FRASERS COMMERCIAL TRUST
FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2018

FRASERS COMMERCIAL TRUST ("FCOT" or the "Trust") is a real estate investment trust established under a Trust Deed dated 12 September 2005 (as restated, amended and supplemented) entered into between Frasers Commercial Asset Management Ltd. (as manager of FCOT) (the "Manager") and British and Malayan Trustees Limited (as trustee of FCOT) (the "Trustee").

The principal activities of FCOT and its subsidiaries (the "Group") are those relating to investment in a portfolio of commercial real estate and real estate related assets with the primary objective of delivering regular and stable distributions to Unitholders, and to achieve long-term growth in such distributions and the net asset value per Ordinary Unit of FCOT ("Unit").

The portfolio of FCOT as at 31 December 2018 consists of direct and indirect interests in six properties as follows:-

<u>Singapore</u>

1. China Square Central located at 18, 20 & 22 Cross Street ("China Square Central")
2. Alexandra Technopark located at 438A/438B/438C Alexandra Road ("Alexandra Technopark")

<u>Australia</u>

1. 50.0% indirect interest in Central Park located in Perth ("Central Park")
2. 100% indirect interest in Caroline Chisholm Centre located in Canberra ("Caroline Chisholm Centre")
3. 100% indirect interest in 357 Collins Street located in Melbourne ("357 Collins Street")

<u>United Kingdom</u>

1. 50.0% indirect interest in Farnborough Business Park located in Farnborough, Thames Valley ("Farnborough Business Park")

SUMMARY OF CONSOLIDATED RESULTS OF FCOT AND ITS SUBSIDIARIES
- 1 October 2018 to 31 December 2018 ("1Q FY2019") vs 1 October 2017 to 31 December 2017 ("1Q FY2018")

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
Gross revenue	31,546	35,321	(11%)
Net property income	21,122	24,858	(15%)
Total return for the period	14,054	13,202	6%
Distribution Income for Unitholders	21,550	19,456	11%
Distribution per Unit (cents)			
Unitholders			
For the period	2.40 (1)	2.40 (2)	-
Annualised	9.52	9.52	-

Footnotes:
(1) The number of Units used to calculate the amount available for distribution per Unit ("DPU") is 897,928,873. Please see Section 6 for the details on the number of issued and issuable Units entitled to distribution.
(2) The number of Units used to calculate the amount available for distribution per Unit ("DPU") is 810,654,842.

1(a) Consolidated Statement of Total Return together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
Gross revenue [1]	31,546	35,321	(11%)
Property operating expenses [2]	(10,424)	(10,463)	-
Net property income [3]	**21,122**	**24,858**	(15%)
Share of results of joint venture [4]	1,576	-	NM
Interest income	37	93	(60%)
Manager's management fees	(3,418)	(3,369)	1%
Trust expenses	(512)	(455)	13%
Finance costs [5]	(4,700)	(5,960)	(21%)
Net income before foreign exchange differences, fair value changes and taxation	**14,105**	**15,167**	(7%)
Foreign exchange loss	(1,612)	(1,316)	22%
Net change in fair value of investment properties [6]	598	48	NM
Net change in fair value of derivative financial instruments [7]	186	327	(43%)
Realised gain on derivative financial instruments [8]	35	-	NM
Total return before tax	**13,312**	**14,226**	(6%)
Taxation [9]	742	(1,024)	NM
Total return for the period	**14,054**	**13,202**	6%

NM - Not meaningful

Reconciliation of Total Return for the Period to Income Available for Distribution

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
Total return for the period	**14,054**	**13,202**	6%
Non-tax deductible / (non-taxable) items and other adjustments:			
Management fees payable in Units	3,418	3,369	1%
Trustees' fees	153	167	(8%)
Amortisation of borrowing costs	124	262	(53%)
Unamortised borrowing costs expensed off	24	-	NM
Net change in fair value of investment properties	(598)	(48)	NM
Net change in fair value of derivative financial instruments	(186)	(327)	(43%)
Deferred taxation (9)	(1,065)	47	NM
Unrealised exchange loss	1,668	1,068	56%
Effects of recognising accounting income on a straight line basis over the lease term	(247)	240	NM
Gain on disposal of hotel development rights (11)	3,785	1,936	96%
Other non-tax deductible items and temporary differences	420	(460)	NM
Net effect of non-tax deductible / (non-taxable) items and other adjustments	**7,496**	**6,254**	20%
Income available for distribution to Unitholders (10)	**21,550**	**19,456**	11%
Unitholders' distribution comprise:			
- from operations	16,926	16,062	5%
- from capital returns (11)	4,624	3,394	36%
	21,550	**19,456**	11%

