement**”) will continue to be in effect and all rights and obligations under the Master Lease Agreement will be transferred to the Purchaser (as the

DBS Bank Ltd. is the Sole Global Coordinator and Issue Manager for the initial public offer of stapled securities in FHT (the “**Offering**”). DBS Bank Ltd., Morgan Stanley Asia (Singapore) Pte., Standard Chartered Securities (Singapore) Pte. Limited and United Overseas Bank Limited are the Joint Bookrunners and Underwriters for the Offering.

new landlord) by operation of German civil law.

2. DETAILS OF THE ACQUISITION

2.1 Purchase Consideration and Valuation

The aggregate purchase consideration payable to the Vendor in cash in Euro under the Sale and Purchase Agreement is €58.4 million (approximately S\$90.4 million¹) (the “**Purchase Consideration**”) (not including Real Estate Transfer Tax of approximately €2.0 million which is payable to the tax authority) and was negotiated on a willing-buyer and willing-seller basis, taking into account the independent valuation by Savills Advisory Services Limited (“**Savills**”).

Savills has been appointed as the independent property valuer to value the Property. The appraised value of the Property (taking into account the Master Lease) as at 31 March 2016 determined by Savills is €58.5 million (approximately S\$90.6 million), based on the core and top-slice (fixed rent and turnover rent) approach, the core and top-slice (market rent and froth rent) approach and the net initial yield approach. These valuation approaches were adopted because the Property is currently under a Master Lease to the Master Lessee.

2.2 Acquisition Fee

An acquisition fee (the “**Acquisition Fee**”) is payable to the REIT Manager for the Acquisition pursuant to the trust deed dated 12 June 2014 (as amended) constituting FH-REIT (the “**REIT Trust Deed**”), which amounts to approximately S\$0.9 million (being 1.0% of the Purchase Consideration).

The Manager has decided that the Acquisition Fee will be paid in the form of Stapled Securities in FHT.

2.3 Estimated Total Acquisition Cost

The estimated total cost of the Acquisition (the “**Total Acquisition Cost**”) is approximately €63.0 million (approximately S\$97.6 million), comprising:

- (i) the Purchase Consideration of €58.4 million (approximately S\$90.4 million);
- (ii) the Acquisition Fee of approximately €0.6 million (approximately S\$0.9 million); and
- (iii) estimated professional and other fees and expenses (including the Real Estate Transfer Tax of approximately €2.0 million which is payable to the tax authority), which are expected to be incurred in connection with the Acquisition and the establishment and issuance of the Perpetual Securities (as defined below), of approximately €4.0 million (approximately S\$6.3 million).

2.4 Certain Principal Terms of the Sale and Purchase Agreement

The terms and conditions of the Sale and Purchase Agreement were negotiated on an arm’s length basis. The principal terms of the Sale and Purchase Agreement include, among others, the following conditions precedent:

- (i) the notary has received the waivers in relation to the statutory pre-emptive purchase rights and all approvals necessary for the execution of the Sale and Purchase Agreement;

¹ Unless otherwise stated, the S\$ equivalent of the € figures in this Announcement has been arrived at based on an assumed exchange rate of €1.00 : S\$1.5487.

- (ii) the priority notice protecting the Purchaser's right to entry of the change of title has been registered in the land register; and
- (iii) the notary has received the cancellation documents for all unassumed encumbrances.

In addition, the Sale and Purchase Agreement contains, *inter alia*, the following term and condition, being that in order to secure the Vendor's claim to *inter alia* payment of the Purchase Consideration, the Purchaser has on 6 May 2016 transferred the amount of €5.84 million (the "**Deposit**") to the acting notary to be held on trust. Upon completion, the Deposit shall be disbursed by the notary to the Purchaser. The Deposit shall be forfeited if the Sale and Purchase Agreement is rescinded by the Vendor, if the Purchaser is in default with the payment of the Purchase Consideration in whole or in part while the Vendor has fulfilled certain obligations under the Sale and Purchase Agreement.

2.5 Certain Principal Terms of the Master Lease Agreement

The existing Master Lease is on a long-term basis and the annual rent payable under the Master Lease Agreement comprises both fixed and variable components.

3. RATIONALE FOR AND KEY BENEFITS OF THE TRANSACTIONS

The Acquisition is in line with the Managers' strategy to invest in quality assets that are well located in key cities with sound economic fundamentals. The Acquisition also diversifies and provides stability to FHT's earnings base.

