JOURNEY of **Refinement**

In 1985, F&N's Singapore brewery and soft drinks plants were relocated to pave the way for a new core business – Property development and investment. The old brewery and plants were re-developed into what is known today as *Anchorpoint* and the Group's first residential project, *The Anchorage*. Since 1990, we have come a long way as a single mall operator to our current position as a full-fledged real estate group with a strong foothold in property development, property investment, serviced residences and investment funds. While FY2012 earnings were adversely affected by a change in accounting standards, our multifaceted journey with Development Property and Commercial Property marches on to create growth opportunities and sustain our business for all stakeholders far into the future.

Achieved Revenue of

$1,345M

BUSINESS OVERVIEW

This year, earnings from Properties dropped 39% to $364 million on a 39% decline in revenue. Properties earnings were dampened upon the Group's adoption of INT FRS 115 accounting standards, which created volatility in Development Property's profit. Under this new rule, earnings of overseas and certain Singapore residential developments are recognised only upon completion, and not according to construction progress. Consequently, despite achieving strong pre-sales of private residential units in Australia and China as well as executive condominium units in Singapore, such revenue and profit were not recognised in FY2012. Specifically, earnings of the 573-unit *Esparina Residences* (99% sold), an executive condominium in Singapore, and phases 1 and 2 of the mixed-use *Central Park* project in Australia (74% sold) would only be recognised upon construction completion in the coming financial year. At the end of FY2012, the Group had unrecognised contracted sales of $3.1 billion from Singapore and overseas pre-sold residential projects.

Achieved PBIT of

$364M

LIM EE SENG
CHIEF EXECUTIVE OFFICER

From left: *Watertown, Capri by Fraser*

Last year, Development Property earnings were also lifted by a $68 million gain from the Group's sale of its 50% stake in the mixed-use *Central Park* project in Australia to Sekisui House Ltd. Both the absence of this gain and the accounting change mentioned above have resulted in a 55% drop in Development Property earnings.

The changes in accounting standards will create volatility and lumpiness in F&N's earnings. To minimise earnings volatility, the Group will focus on achieving its sales target of over 1,000 units in its key overseas markets of Australia and China, as well as ensuring completion of overseas development projects every year. To further minimise earnings volatility, F&N will continue to grow and strengthen its Commercial Property division so as to ensure a stronger flow of recurring income. This year, the Group successfully bought the remaining 68% interest in *Fraser Suites Kensington* and added *Fraser Place Queens Gate* in London, *Fraser Suites Perth* in Australia and *Capri by Fraser* in Singapore to its Hospitality portfolio.

Market Review

Singapore's residential market remained resilient despite economic uncertainties and the government's effort to cool the property market. The first nine months of 2012 saw primary home sales totalling 17,927 units, up 12.7% from 15,904 units in 2011 and about 10% in 2010. It has been estimated that the aggregate residential sales in 2012 is between 20,000 and 23,000 units, surpassing the record set in 2010 (DTZ).

Overall, private home prices rose 0.6% in the 3Q 2012, the highest increase this year. Based on Knight Frank's residential property basket, prices of mass market and mid-tier properties increased 3.0% and 4.8% respectively from the previous quarter. Driving the demand in 3Q was mass market homes (excluding Executive Condominiums) which garnered 79% market share in September, up from 59% in August (The Edge 22 Oct).

For the Singapore office market, concerns about the Eurozone debt crisis and slowing growth momentum in Asia weighed heavily on consumer and business confidence. Suppressed leasing activities could be seen among large space occupiers including major banks and financial institutions, as they remained cautious of the economic uncertainties. It was observed that the majority of the take-up in 3Q were of Grade A office spaces of less than 20,000 square feet (Colliers).

According to Colliers International, the average occupancy rate of Grade A offices in the CBD grew from 92.0% in 2Q to 93.1% in 3Q, which is the highest in five quarters. The City Hall/Marina and Raffles Place/New Downtown micro-markets saw the biggest jump by 2.6% and 1.7% respectively during the quarter. The city fringe micro-market continued to enjoy the highest occupancy at 98.7%, whilst the Orchard Road micro-market experienced the lowest rate at 87.4% as at end of September 2012. In general, the overall improvement in occupancy rate of Grade A office space in Singapore has helped moderate rental decline for two consecutive quarters.