NM - Not meaningful

Footnotes:

(1) Gross revenue includes base rental income, car park income, service charges (payable by the tenants towards property expenses of the properties such as air-conditioning, utility charges and cleaning charges), public car park revenue and turnover rent. The composition of gross revenue by property is as follows:

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
China Square Central	6,044	6,137	(2%)
55 Market Street [(i)]	-	1,348	NM
Alexandra Technopark	8,761	11,025	(21%)
Central Park	6,093	5,810	5%
Caroline Chisholm Centre	5,119	5,411	(5%)
357 Collins Street	5,529	5,590	(1%)
	31,546	**35,321**	(11%)

(2) The composition of the property operating expenses by major items is as follows:-

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
Property maintenance expenses	2,875	3,481	(17%)
Property management fees	604	720	(16%)
Property tax	2,014	1,953	3%
Utilities	1,480	1,877	(21%)
Professional fees	840	807	4%
Insurance	240	116	NM
Council rates	555	553	-
Amortisation of leasing commission	243	207	17%
Amortisation of leasing incentives	1,029	350	NM
Other operating expenses	544	399	36%
	10,424	**10,463**	-

(3) The composition of the net property income by property is as follows:-

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
China Square Central	3,807	3,931	(3%)
55 Market Street [(i)]	-	922	NM
Alexandra Technopark	5,755	7,618	(24%)
Central Park	3,318	3,710	(11%)
Caroline Chisholm Centre	4,211	4,495	(6%)
357 Collins Street	4,031	4,182	(4%)
	21,122	**24,858**	(15%)

NM – Not meaningful

(i) 55 Market Street was divested on 31 August 2018.

Footnotes:

(4) The share of results of joint venture relates to FCOT's 50.0% interest in the profits from Farnborough Business Park Limited ("FBPL") which holds Farnborough Business Park. The acquisition of 50.0% of FBPL was competed on 29 January 2018. Summary of the share of results of joint venture, based on FCOT's 50.0% interest in the joint venture is as follows:

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
Net property income [(i)]	2,745	-	NM
Other expenses, net [(ii)]	(1,169)	-	NM
Share of results of joint venture, net of tax	**1,576**	**-**	NM

NM - Not meaningful

Note:
(i) Net property income includes rental income, service charge income and car park income from Farnborough Business Park. It also includes rent guarantee and void costs reimbursement by the vendor in relation to certain leases pursuant to the terms of the transaction as disclosed in FCOT's SGX-ST announcement dated 14 December 2017. The effects of recognising accounting income on a straight line basis over the terms of respective leases were S$896,000 (FCOT's 50.0% interest) for 1Q FY2019.
(ii) Other expenses, net, for the current period mainly arose from fair value adjustments on revaluation of Farnborough Business Park due to the recognition of rental income on a straight-line basis in accordance with the Singapore Financial Reporting Standards (Refer to Note (i) above).

(5) The composition of finance costs is as follows:-

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
Interest expense	4,552	5,698	(20%)
Unamortised borrowing costs expensed off	24	-	NM
Amortisation of borrowing costs	124	262	(53%)
	4,700	**5,960**	(21%)

NM - Not meaningful

The unamortised borrowing costs expensed off during the current period (1Q FY2018: nil) was related to the partial repayment of a loan facility.

(6) The net changes in fair value of investment properties in 1Q FY2019 and 1Q FY2018 was related to the adjustments of the changes in carrying value of the investment properties during the respective periods. The changes in the carrying value of the investment properties mainly arose from the recognition of rental income on a straight-line basis in accordance with the Singapore Financial Reporting Standards and the increase in leasing fees capitalised, net of amortization of leasing costs.