The Property is located in Dresden, which is one of the top business locations in Germany, with key sectors of microelectronics, nanotechnology, and life sciences driving its economic development. Half of all microchips made in Europe come from Dresden. In addition, global leading companies such as Globalfoundries, Infineon Technologies and GlaxoSmithKline Biologicals have set up production facilities in the city.¹ Dresden is also one of Germany's most established secondary hospitality markets, having benefitted from an increasing number of visitors. Over the past decade, it has seen an average annual growth of 5.9% and 5.6% in arrivals and overnights respectively. In 2014, it recorded over 2 million arrivals and more than 4 million overnights.²

An attractive destination for meetings, incentives and conferences, Dresden's trade fair cycle is dominated by annual recurring events including Semicon Europa and Plastic Electronics Conference & Exhibition. Coupled with its historical and cultural heritage, Dresden has a good business and leisure market with strong domestic visitation.

1 **Source:** City of Dresden, Public Relations Office <internet site accessed at: www.dresden.de> (the "**Dresden Public Relations Office**"). The Dresden Public Relations Office has not provided its consent to the inclusion of the information extracted from the relevant report and internet sites published by it and therefore is not liable for such information. While the Managers have taken reasonable actions to ensure that the information from the relevant report and internet sites published by the Dresden Public Relations Office is reproduced in its proper form and context, and that the information is extracted accurately and fairly, neither the Managers nor any other party have conducted an independent review of the information contained in such report nor verified the accuracy of the contents of the relevant information.

2 **Source:** Dresden Public Relations Office <internet site accessed at: www.dresden.de>. The Dresden Public Relations Office has not provided its consent to the inclusion of the information extracted from the relevant report and internet sites published by it and therefore is not liable for such information. While the Managers have taken reasonable actions to ensure that the information from the relevant report and internet sites published by the Dresden Public Relations Office is reproduced in its proper form and context, and that the information is extracted accurately and fairly, neither the Managers nor any other party have conducted an independent review of the information contained in such report nor verified the accuracy of the contents of the relevant information.

Maritim Hotel Dresden will be FHT's first hospitality asset in Germany as well as its first acquisition from a third party. The current Master Lease structure will provide long-term stable fixed income to FHT, with upside potential from future rental growth. Based on the annual fixed rent payable by the Master Lessee, the Acquisition is expected to be accretive to FHT with a net property income yield of 6.8%.¹

4. METHOD OF FINANCING AND PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

4.1 Method of Financing

The Total Acquisition Cost will be fully funded by the proceeds raised from the issuance of fixed rate perpetual securities in FH-REIT (the "Perpetual Securities").

4.2 Pro Forma Financial Effects of the Acquisition

4.2.1 Assumptions

The pro forma financial effects of the Acquisition on the distribution per Stapled Security ("DPS") and the net asset value ("NAV") per Stapled Security, and the pro forma capitalisation of FHT presented below are **strictly for illustrative purposes only** and were prepared based on the audited consolidated financial statements of FHT for FY2015 and the following assumptions:

- (i) the Total Acquisition Cost is fully funded by the proceeds raised from the issuance of the Perpetual Securities; and
- (ii) the exchange rate between Euro and Singapore dollar is €1.00 : S\$1.5487.

The pro forma financial effects are for **illustrative purposes only** and do not represent FHT's DPS and NAV per Stapled Security following the completion of the Acquisition.

4.2.2 Pro Forma Financial Effects for FY2015

(i) Pro Forma DPS

FOR ILLUSTRATIVE PURPOSES ONLY: the pro forma financial effects of the Acquisition on the DPS for FY2015, as if FHT had completed the Acquisition and the issuance of the Perpetual Securities on 14 July 2014 and held the Property through to 30 September 2015 are as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
Net Property Income (S\$ '000)	105,721	113,257
Distributable Income (S\$ '000)	93,725	94,764
Issued and issuable Stapled Securities ('000)	1,368,026	1,369,812 ⁽¹⁾
DPS (Singapore cents)	7.56	7.63

¹ Computed based on the audited consolidated financial statements of FHT for the financial year ended 30 September 2015 ("FY2015"). Please see paragraph 4.2 above for further details on the pro forma financial effects of the Acquisition.

Note:

(1) Takes into account the issue of Stapled Securities as payment of the Acquisition Fee.

(ii) **Pro Forma NAV per Stapled Security**

FOR ILLUSTRATIVE PURPOSES ONLY: the pro forma financial effects of the Acquisition on the NAV per Stapled Security as at 30 September 2015, as if the Acquisition was completed on 30 September 2015, are as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
NAV (S\$ '000)	1,172,282	1,263,608
Issued Stapled Securities ('000)	1,357,379	1,359,165 ⁽¹⁾
NAV per Stapled Security (Singapore cents)	86.36	92.97

Note:

(1) Takes into account the issue of Stapled Securities as payment of the Acquisition Fee.