The retail property market in Singapore on the other hand stayed buoyant with the opening of new malls, stores and restaurants, as well as new brand entrants in the 3Q. Renowned F&B chefs and international brands were still looking for viable locations in new and existing malls to establish their presence in Singapore. As a result, retail rents in both Orchard Road and Regional Centres (suburban residential estates) have been holding steady in 3Q. The monthly prime rents in Orchard Road at the end of September 2012 remained unchanged from the previous quarter staying firm at $31.60 per square foot ("psf"), whilst the average monthly gross rent of prime space in suburban stabilised at $29.75 psf per month (CBRE).

Meanwhile, the hospitality sector continued to see positive demand in 2012, boosted by strong visitor arrivals as well as new setups by regional headquarter offices in Singapore. In general, occupancy rates for serviced residences in Singapore are stronger than for hotels, clocking an average occupancy of 91.8% in 2011 (CBRE), versus an average of 86% for hotels (STB).



***Clockwise from left:** eCO, Twin Waterfalls, Palm Isles*

DEVELOPMENT PROPERTY

With a strong focus on capital management, the Group continues to deploy its strategy of fast turnover of land bank to deliver its pipeline in Singapore, China and Australia, while maintaining strong discipline in pricing land bids.

Strong residential sales in Singapore

The year saw four new residential launches in Singapore, yielding a total of 2,900 units. Our joint venture project *Watertown*, Punggol's first integrated waterfront residential and retail development, was launched over the Lunar New Year season with resounding success. Jointly developed with Far East Organization ("FEO") and Sekisui House Ltd ("Sekisui"), *Watertown* was the best-selling condominium in January 2012 with a total of 771 units sold within two weeks of its launch. To date, more than 950 of the 992 units have been sold.

Riding on the positive demand, two more projects were launched in quick succession in March - the 728-unit *Twin Waterfalls* executive condominium ("EC") and the 430-unit *Palm Isles*. Located just minutes away from the Punggol Central/ Walk MRT-cum-LRT station, *Twin Waterfalls*' 182 units were snapped up within two hours of its launch. As at 30 September 2012, *Twin Waterfalls* was close to 100% sold. *Palm Isles* at Flora Drive, which has a unique "garden homes" concept, has so far achieved steady sales of 75%.

Meanwhile, the 750-unit *eCO*, launched in mid-September 2012, saw more than 400 units sold within two weeks. A joint venture project with FEO and Sekisui, this new private residential development has attracted strong attention and interest among buyers due to its proximity to the Tanah Merah MRT station and its unique eco-friendly theme.

This year, including previously launched projects, we sold 3,047 residential units in Singapore, far exceeding our annual sales target of 1,000 units. During the year, the Group also obtained Temporary Occupation Permits for three residential developments - 81-unit *Residences Botanique*, 712-unit *Caspian* and 330-unit *8@Woodleigh*, all of which have been fully sold.

Disciplined approach in replenishing land bank

We continued to tap the government land sales programme to replenish our land bank, focusing on the mid and mass market segments. With disciplined pricing in land bids and strategic partnerships, we successfully acquired two residential sites at Bedok South Avenue 3 (launched as *eCo* in September 2012) in February 2012 and Tampines Avenue 10 (to be launched as *Qbay Residences*) in May 2012 at $534 psf and $418 psf respectively. More recently, the Group picked up another EC site in Woodlands at $302 psf. Altogether, these sites added 1,800 units to our land bank.

With all the acquisitions successfully launched within nine months, the Group once again demonstrated its key strength in unlocking land bank value. These launches comprised *Twin Waterfalls* EC at an average selling price of $710 psf, *Palm Isles* at $860 psf and *eCO* at $1,260 psf. The fourth site, *Qbay Residences* at Tampines Avenue 10 acquired in May 2012, is targeted to be launched in 1Q 2013.

SINGAPORE: Projects currently under development

Projects	No. of units	% Sold @ 30 Sep 12	% Completion @ 30 Sep 12	Ave. selling price ($ psf)	Land cost ($ psf ppr)	Est. completion date
8@Woodleigh	330	100%	100%	$790	$267	Completed
Caspian	712	100%	100%	$610	$248	Completed
Residences Botanique	81	100%	100%	$1,020	$260	Completed
Waterfront Key	437	100%	96%	$840	$240	Oct-12
Esparina Residences EC	573	99%	62%	$740	$315	Apr-13
Flamingo Valley	393	86%	59%	$1,230	$415	Dec-13
Waterfront Gold	361	100%	43%	$970	$240	Jan-14
Eight Courtyards	656	94%	35%	$800	$321	May-14
Waterfront Isle	563	97%	23%	$990	$240	Nov-14
Boathouse Residences	494	84%	19%	$900	$320	Dec-14
Seastrand	475	85%	16%	$900	$334	Jun-14
Twin Waterfalls EC	728	96%	10%	$710	$270	Jan-15
Watertown	992	96%	6%	$1,160	$482	Jun-16
Palm Isles	430	75%	6%	$860	$325	Aug-15
eCO	750	0%	0%	$1,260	$534	Jun-15