(7) The net gain arising from fair value changes of derivative financial instruments in 1Q FY2019 and 1Q FY2018 were related to fair value changes on interest rate swaps and foreign currency forward contracts.

Footnotes:

(8) The realised gain on derivative financial instruments in 1Q FY2019 was gain arising from realisation of foreign currency forward contracts. There was no realised gain/loss on derivatives financial instruments in 1Q FY2018.

(9) Taxation comprised taxation expenses for income in Australia and deferred tax provided on potential capital gains arising from the changes in fair value of Australian properties, net of tax losses.

(10) FCOT's distribution policy is to distribute at least 90% of its taxable income to the Unitholders.

(11) Unitholders' distribution from capital returns comprised:-

	Group		
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	Change
	S$'000	S$'000	%
Gain on disposal of hotel development rights (a)	3,785	1,936	96%
Return of capital from a subsidiary (b)	-	1,458	NM
Return of capital from a joint venture (c)	839	-	NM
	4,624	**3,394**	36%

(a) This relates to a portion of the net consideration received from the disposal of the hotel development rights in respect of China Square Central in August 2015, which was classified as capital distribution from tax perspective.

(b) This relates to the distribution available to Unitholders arising from the return of capital of an Australian subsidiary.

(c) This relates to distribution available to Unitholders arising from the return of capital attributable to reimbursement of lease incentives, monthly contracted rents and service charges in relation to a car showroom under construction and top-up of rents and void costs for specified unlet units pursuant to the terms for the purchase of Farnborough Business Park, as disclosed in the SGX-ST announcement dated 14 December 2017.

1(b)(i) Statements of Financial Position, together with the comparative statements as at the end of the immediately preceding financial year

	Group		Trust	
	31/12/2018	30/9/2018	31/12/2018	30/9/2018
	S$'000	S$'000	S$'000	S$'000
Non-current assets				
Investment properties (1)	1,968,401	1,977,288	1,146,474	1,140,400
Subsidiaries	-	-	472,422	472,422
Investment in joint venture (2)	153,413	156,999	-	-
Loan to a subsidiary	-	-	84,042	86,173
Fixed assets	41	40	41	40
Deferred tax asset	322	330	-	-
Derivative financial instruments (3)	4,334	1,734	4,334	1,734
	2,126,511	**2,136,391**	**1,707,313**	**1,700,769**
Current assets				
Trade and other receivables	4,626	5,100	112,160	99,465
Derivative financial instruments (3)	129	-	129	-
Cash and bank balances	20,661	31,589	15,760	25,738
	25,416	**36,689**	**128,049**	**125,203**
Total assets	**2,151,927**	**2,173,080**	**1,835,362**	**1,825,972**
Current liabilities				
Borrowings (net of transaction costs) (4)	(29,000)	(17,000)	(29,000)	(17,000)
Trade and other payables (5)	(33,914)	(37,781)	(26,658)	(29,094)
Current portion of security deposits	(6,778)	(6,562)	(6,778)	(6,562)
Derivative financial instruments (3)	(283)	(237)	-	-
Provision for taxation (6)	(3,374)	(3,110)	-	-
	(73,349)	**(64,690)**	**(62,436)**	**(52,656)**
Net current (liabilities)/ assets (7)	**(47,933)**	**(28,001)**	**65,613**	**72,547**
Non-current liabilities				
Borrowings (net of transaction costs) (4)	(579,918)	(596,490)	(389,278)	(389,209)
Derivative financial instruments (3)	(1,774)	(454)	(381)	(112)
Non-current portion of security deposits	(8,100)	(7,621)	(8,100)	(7,621)
Deferred tax liabilities (8)	(70,117)	(72,994)	-	-
	(659,909)	**(677,559)**	**(397,759)**	**(396,942)**
Total liabilities	**(733,258)**	**(742,249)**	**(460,195)**	**(449,598)**
Net assets attributable to Unitholders	**1,418,669**	**1,430,831**	**1,375,167**	**1,376,374**
Represented by:				
Unitholders' funds (9)	**1,418,669**	**1,430,831**	**1,375,167**	**1,376,374**

Footnotes:

(1) The investment properties were valued at their fair values based on independent valuations as at 30 September 2018 and subsequently adjusted for capital expenditure and capitalised leasing incentives. As at 31 December 2018, the carrying amounts of the investment properties approximated their fair values. The decrease in investment properties was mainly due to the effects of weaker Australian Dollars as at 31 December 2018 as compared to 30 September 2018 on the Australian properties which was partially offset by capital expenditure incurred during the quarter.