5. INTERESTS OF THE DIRECTORS AND CONTROLLING STAPLED SECURITYHOLDERS

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

- (a) Mr Law Song Keng is the Chairman and Independent Director of the Managers and has a direct interest in 416,590 Stapled Securities;
- (b) Mr Choe Peng Sum is a Non-Executive Director of the Managers and has a direct interest in 400,000 Stapled Securities;
- (c) Mr Lim Ee Seng is a Non-Executive Director of the Managers and has a direct interest in 400,000 Stapled Securities; and
- (c) Mr Panote Sirivadhanabhakdi is a Non-Executive Director of the Managers and has a deemed interest in 535,841,000 Stapled Securities.

5.2 Save as disclosed above and based on information available to the Managers as at the date of this announcement, none of the Directors or the controlling Stapled Securityholders has an interest, direct or indirect, in the Acquisition.

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 Acquisition or any other transactions contemplated in relation to the Acquisition.

6.2 Relative Figures Computed on the Bases Set Out in Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rules 1006(b) and 1006(c) of the Listing Manual of the SGX-ST (“**Listing Manual**”) are as follows:

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

Comparison of:	The Acquisition	FHT	Relative Figure
Profits ⁽¹⁾ (S\$ million)	3.1 ⁽²⁾	48.6 ⁽³⁾	6.4%
Purchase Consideration against market capitalisation (S\$ million)	90.4	1,122.4 ⁽⁴⁾	8.1%

Notes:

- (1) In the case of a REIT, net property income is a close proxy to the net profits attributable to its assets.
- (2) Pro forma profit, based on estimated net property income of the Property for FY2015.
- (3) Relates to FHT's actual net property income for the financial period from 1 October 2015 to 31 March 2016.
- (4) Based on the weighted average price of the Stapled Securities transacted on the SGX-ST on 5 May 2016, being the market day preceding the date of signing of the Sale and Purchase Agreement of S\$0.8141 per Stapled Security.

FH-REIT is established with the principal investment strategy of investing on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate located anywhere in the world except Thailand, which is used primarily for hospitality and/or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets in connection to the foregoing. Accordingly, the REIT Manager is of the view that the Acquisition is in the ordinary course of FH-REIT's business as it falls within FH-REIT's investment policy and does not change its risk profile. As such, the Acquisition is not subject to Chapter 10 of the Listing Manual.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Managers¹ at 438 Alexandra Road, #21-00 Alexandra Point, Singapore 119958 for a period of three months from this announcement:

- (i) the Sale and Purchase Agreement; and
- (ii) the full valuation report issued by Savills.

The REIT Trust Deed, the trust deed constituting FH-BT and the stapling deed of FHT will also be available for inspection at the registered office of the Managers for so long as FHT is in existence.

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

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)

Piya Treruagrachada

Company Secretary

6 May 2016

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, Perpetual (Asia) Limited (formerly known as The Trust Company (Asia) Limited), in its capacity as trustee of FH-REIT (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.

ADDITIONAL INFORMATION – AUSTRALIA'S FOREIGN INVESTMENT REGIME

Australia's foreign investment regime was substantially re-written and amended on and from 1 December 2015.

Notifiable actions (i.e. mandatory notification)

Investors who are "*foreign persons*"¹ that acquire Stapled Securities are required under the Australian Foreign Acquisitions and Takeovers Act 1975 ("**FATA**") or the Australian Government's Foreign Investment Policy to notify and receive a prior statement of no objection ("**FIRB Clearance**") of their investment in FHT under Australia's foreign investment regime from the Australian Treasurer through the Foreign Investment Review Board if any of the circumstances set out below apply at the time the Stapled Securities are acquired:

1 A "**foreign person**" is now defined as:

- an individual not ordinarily resident in Australia; or
- a corporation in which an individual not ordinarily resident in Australia, a foreign corporation or a foreign government holds a substantial interest; or
- a corporation in which 2 or more persons, each of whom is an individual not ordinarily resident in Australia, a foreign corporation or a foreign government, hold an aggregate substantial interest; or
- the trustee of a trust in which an individual not ordinarily resident in Australia, a foreign corporation or a foreign government holds a substantial interest; or
- the trustee of a trust in which 2 or more persons, each of whom is an individual not ordinarily resident in Australia, a foreign corporation or a foreign government, hold an aggregate substantial interest; or
- a foreign government; or
- any other person, or any other person that meets the conditions, prescribed by the regulations.