SINGAPORE: Land bank

Sites	Location	Effective interest	Est. no. of units	Est. saleable area (mil sqf)	Land cost ($ psf ppr)	Tenure	Est. launch ready date
Qbay Residences	Tampines	33%	632	0.60	$418	Leasehold	1Q2013
Woodlands Ave 6/Dr 16 EC	Woodlands	70%	418	0.50	$302	Leasehold	2Q2013
51 Cuppage Road	Orchard Road	100%	249	0.24	$1,194	Leasehold	TBD
TOTAL			**1,299**	**1.34**			

Twin Waterfalls

Robust sales in Australia, led by Central Park Sydney

The Group's overseas property subsidiary, Frasers Property Australia and its joint venture partner Sekisui launched for the first time in Asia, *The Mark*, phase 3 of Central Park, Sydney. It was released simultaneously in Singapore, Hong Kong and Sydney and sold more than 50% of the 203 initially released apartments at an average of A$13,360 per square meter ("psm"). *The Mark* features 412 apartments within a soaring glass tower designed by Johnson Pilton Walker, one of Australia's leading architectural firms. At 27 storeys, *The Mark* will offer panoramic views across the newly completed Chippendale Green and east to the city skyline and will be the second tallest building at Central Park, the first being *One Central Park*, phase 1 of Central Park.

This year, a total of 289 sales were achieved across all phases of Central Park, translating into a value of A$200 million and an average sales price of A$13,070 psm.

In November 2012, Central Park will launch its most exclusive properties –*Sky at One Central Park* – featuring 38 luxurious penthouse and sub-penthouse apartments. Ranging in size from 103 to 213 square metres ("sqm") for two- and three-bedroom apartments and from 182 to 260 sqm for the dual-level three-bedroom penthouses, prices range from A$1.3 million to A$2.9 million.

Strong sales were also recorded at *QIII*, which is part of our flagship mixed-use Queens Riverside project in Perth. The Queens Riverside development combines approximately 410 residential apartments in three separate buildings, together with commercial and retail outlets at the ground level, and the newly completed 236-unit serviced residence, *Fraser Suites Perth*, which opened in October 2012.

As of 30 September 2012, more than 68% of *QIII*, or 182 of the 267 apartments, have been sold, at an average of A$9,500 psm.

Another project which enjoyed steady sales during the year was *Putney Hill* in Ryde, situated 12 km north-west of Sydney's Central Business District. Out of the 84 medium-density houses launched in November 2011 (the second phase of the medium-density housing release), 81 were sold at an average selling price of A$1 million. Thereafter, the 54-unit *Figtree* low-rise development was launched in May 2012. A total of 45 apartments were sold at an average selling price of A$672,000, an average of A$8,025 psm.

For FY2012, a total of 134 dwellings were sold at this *Putney Hill* development, translating to a sales value of approximately A$120 million.

Following adoption of the new accounting standards, revenue and profit from these pre-sold projects are only allowed for recognition upon completion of projects, compared with the previous practice of progressive recognition.

In October 2012, the next stage of this project was also launched. *The Palmera* development, which comprises a collection of 91 premium apartments, was priced at an average of A$8,250 psm.

We have also recently lodged an application for planning approval for a 742-unit development in Parramatta, on the banks of the Parramatta River, Sydney. Upon receiving approval in early 2013, the first stage of 250 units will be marketed in mid-2013.

Continued focus on capital management in China

In China, the Group continued to enjoy steady sales from new launches. As part of the phase 2 launch, *Baitang One* in Suzhou released 244 units for sale in April 2012 out of which 100 units or 41% were sold at an average of RMB11,800 psm. Given the positive response, 294 additional units were subsequently released for sale.

For the completed phase 1 of *Shanshui Four Seasons* which comprises 418 units, the project was fully sold at the end of the financial year.

The Group currently operates its business in China via many other private companies and a listed company, Frasers Property (China) Ltd ("FPCL"). On 28 September 2012, as part of the Group's effort to consolidate its China operations, we sold our entire 56% stake in FPCL for HK$1.654 billion (about S$261 million) and realised a gain of $38 million in FY2012. This new operating structure would allow for greater focus, efficiency and fundings for our China operations. The Group will reinvest the sale proceeds to grow its property portfolio and further strengthen its presence in China.