(2) Investment in joint venture relates to the Group's 50% interest in Farnborough Business Park.

(3) Derivative financial instruments relate to fair values of interest rate derivative financial instruments entered into in respect of the Group's borrowings and foreign currency forward contracts.

(4) The overall decrease in borrowings was due to the weakening of the Australian Dollars as at 31 December 2018 as compared to 30 September 2018 as well as the partial repayment of an Australian Dollars denominated borrowing during the period. This was offset by the additional drawdown of revolving credit facilities to finance ongoing asset enhancement initiatives ("AEI") at Alexandra Technopark and China Square Central.

(5) The decrease in trade and other payables was mainly due to the payment of performance management fees for FY2018 in October 2018 as well as the payment of certain outstanding invoices relating to AEI works.

(6) The increase in provision for tax was mainly attributable to tax provision for the current quarter.

(7) The net current liabilities position as at 31 December 2018 and 30 September 2018 was due to the revolving credit facilities drawn to finance the ongoing AEI works as well as the outstanding invoices relating to the AEI works.

(8) Deferred tax is provided for in respect of the potential capital gains arising from the changes in fair value of the Australian properties.

(9) The decrease in Unitholders' funds was mainly due to:
- effects of weaker Australian Dollars as at 31 December 2018 as compared to 30 September 2018 on the net assets attributable to the Australia operations;
- fair value loss arising from the derivative financial instruments; and
- distribution for 4Q FY2018 paid during the quarter ended 31 December 2018.

This was offset by the:
- total returns generated for the Group for the quarter ended 31 December 2018; and
- issuance of Units pursuant to distribution reinvestment plan and payment of management fees.

1(b)(ii) Aggregate amount of borrowings and debt securities

Amount repayable in one year or less, or on demand

Group			
As at 31/12/2018		As at 30/9/2018	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
-	29,000	-	17,000

Amount repayable after one year

Group			
As at 31/12/2018		As at 30/9/2018	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
-	581,248	-	597,984

Details of any collateral

All borrowings as at 31 December 2018 are unsecured.

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017
	S$'000	S$'000
Operating activities:		
Total return before tax	13,312	14,226
Adjustments for:-		
Finance costs	4,700	5,960
Effect of recognising accounting income on a straight-line basis over the lease term	(247)	240
Depreciation	5	6
Amortisation of leasing commission	243	207
Amortisation of leasing incentives	1,029	350
Interest income	(37)	(93)
Management fees payable in Units [1]	3,418	3,369
Share of results of joint venture	(1,576)	-
Net change in fair value of derivative financial instruments	(186)	(327)
Net change in fair value of investment properties	(598)	(48)
Realised gain on derivative financial instruments	(35)	-
Operating income before working capital changes	**20,028**	**23,890**
Changes in working capital:-		
Trade and other receivables	579	(9,981)
Trade and other payables	(9,930)	(2,160)
Cash generated from operations	**10,677**	**11,749**
Tax paid	(1)	(1)
Net cash generated from operating activities	**10,676**	**11,748**
Investing activities:		
Capital expenditure and leasing incentives on investment properties	(3,215)	(6,001)
Payment for leasing costs capitalised	(484)	(399)
Investment in joint venture	-	(15,836)
Net income and capital returns received from joint venture	1,415	-
Purchase of fixed assets	(6)	-
Interest received	(67)	138
Net cash used in investing activities	**(2,357)**	**(22,098)**
Financing activities:		
Proceeds from borrowings	12,000	-
Repayment of borrowings	(11,935)	-
Realisation of derivative financial instruments	35	-
Finance costs paid	(2,304)	(3,899)
Issue costs paid	(70)	(80)
Distributions paid [2]	(16,829)	(15,218)
Transaction costs on borrowings	-	(52)
Net cash used in financing activities	**(19,103)**	**(19,249)**
Net decrease in cash and cash equivalents	**(10,784)**	**(29,599)**
Cash and cash equivalents at beginning of period	31,589	74,609
Effect of exchange rate changes	(144)	(126)
Cash and cash equivalents at end of period [3]	**20,661**	**44,884**

Footnotes

(1) These amounts represent Units issuable in satisfaction of management fees payable in Units amounting to S$3.4 million for 1Q FY2019 (1Q FY2018: S$3.4 million).