- (a) if either FH-REIT or FH-BT is considered to be an "Australian Land Trust" ("**ALT**")¹ at the time of acquisition, all foreign persons acquiring Stapled Securities (including existing holders of Stapled Securities acquiring additional Stapled Securities) will require FIRB Clearance unless an exemption applies (see below); and
- (b) any investor that is a Foreign Government Investor² acquiring a "**direct interest**"³ in FHT will require FIRB Clearance at the time of acquisition, regardless of whether FH-REIT or FH-BT is considered to be an ALT or whether FHT has gross Australian assets in excess of AUD252.0 million.

Exemptions from ALT requirements

The FATA, as recently amended, contains two relevant exemptions from the requirement to obtain FIRB Clearance that would otherwise apply if FH-REIT or FH-BT was considered to be an ALT:

- (a) the relevant person's interest in FH-REIT or FH-BT would not be valued in excess of a specified threshold prescribed under the FATA (at the date of this announcement, the threshold prescribed under the FATA is AUD252.0 million, unless the ALT has 'sensitive' land holdings, in which case the threshold is AUD55.0 million)⁴; and
- (b) the relevant person, together with associates, is acquiring an interest of less than 10% in FHT and will not be in a position to influence or participate in the central management and control of the land entity or to influence, participate in or determine the policy of the land entity.⁵

1 Previously, this was an "Australian Urban Land Trust Estate". An ALT is similarly defined, being a unit trust in which the value of interests in Australian land exceeds 50% of the value of the total assets of the unit trust.

2 A "**foreign government investor**" is now defined to mean:

- a foreign government or separate government entity;
- a corporation or trustee of a trust in which:
 - a foreign government or separate government entity, alone or together with one or more associates, holds a substantial interest (that is, an interest of at least 20%); or
 - foreign governments or separate government entities of more than one foreign country (or parts of more than one foreign country), together with any one or more associates, hold an aggregate substantial interest (that is, an interest of at least 40%);
- a general partner of a limited partnership in which:
 - a foreign government or separate government entity, alone or together with one or more associates, holds an interest of at least 20%; or
 - foreign governments or separate government entities of more than one foreign country (or parts of more than one foreign country), together with any one or more associates, hold an aggregate interest of 40 per cent or more; or
- a corporation, trustee or general partner of a kind described above.

3 A "**direct interest**" is now defined to mean:

- an interest of at least 10% in the entity or business, or
- an interest of at least 5% in the entity or business if the person who acquires the interest has entered a legal arrangement relating to the businesses of the person and the entity or business, or
- an interest of any percentage in the entity or business if the person who has acquired the interest is in a position to:
 - participate or influence the central management and control of the entity or business; or
 - influence, participate or determine the policy of the entity or business.

4 This is a new exemption that was introduced into the FATA on and from 1 December 2015 and applies in respect of ALTs that have predominantly developed commercial real estate portfolios (i.e. less than 10% residential or vacant commercial land). Previously, there was no applicable monetary threshold. FIRB has also confirmed that it is the value of the interest being acquired, rather than the value of the underlying land that is determinative for the purposes of this exemption. The concept of 'sensitive' land is broad and includes mines and critical infrastructure (for example, an airport or port).

5 This exemption reflects the "*passive investor administrative exemption*" that was previously available, and applies where an ALT is listed on an official stock exchange (whether in Australia or not).

Significant actions (i.e. voluntary notification)

If FHT has gross Australian assets in excess of a specified threshold prescribed under the FATA (as at the date of this announcement, the threshold prescribed under the FATA is AUD252.0 million for most private foreign investors)¹ at the time of acquisition, all investors (i) who are foreign persons and (ii) who are acquiring a Substantial Interest in FHT or have a Substantial Interest² and increase their holding, should note that, while prior notification and FIRB Clearance are not required, the Australian Treasurer still has the power to make adverse orders under the FATA if such transaction is considered to be contrary to Australia's national interest.³ In such case, it may be prudent for an Investor to seek FIRB Clearance on a voluntary basis.

As at 31 March 2016, the value of the Australian assets comprised in FH-REIT's portfolio is 20.8% of the total asset value of FH-REIT. FH-BT was dormant as at 31 March 2016. Consequently, FHT is not considered to be an ALT.

As at 31 March 2016, FHT has gross Australian assets of approximately AUD409.7 million, which is above AUD252.0 million.

Any Investor acquiring Stapled Securities on the secondary market should seek their own advice on the FIRB requirements as they pertain to their specific circumstances.

1 A higher threshold of AUD1094.0 million applies to foreign persons that are enterprises from the United States, New Zealand, Chile, Japan, South Korea or the People's Republic of China.

2 A person holds a "**Substantial Interest**" in a trust if the person together with any one or more associates, holds a beneficial interest in at least 20% of the income or property of the trust. Before 1 December 2015, the threshold was 15%.

3 Previously, such an acquisition would have been captured by the mandatory notification regime; it is now captured only by the voluntary notification regime.