In addition, the year also saw the completed sale of a car showroom development at Plot 2, phase 3 of *Chengdu Logistics Hub*. The development was sold to Chengdu Yuntong for about RMB214 million.

Sky at One Central Park

The Mark



***From left:** QIII, Baitang One, Park Lane (interior), Central Park, Putney Hill (interior)*

AUSTRALASIA: Projects currently under development

Projects	Location	Effective interest	No. of units	% Sold @ 30 Sep 12	Ave. selling price (A$ psf)	Land cost (A$ psf)	Est. completion date
City Quarter (Trio and Alexandra)	Sydney	88%	409	99%	A$665	A$94	Completed
Lorne Killara	Sydney	75%	40	88%	A$600	A$130	Completed
Lumiere Residences	Sydney	81%	456	99%	A$1,050	A$86	Completed
Frasers Landing	Western Australia	56%	171	19%	A$55	A$6	NA
One Central Park	Sydney	38%	623	86%	A$1,140	A$252	2013
Park Lane	Sydney	38%	393	55%	A$1,240	A$257	2013
Putney Hill	Sydney	75%	229	59%	A$570	A$100	2014
QIII	Perth	88%	267	68%	A$910	A$29	2014
The Mark	Sydney	38%	412	32%	A$1,240	A$256	2014
Coast Papamoa Beach	New Zealand	68%	86	16%	NZ$70	NZ$10	NA

AUSTRALASIA: Land bank

Sites	Location	Effective interest	Est. no. of units	Est. saleable area ('m sqf)	Land cost (A$ psf)
Central Park - JV	Sydney	38%	871[1]	0.98	A$163
Central Park - Non-JV	Sydney	75%	323	0.28	A$163
Frasers Landing	Western Australia	56%	885	1.37	A$6
Killara Pavilions (3, 5, 7)	Sydney	75%	99	0.09	A$151
Parramatta River	Sydney	75%	742	0.69	A$31
Putney Hill	Sydney	75%	560	0.42	A$42
Queens Riverside	Perth	88%	143	0.20	A$30
Broadview Rise	New Zealand	75%	29	0.07	NZ$77
Coast @ Papamoa	New Zealand	68%	634	1.89	NZ$6
TOTAL			**4,286**	**5.99**	

Note:
1 *Inclusive of student accomodation and commercial space*

  

CHINA: Projects currently under development

Projects	Location	Effective interest	No. of units	% Sold @ 30 Sep 12	Ave. selling price (RMB psf)	Land cost (RMB psf)	Est. completion date
Baitang One (Phase 1A)	Suzhou	100%	426	99%	RMB1,240	RMB233	Completed
Chengdu Logistics Hub (Phase 1- Office)	Chengdu	80%	136	99%	RMB500	RMB14	Completed
Chengdu Logistics Hub (Phase 1- Warehouse)	Chengdu	80%	1	For lease	NA	RMB17	Completed
Shanshui Four Seasons (Phase 1)	Shanghai	45%	418	100%	RMB1,270	RMB76	Completed
Baitang One (Phase 1B)	Suzhou	100%	542	78%	RMB1,270	RMB233	Completed
Baitang One (Phase 2A)	Suzhou	100%	538	19%	RMB1,050	RMB233	2013

CHINA: Land bank

Sites	Location	Effective interest	Est. no. of units	Est. saleable area ('m sqf)	Land cost (RMB psf)
Baitang One (Phases 2B - 3)	Suzhou	100%	2,480	3.57	RMB233
Shanshui Four Seasons (Phases 2 - 5)	Shanghai	45%	5,077	7.37	RMB115
Residential			7,557	10.94	
Chengdu Logistic Hub (Phases 2 - 4)	Chengdu	80%	-	3.33	-
Commercial			-	3.33	
TOTAL			**7,557**	**14.27**	

COMMERCIAL PROPERTY

It was yet another successful year for the Group, with its retail and office REITs optimising returns for their unitholders, and Hospitality division extending its global footprint with 47 properties in 29 key gateway cities and another 29 properties on the drawing board.

RETAIL

Delivering growth and creating value for retail portfolio

Frasers Centrepoint Trust ("FCT"), our retail real estate investment trust ("REIT"), achieved a strong finish in FY2012 with new highs in revenue, earnings, distribution per unit ("DPU") and net asset value ("NAV"). Gross revenue for FY2012 was $147 million, up 25% and net property income was $104 million, up 26%. DPU for the year was 10.01 cents, up 20% and it is the sixth consecutive year of DPU growth since FCT's listing.