(2) Pursuant to the Distribution Reinvestment Plan implemented, these amounts represent the cash component of the distributions paid and exclude the distributions paid by way of issuance of Units amounting to S$4.6 million during 1Q FY2019 (1Q FY2018: S$4.2 million).

(3) For purposes of the consolidated Cash Flow Statement, the consolidated cash and cash equivalents comprised the following:

	Group	
	31/12/2018	31/12/2017
	S$'000	S$'000
Bank and cash balances	20,661	41,766
Fixed deposits	-	3,118
Cash and cash equivalents	20,661	44,884

1(d)(i) Statements of movements in Unitholders' Funds

	Group		Trust	
	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017
	S$'000	S$'000	S$'000	S$'000
Balance at beginning of period	**1,430,831**	**1,289,349**	**1,376,374**	**1,205,265**
Operations				
Change in net assets attributable to Unitholders resulting from operations	**14,054**	**13,202**	**10,292**	**7,845**
Unitholders' transactions				
Issue of Units	10,318	4,800	10,318	4,800
Issue expenses	(70)	(80)	(70)	(80)
Distributions to Unitholders	(21,422)	(19,396)	(21,422)	(19,396)
Change in Unitholders' funds resulting from Unitholders' transactions	**(11,174)**	**(14,676)**	**(11,174)**	**(14,676)**
Foreign currency translation reserve				
Movement for the period	**(13,618)**	**(13,773)**	**-**	**-**
Hedging reserve				
Net fair value changes on derivative financial instruments	**(1,424)**	**792**	**(325)**	**537**
Balance at end of period	**1,418,669**	**1,274,894**	**1,375,167**	**1,198,971**

1(d)(ii) Details of any changes in Units

	1/10/2018 to 31/12/2018	1/10/2017 to 31/12/2017
	Units	Units
Issued Units		
Balance at beginning of period	888,600,618	805,363,832
Issue of Units - management fees	3,983,270	451,535
Issue of Units - Distribution Reinvestment Plan	3,381,980	3,047,084
Balance at end of period	895,965,868	808,862,451
Issued and issuable Units		
Issued Units at end of period	895,965,868	808,862,451
- Base Management fees payable in Units (1)	1,963,005	1,792,391
- Performance Management fees payable in Units (2)	544,580	539,526
Issued and issuable Units at end of period	898,473,453	811,194,368

Footnote:

(1) 1,963,005 Units (1Q FY2018: 1,792,391 Units) will be issued to the Manager as payment for management fees for the financial quarter ended 31 December 2018. This accounts for 100% (1Q FY2018: 100%) of the Manager's base management fees for the quarter. The price of Units issued is determined based on the volume weighted average price of the Units for last ten business days of the relevant financial period in which the base management fees accrue for.

(2) Pursuant to the Trust Deed, the performance fee is to be paid only once in each financial year, and if paid in Units, at an issue price determined based on the volume weighted average price of the Units for last ten business days ("10-day VWAP") of the relevant financial year. The number of issuable performance fee Units presented is an estimate computed using an issue price based on the 10-day VWAP for the period ended 31 December 2018. There is no certainty that the performance fee Units to be issued at the end of the financial year will be issued at this estimated issue price given that the trading price of the Units may vary.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", or an equivalent standard)

These figures have not been audited nor reviewed by the auditors.

3. Where figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the company's most recently audited annual financial statements have been applied.

Except as disclosed in item 5 below, there has been no change in the accounting policies and methods of computation adopted by the Trust and the Group for the current reporting period compared with the audited financial statements for the financial year ended 30 September 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Trust and the Group have adopted the new Singapore Financial Reporting Standards ("FRS") that are mandatory for the financial year beginning on 1 October 2018. The adoption of these FRS has no significant impact on the financial position of the Trust and the Group as at 31 December 2018 or performance of the Group for the quarter ended on that day.

6. Consolidated Earnings per Unit ("EPU") and available for distribution per Unit ("DPU") for the financial period

	1/10/2018 to 31/12/2018 S$'000	1/10/2017 to 31/12/2017 S$'000
Total return for the period	14,054	13,202
EPU		
Weighted average number of Units in issue	892,801,172	806,795,459
Basic earnings per Unit (cents)[1]	1.57	1.64
DPU		
Number of issued and issuable Units entitled to distribution [2]	897,928,873	810,654,842
Distribution per Unit based on the total number of issued and issuable Units entitled to distribution (cents)	2.40	2.40

Footnotes:

(1) Basic EPU is computed using the total return for the period and the weighted average number of Units during the period. There is no dilutive potential Units in 1Q FY2019 and 1Q FY2018.

(2) The computation of DPU for 1Q FY2019 is based on the number of Units entitled to distribution, being:
  a. The number of Units in issue as at 31 December 2018 of 895,965,868; and
  b. 1,963,005 Units to be issued to the Manager, in consideration of 100% of the Base fee payable for the quarter ended 31 December 2018.

7. Unitholders' funds per Unit based on issued Units at the end of the period

	Group		Trust	
	31/12/2018	30/9/2018	31/12/2018	30/9/2018
Unitholders' funds at end of period (S$'000)	1,418,669	1,430,831	1,375,167	1,376,374
Number of Units issued at the end of the period ('000)	895,966	888,601	895,966	888,601
Unitholders' funds per Unit (S$)	1.58	1.61	1.53	1.55
Adjusted Unitholders' funds per Unit (excluding distributable income) (S$)	1.56	1.59	1.51	1.52

8. Review of performance

Net property income for 1Q FY2019 was S$21.1 million, 15% lower than that of 1Q FY2018. The decrease was mainly due to:-

- lower occupancy rates for China Square Central and Alexandra Technopark;
- higher amortisation of leasing incentives for Central Park and 357 Collins Street;
- higher property tax for Alexandra Technopark;
- effects of the average weaker Australian dollars during 1Q FY2019 as compared to 1Q FY2018 on the income from Australian properties; and
- the disposal of 55 Market Street being completed on 31 August 2018.

The decrease was partially offset by one-off income received from a tenant at 357 Collins Street in relation to termination of lease and lower property maintenance expenses incurred for the Singapore properties.

Portfolio net property income excluded the results of Farnborough Business Park which was equity accounted for as share of results of joint venture.

The decrease in finance costs by S$1.3 million in 1Q FY2019 as compared to that of 1Q FY2018 was mainly due to lower interest expense arising from the repayment of loan facilities in September 2018 with the proceeds from the disposal of 55 Market Street. This was offset by the capitalised borrowing costs being expensed off during the quarter as a result of partial repayment of a loan facility, additional borrowings to finance the acquisition of 50.0% interest in Farnborough Business Park and ongoing AEI at Alexandra Technopark and China Square Central.

The higher foreign exchange loss in 1Q FY2019 as compared to that of 1Q FY2018 was mainly due to the depreciation of Australian dollars as at 31 December 2018 as compared to 30 September 2018.

Taxation for 1Q FY2019 included deferred tax adjustment for the Australian properties which had tax losses for the period due to leasing incentives paid. This was offset against the provision for current tax for the Australian properties. Deferred tax was provided for in respect of the potential capital gains arising from the changes in fair value of the Australian properties, net of available tax losses.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. Commentary on the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next 12 months

Singapore

The Ministry of Trade and Industry ("MTI") announced on 2 January 2019 that based on advanced estimates, the Singapore economy grew by 2.2% on a year-on-year basis in 4Q 2018, easing slightly from the 2.3% growth in 3Q 2018. On a quarter-on-quarter ("qoq") seasonally-adjusted annualised basis, the economy expanded at a slower pace of 1.6%, compared to the 3.5% growth in 3Q 2018. For the whole of 2018, the economy grew by 3.3%. MTI had also announced on 22 November 2018 that it was of the view that the pace of growth in the Singapore economy is expected to moderate in 2019 as compared to 2018. Growths in manufacturing and outward-oriented services sectors, such as wholesale trade, transportation and storage and finance and insurance, are projected to ease. Other services sectors, such as information and communications and education, health and social services, are expected to remain resilient. Overall, MTI expects the Singapore economy to grow by 1.5% to 3.5% in 2019.