The good results were attributed to the strong performance of *Causeway Point*, full-year contribution from *Bedok Point* and positive growth in every mall in FCT's portfolio. Overall occupancy remained steady at 94% as at 30 September 2012. The occupancy is expected to improve as the asset enhancement initiative at *Causeway Point* progresses towards full completion by end-December 2012. FCT achieved healthy average rental reversions of 12% during the year, as demand from its prospective and existing tenants remained strong.

During the year, our non-REIT portfolio of malls such as *The Centrepoint* and *Changi City Point* enjoyed strong occupancy at 99.5% and 97% respectively, whilst *Valley Point Shopping Centre* achieved 100% occupancy.

Our property division was appointed in April 2012 to manage *Eastpoint Mall*, making it the 12th mall under the Frasers Centrepoint Malls brand. Leveraging on our expertise in asset enhancement, the 190,000-sqf suburban mall will also embark on an asset enhancement programme to rejuvenate its premises. Owned by NTUC Income, this 16-year old mall currently has 161 tenants spread over six levels of retail space. The mall is targeted to reopen in 2014 with a brand new positioning.

OFFICE

Re-shaping the office portfolio for growth

During the year, Frasers Commercial Trust ("FCOT"), our office and business park REIT, acquired the remaining 50% interest in *Caroline Chisholm Centre* in Canberra, Australia for A$83 million, which represents a 13% discount compared to the valuation of A$95 million. The acquisition is in line with its objective to deliver regular and stable distributions to unitholders by identifying yield accretive quality income producing assets.

In September 2012, it divested *KeyPoint*, a 34-year old non-Grade A commercial building in Singapore for $360 million, a 26% premium to its book value. This helped to unlock value, enabling FCOT to deploy the sale proceeds into higher yielding assets, as well as lower its gearing level, thereby providing FCOT with greater financial flexibility going forward.

This year, FCOT recorded strong performances on various fronts, including revenue, net property income ("NPI"), portfolio valuation and net asset value. It achieved its third year of consecutive growth in DPU since the completion of the recapitalisation exercise in 2009. Driving its profit growth was higher rental income with Singapore and Australia being the largest contributor to the NPI. FCOT's distributable income surged 19% to $43 million, and its DPU for FY2012 was 6.69 cents, an increase of 16% from FY2011.

The Group's non-REIT offices in Singapore continued to enjoy healthy occupancy. Our two office towers, *Alexandra Point* and *Valley Point Tower*, respectively achieved 95% and 78% occupancy amidst the challenging macro environment.

In China, *Chengdu Logistics Hub's* warehouse, comprising a net lettable space of 717,047 sqf, achieved an occupancy rate of 73%.

Over in Vietnam, demand for office space continued to be strong with *Me Linh Point* achieving 100% occupancy.

Commercial Portfolio

Properties	Effective interest	Book value	Net lettable area (sqf)	Occupancy FY2012	Occupancy FY2011
SINGAPORE: REIT retail asset (Frasers Centrepoint Trust)					
Anchorpoint	41%	$81m	71,610	99%	99%
Bedok Point	41%	$128m	81,393	99%	98%
Causeway Point	41%	$890m	415,896	88%	92%
Northpoint	41%	$570m	234,781	100%	98%
YewTee Point	41%	$147m	73,602	96%	96%
SINGAPORE: Non-REIT retail asset					
Compass Point	19%	$519m	269,546	100%	100%
Eastpoint Mall[1]	-	NA	189,986	NA	NA
Robertson Walk	100%	$80m	97,044	93%	83%
The Centrepoint	100%	$628m	332,240	100%	98%
Valley Point (Retail)	100%	$33m	39,817	100%	100%
Changi City Point	50%	$99m	207,236	97%	73%
Waterway Point (Punggol mixed-use site)[2]	33%	NA	382,451	NA	NA
OVERSEAS: Non-REIT retail asset					
China, Beijing: Crosspoint	100%	$51m	101,119	91%	84%
TOTAL RETAIL		**$3,226m**	**2,496,721**		
SINGAPORE: REIT office/business park asset (Frasers Commercial Trust)					
55 Market Street	27%	$128m	71,872	90%	96%
Alexandra Technopark	27%	$390m	1,047,552	100%	100%
China Square Central[3]	27%	$558m	367,574	74%	100%
SINGAPORE: Non-REIT office/business park asset					
Alexandra Point	100%	$230m	198,691	95%	98%
Valley Point (Office)	100%	$202m	183,108	79%	97%
Changi Business Park (Office)[2]	50%	$94m	640,407	NA	NA
51 Cuppage Road	100%	$392m	276,648	64%	57%
OVERSEAS: REIT (Frasers Commercial Trust)					
Australia, Canberra - Caroline Chisholm Centre	27%	$255m	433,182	100%	100%
Australia, Perth - Central Park	27%	$427m	357,432	96%	100%
Japan, Osaka - Galleria Otemae Building[4]	27%	$43m	108,405	66%	89%
Japan, Tokyo - Azabu Aco Building[4]	27%	$21m	15,944	100%	100%
Japan, Tokyo - Ebara Techno-Serve Headquarters Building[4]	27%	$30m	53,805	100%	100%
OVERSEAS: Non-REIT office/business park asset					
China, Chengdu - Chengdu Logistics Hub	80%	$82m	717,047	73%	71%
Vietnam, Ho Chi Minh City - Me Linh Point	75%	$50m	188,896	100%	96%
TOTAL OFFICE/BUSINESS PARK		**$2,902m**	**4,660,563**		
TOTAL COMMERCIAL PROPERTY ASSET		**$6,128m**	**7,157,284**		