For the office market, CBRE[1] reported that the overall market in 2018 outperformed expectations. Island-wide office vacancy rate reduced to 5.8% as at December 2018 compared to 6.1% a year ago, supported mainly by healthy economic growth and strong number of companies being established. As at end 4Q 2018, average rents increased 3.3% qoq to S$10.80 per square feet ("psf") per month for Grade A CBD Core, 3.8% qoq to S$8.30 psf per month for Grade B CBD Core and 3.4% qoq to S$7.70 psf per month for island-wide Grade B. According to CBRE, the outlook for the office market appears positive for the next few years as demand is expected to remain stable while the supply pipeline is reduced. CBRE projects that office rents will maintain an upward trajectory albeit at a more measured pace.

For the business park market[2], CBRE[1] reported that there remains demand for quality business park space in the city fringe, despite the limited availability and higher rents in this segment. Demand for business park space in rest of the island remains weak, which led island-wide vacancy to increase marginally to 12.2% as at December 2018 from 12.1% as at 30 September 2018. Technology firms seeking expansion were the primary demand driver for business park space. As at the end of 4Q 2018, average rents remained stable qoq at S$5.80 psf per month for city fringe business parks and S$3.80 psf per month for the rest of the island.

As at 31 December 2018, the occupancy rate at Alexandra Technopark ("ATP") including pre-committed leases was 68.6%. This included a lease for 93,302 sf by Hewlett-Packard Singapore Pte Ltd, constituting 9.0% of the net lettable area of the property, which expired on 31 December 2018[3] and was not renewed. The Manager will continue to carry out proactive leasing and asset management strategies to normalise occupancy at ATP as soon as possible.

FCOT had announced on 20 October 2017 that the retail podium at 18 Cross Street, China Square Central, would undergo a S$38 million asset enhancement initiative ("AEI"). The retail podium has been closed since January 2018 to facilitate the AEI works, which are currently expected to complete in the second half of 2019[4]. The net lettable area of the retail podium is currently expected to increase to around 78,000 sf[4] from around 64,000 sf prior to the commencement of the AEI.

Australia

In the Reserve Bank of Australia's ("RBA") Statement on Monetary Policy Decision released on 4 December 2018, the cash rate remained unchanged at 1.50%. The Australian economy is performing well. Business conditions were positive and non-mining business investment is expected to increase. According to RBA, the outlook for the labour market remained positive as unemployment rate reached its lowest level in six years and is expected to reduce further as the Australian economy is expected to continue growing above trend. RBA expects the gross domestic product ("GDP") to grow by 3.5% each in 2018 and 2019.

10. Commentary on the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next 12 months (cont'd)

Australia (cont'd)

For the Perth CBD office market, Savills Research[5] reported that the strengthening economic performance and business confidence in Western Australia has benefitted the office market, especially the Premium Grade and A Grade CBD office segments. The State Government of Western Australia has projected business investment to return to growth in 2019. Premium Grade office vacancy was 4.1% as at June 2018. Premium Grade average net face rent was A$600 to A$725 per square metre ("sqm") per annum as at September 2018, with average lease incentives between 45% and 48%. Savills was of the view that tenant demand for Premium Grade office space will drive further growth in effective rents.

For the Melbourne CBD office market, Savills Research[6] reported that total vacancy reduced from 4.5% in December 2017 to 3.6% in June 2018, the lowest level recorded in ten years. Tenant demand was strongest for A Grade office space, accounting for almost half of the 65,392 sqm of space absorbed in the first half of 2018. The market continued to be strong, on the back of strong economic performance in the state of Victoria. Melbourne CBD A Grade office average net face rent was A$520 to A$640 per sqm per annum as at September 2018, with lease incentives between 25% to 28%. Savills was of the view that strong rental growth and reduction in incentives will continue until the next delivery of new supply in 2020.