Note:

1 Managed by Frasers Centrepoint Group
2 Currently under construction
3 Committed occupancy as at 30 September 2012 was 86%
4 Japanese properties were divested in October 2012

Clockwise from top: *Changi City Point, Bedok Point, Causeway Point*

Clockwise from top left: *Chengdu Logistics Hub, Alexandra Point, Caroline Chisholm Centre, China Square Central*

Clockwise from top left: *Fraser Suites Doha, Fraser Suites River Valley, Fraser Suites Sydney*

HOSPITALITY

Maintaining premier leadership through consistent offerings

As part of the Group's ongoing efforts to maintain our leading position as a premier global brand, Frasers Hospitality embarked on asset enhancement initiatives on several properties - *Fraser Suites Singapore*, *Fraser Suites Glasgow*, *Fraser Place Canary Wharf, London*, *Fraser Place Manila*, and *Fraser Residence Shanghai*, as well as the refurbishment of *Fraser Place Melbourne*. With the completion of these renovations, our residents will continue to enjoy consistent product and service offerings across all properties.

During the financial year, Frasers Hospitality officially opened its third property in the Middle East with the 138-apartment *Fraser Suites Doha*. Strategically located on the famous Corniche, residents enjoy an unparalleled vista of the turquoise Arabian Sea from their elegant and spacious apartments. In addition, it also opened its 12th property in China with the grand opening of *Fraser Suites Chengdu*, which is part of the city's most prestigious development. Impressive high ceilings adorned with six huge hooped chandeliers greet residents when they enter the 360-apartment property.

The hospitality division also succeeded in renewing its management contract for *Fraser Suites Insadong Seoul* for another term. Ideally located in the heart of the city, *Fraser Suites Insadong* was the first overseas property managed by the Group and it has been enjoying high occupancy. As at 30 September 2012, Frasers Hospitality has a total of over 7,090 apartments in operation.

Another key milestone this year was the launch of Frasers Hospitality's third brand - *Capri by Fraser*, and the subsequent soft opening of *Capri by Fraser*, Changi City, Singapore. The hotel residence is part of the mixed-use Changi City, a joint venture with Ascendas Land. With 313 suites and an eclectic mix of art installations, this urban and design-led hotel residence offers an extensive range of facilities and customisable services together with the comfort and convenience of a full-serviced residence. Fully equipped with high-speed and free WiFi connection throughout the property, *Capri by Fraser* is designed to meet the lifestyle needs of the 24x7 e-generation business executives on a short or mid-term stay.

Serviced Residences: Properties in Operation

Country	Property	Equity (%)	No. of units	Occupancy FY2012	Occupancy FY2011	Ave. daily rate FY2012	Ave. daily rate FY2011	Book value @ 30 Sep 12
OWNED PROPERTIES								
Australia	Fraser Suites Sydney	81%	201	88%	88%	A$239	A$237	A$99m
	Fraser Place Melbourne	100%	115	63%	72%	A$128	A$115	A$31m
China	Fraser Suites Beijing	100%	357	88%	85%	RMB759	RMB637	RMB1b
Indonesia	Fraser Residence Sudirman Jakarta	100%	108	89%	65%	US$129	US$122	US$31m
London	Fraser Place Canary Wharf	100%	97	80%	89%	£159	£153	£35m
	Fraser Place Queens Gate	100%	106	81%	87%	£134	£121	£42m
	Fraser Suites Kensington	100%	69	85%	83%	£239	£234	£92m
Philippines	Fraser Place Manila	100%	89	91%	88%	PHP6,725	PHP6,664	PHP941m
Scotland	Fraser Suites Glasgow	100%	99	73%	70%	£64	£68	£9m
	Fraser Suites Edinburgh	100%	75	81%	72%	£106	£106	£35m
Singapore	Capri by Fraser	50%	313	38%	NA	$222	NA	$51m
	Fraser Place Singapore	100%	161	78%	92%	$335	$297	$230m
	Fraser Suites Singapore	100%	251	55%	84%	$239	$275	$340m
TOTAL NO. OF ROOMS (OWNED)			**2,041**					

Country	Property	No. of units
Bahrain	Fraser Suites Bahrain	91
China	Fraser Place Shekou	232
	Fraser Residence Shanghai	272
	Fraser Suites Shanghai	187
	Fraser Residence CBD East Beijing	228
	Fraser Suites Nanjing	210
	Modena Shanghai Putuo	407
	Modena Heping Tianjin	104
	Fraser Suites Chengdu	360
	Fraser Suites Suzhou	276
	Modena Jinjihu Suzhou	237
	Fraser Suites Hong Kong	87
France	Fraser Suites Harmonie, Paris La Defense	134
	Le Claridge Champs - Elysees, Fraser Suites, Paris	110
Hungary	Fraser Residence Budapest	54
India	Fraser Suites New Delhi	92
Japan	Fraser Residence Nankai Osaka	114
London, UK	Fraser Residence Prince of Wales	18
	Fraser Residence Bishopgate	26
	Fraser Residence Blackfriars	12
	Fraser Residence Monument	14
	Fraser Residence City	22
Malaysia	Fraser Place Kuala Lumpur	216
Qatar	Fraser Suites Doha	138
Singapore	Fraser Place Fusionopolis	50
	Fraser Residence Orchard	72
South Korea	Fraser Suites Insadong, Seoul	213
	Fraser Place Central, Seoul	237
Thailand	Fraser Suites Sukhumvit, Bangkok	163
	Phachara Suites	194
Turkey	Fraser Place Anthill Istanbul	116
UAE	Fraser Suites Dubai	180
Vietnam	Fraser Suites Hanoi	185
TOTAL NO. OF ROOMS (UNDER MANAGEMENT)		**5,051**

LOOKING AHEAD

Development - Singapore

According to a recent announcement by the Monetary Authority of Singapore, Singapore could experience sluggish growth, at between 3% and 5% next year, as the outlook for the global economy remains bleak. Core inflation is likely to face upward pressure from higher food and services costs, whilst overall inflation could hover slightly above 4.5% in 2013. However, there is still a silver lining, with the domestic economy expected to stay resilient and wages continuing to rise.

In the near term, abundant liquidity resulting from the third round of quantitative easing from the US is likely to propel overseas investors to seek assets in safe havens such as Singapore. In an environment where high liquidity and low interest rate prevails, property remains an attractive investment option, especially to hedge against inflation.

Going forward, the Group will continue to focus on the mass market segment and participate in the Government Land Sales to replenish its land bank. It will exercise discretion in pricing land bids and team up with joint venture partners for viable locations. For upcoming launches, plans are underway to market the 632-unit *Qbay Residences* at Tampines Ave 10 in 1Q 2013, whilst the newly acquired EC site in Woodlands which will yield approximately 418 units, is likely to launch by 2Q 2013.

Development - Australia

Australia's economic fundamentals through 2012 remained sound, with an environment of low unemployment, interest rates and inflation. GDP growth is estimated at approximately 3%. Despite the sound economic fundamentals, negative consumer sentiment continued to constrain growth in the residential market with housing prices continuing to fall in 2012, although at relatively modest rates. Residential construction activity, home loan credit growth and sales volumes were all weighed down by sentiment rather than economic and market fundamentals. However, the recent interest rate cuts by the Reserve Bank of Australia had a positive impact on the housing market. Australian home-building approvals surged for a second month in September, a sign that housing demand is accelerating.

Of all the markets in Australia, Sydney, where most of our current projects are located, exhibited the most positive outlook with demand continuing to outstrip supply. In this market, continuous population growth, tightening residential vacancy levels and rental growth combined with current low levels of residential construction should translate into price growth in the medium term.

Moving into 2013, we will hand over more than 720 units at Central Park and see our first residents move into their newly completed apartments in *One Central Park* and *Park Lane*. A further 640 units are scheduled for handing over to owners by FY2014. In addition, we will complete the leasing of our retail centre at Central Park with the opening planned in September 2013, to take advantage of the busy Christmas period. Work will also commence on the adjacent Kensington Lane, a heritage precinct to be redeveloped as a food and beverage cluster. Kensington Lane will include the first stage of Central Park's student housing developments, the construction of which will occur concurrently with the restoration and redevelopment of Kensington Lane.