United Kingdom

In the Bank of England's Monetary Policy Committee ("MPC") meeting held on 19 December 2018, the bank rate remained unchanged at 0.75%. Monetary policy is set to meet the inflation target of around 2% and to sustain growth and employment. The labour market remains tight, and the unemployment rate is likely to remain around 4% in the near term. The MPC was of the view that the United Kingdom's ("UK") GDP is expected to grow by around 1.75% in 2018.

There are currently uncertainties in the UK with regard to the course of development of the Brexit process and its outcome, as well as the political situation in the country. These come in the wake of the UK parliament voting down the Brexit proposal which the government had negotiated with the European Union, on 15 January 2019.

For the Thames Valley office market, CBRE Research[7] reported that prime rents generally remained stable in 3Q 2018. For the Farnborough area, the indicative headline prime office rent was £29.0 psf per annum as at September 2018, with lease incentives generally at around 17.5% (based on a typical 10-year lease term). Total available space as at September 2018 was 6.7 million sf, 18% below the 5-year quarterly average. The lack of new developments in Thames Valley will likely result in competition for the best existing spaces, which could help to maintain rent levels.

[1] CBRE, Singapore Market View, Q4 2018.
[2] Alexandra Technopark is a high-specification B1 industrial development located at the city-fringe, with certain physical attributes similar to business parks. Due to limited availability of market research information directly relevant to the asset class of Alexandra Technopark, market research information for business parks is provided for indicative reference.
[3] Refer to the announcement dated 3 November 2017 for details.
[4] Subject to provisional scheme which is subject to change.
[5] Savills Research, Perth CBD Office, September 2018.
[6] Savills Research, Melbourne CBD Office, September 2018.
[7] CBRE Market View, Thames Valley & M25 Office, Q3 2018.

11. Distributions

(a) Current financial period

Name of distribution
Distribution to Unitholders ("Unitholders' Distribution") for the period from 1 October 2018 to 31 December 2018.

The Manager has determined that the Distribution Reinvestment Plan will apply to the distribution for the period from 1 October 2018 to 31 December 2018.

(b)(i) Distribution rate

	Unitholders' Distribution
	cents
Taxable income component	1.3344
Tax-exempt income component	0.5505
Capital component	0.5151
Total	**2.4000**

The Payment Date and Books Closure Date for the Unitholders' Distribution are stated in Section 11 (d) and (e) below.

(b)(ii) Corresponding period of preceding financial period

Unitholders' Distribution for the period from 1 October 2017 to 31 December 2017.

	Unitholders' Distribution
	cents
Taxable income component	1.5983
Tax-exempt income component	0.3831
Capital component	0.4186
Total	**2.4000**

(c) Tax rate

Taxable income distribution
Qualifying investors and individuals (other than those who hold their Units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deducting of tax at the rate of 10.0%. Other investors will receive their distributions after deduction of tax at the rate of 17.0%.

Tax exempt income distribution
Tax exempt income distribution is exempt from tax in the hands of all Unitholders.

Capital distribution
Capital distribution represents a return of capital for Singapore income tax purpose and not subject to tax. For Unitholders who hold the Units as trading assets, the amount of capital distribution will be applied to reduce the cost base of the Units for the purpose of calculating the amount of taxable trading gains arising from the disposal of Units.

(d) Date payable 1 March 2019

(e) Books closure date: 28 January 2019

12. If no distribution has been declared (recommended), a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from unitholders for Interested Party Transactions ("IPT"), the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no general mandate obtained from Unitholders for IPTs.

14. Confirmation pursuant to Rule 705(5) of the SGX-ST Listing Manual

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render these interim financial results to be false or misleading, in any material aspect.

15. Confirmation pursuant to Rule 720(1) of the SGX-ST Listing Manual

The Manager confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual.

For and on behalf of the Board of Directors of the Manager

Bobby Chin Yoke Choong Director	Christopher Tang Kok Kai Director

By Order of the Board
Frasers Commercial Asset Management Ltd.
(Company registration no. 200503404G)
As Manager of Frasers Commercial Trust

Catherine Yeo
Company Secretary
18 January 2019

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.