In 2013, *Putney Hill* will see the construction commencement of the phase 1 medium density housing precinct, as well as the *The Palmera* and *Figtree* apartment buildings. We will also lodge planning applications for the remaining three apartment buildings within phase 1, incorporating a further 225 apartments. Marketing will commence once approval has been secured.

In Perth, we will continue with our sales program on *QIII*, lodge planning applications and commence marketing for the final two phases of the Queens Riverside development, which consists of 143 apartments.

Clockwise from top left: *Qbay Residences, eCO (facade and deck), One Central Park*

Development - China

Since the emergence of property tightening policies in 2010, there have been signs of cooling in the overheated housing market in China. In the year, more developers have opted for price-cutting to increase transaction volume. With a gradual recovery of fundamental demand on housing recently, Chinese developers are more confident of the market outlook and are more eager to acquire lands than in the first half of the year. The local governments are also supportive in promoting land auctions in the second half of the year.

Home prices in China's second and third-tier cities have fallen more than in major cities and by as much as 15.5% compared to a year ago. Major cities such as Beijing and Shanghai have seen prices decline by 0.5% and 1.6% respectively. Home buyers are still adopting the "wait and see" attitude, anticipating home prices to stabilise further. In the short term, the government's control measures are unlikely to change. The Group adopts a cautiously optimistic outlook on China's real estate development sector with property prices expected to remain stable and fundamental demand intact. Going forward, we are ready to ride the next wave by launching phase 2 of *Shanshui Four Seasons* and phase 3 of *Baitang One* in the coming financial year.

Commercial - Retail

The retail sector in Singapore has historically demonstrated resilience through economic cycles. The larger resident population, sustained low unemployment rate and growing affluence in Singapore over the last few years have helped to boost the retail sector and underpin its resilience. The Group believes that our retail REIT, FCT, is well-positioned to benefit from these positive factors.

Looking ahead, FCT will continue to pursue growth via its three-pronged strategy – acquisition, asset enhancement, and organic growth. Key challenges ahead for FCT will be mitigating rising operating costs, and in particular, manpower-intensive costs such as general cleaning, maintenance and security services. FCT will continue to drive productivity improvement and cost efficiency in its mall management through the use of technology and optimisation of its work flow and processes.

As the sponsor of FCT, the Group will continue to support the REIT in its growth strategies and its position as a leading suburban retail mall REIT in Singapore. The Group's pipeline assets include the 207,236-sqf newly completed *Changi City Point* which is part of One@Changi City.

From top: *Baitang One, China Square Central*

From top: *Capri by Fraser, Kuala Lumpur, Capri by Fraser*

Commercial - Office

The Group will also continue to support our office and business park REIT FCOT's strategy on growing its portfolios in Singapore and Australia by proactively seeking quality yield-accretive opportunities and capitalising on the long term growth prospects of the commercial real estate sector in these two core markets.

Another important focus for FCOT will be proactive asset management. With the unveiling of the China Square Precinct Master Plan, a collaborative effort between Far East Square, China Square Central and Great Eastern Centre, a covered link way connecting the three properties, as well as the future Telok Ayer MRT station will be constructed to improve connectivity. In addition to building markers and locally-commissioned building mural artwork, a line-up of activities and promotions is in the works to generate a new buzz to the area. FCOT will upgrade the main tower block office lobby and common areas of *China Square Central* to complement the proposed covered link way and to capitalise on the opening of the future Telok Ayer MRT station in 2013.

Commercial - Hospitality

The serviced residence sector in the Asia Pacific region will continue to experience further growth. With economic prospects in the US and Europe remaining uncertain, Asia will benefit from increased foreign direct investments as companies extend their footprint in the region, encouraging business travel. The AsiaPacific region has been the world's strongest growth region in terms of international arrivals over the past two years, according to World Tourism Organization, a United Nations agency.

Moving forward, the Group will continue to expand its footprint both through strategic acquisitions in key gateway cities across Europe and Asia, as well as increase its management contracts in both key cities and second-tier cities in China.

Frasers Hospitality will open properties in Guangzhou, Gurgaon, Shanghai, Wuhan, Melbourne and Perth. With the launch of its flagship property *Capri by Fraser*, Changi City, Singapore, plans are in place to roll out the *Capri* brand aggressively across Asia with two more properties, *Capri by Fraser*, Kuala Lumpur, Malaysia and *Capri by Fraser*, Ho Chi Minh City, Vietnam, slated to open by 2013.